

system will be excessively large and excessively expensive. The board's approach is apparently to gather and store massive amounts of data. The system is not discriminating as to what specific information is collected, how it is analyzed, how it will be used, and how long it will be retained. A conceptual plan is essential because the quantity of available information which now exists and which will exist in the future is staggering.

The board is rushing the completion of this EDP system in order to meet the reporting requirements of the Federal Water Pollution Control Act. The board interprets the language in the act to mean that it must have a system in full operation by early 1975 to meet the federal reporting requirements. We read the language to specify that the state must be "... carrying out ... the establishment ... of appropriate ... systems ...". This difference of interpretation should be clarified. In either case the time frame specified by the federal act is unduly short for such significant data requirements and probably such requirements cannot realistically be met by the states.

If the board follows its stated implementation plan, the board's work will be transformed from an essentially manual operation to a vast EDP operation in only two years. This would be a remarkable feat given the lack of management involvement and direction to date.

The board should increase its involvement and strengthen its management control over the EDP development. The board should take the time required to properly prepare a conceptual plan and to design and develop its EDP systems, rather than trying to rush the EDP implementation to meet an arbitrary federal date. Further, the board's statewide water quality information storage and retrieval system should be integrated to the maximum extent possible with other state agencies. Hopefully, discussions with the other state agencies will result in a conceptual plan and design that can meet the needs of all the state agencies within one water quality information storage and retrieval system.

### Health and Welfare Agency OFFICE OF EDUCATIONAL LIAISON

#### Item 286 from the General

Fund	Budget p. 159	Program p. II-1
Item 286 .....		\$182,623
Available from Chapter 1176, Statutes of 1973 .....		35,845
<hr/>		
Requested 1974-75 .....		\$218,468
Estimated 1973-74 .....		259,929
Actual 1972-73 .....		48,881
Requested decrease \$41,461 (15.9 percent)		
Total recommended reduction .....		None

**OFFICE OF EDUCATIONAL LIAISON—Continued**  
**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). It serves as the main contact for communication and coordination between the Health and Welfare Agency and the Department of Education for programs relating to comprehensive child development services.

During the 1973 session, the Legislature enacted the Song-Brown Family Physician Training Act (Chapter 1176, Statutes of 1973) which has as its intent the encouragement of a greater supply of competent family physicians. It does this by providing funds for contracts with accredited medical schools and hospitals and other health care delivery systems.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval as budgeted.*

The budget proposes an appropriation of \$182,623 plus the use of carryover funds available from Chapter 1176, Statutes of 1973, for a total expenditure of \$218,468 for the 1974-75 fiscal year. That amount is a reduction of \$41,461, or 15.9 percent, from the amount estimated to be expended during the current fiscal year. The funds provide support for the 8.3 positions plus operating expenses within the office. The reason for the decrease is that there was a one-time expenditure during the current year for certain contractual services in implementing the new family physician training program. Under current law the Office of Educational Liaison will cease to exist on the 61st day after the final adjournment of the 1975 Regular Session of the Legislature.

The budget proposes a \$3,400,000 General Fund appropriation to be matched by federal funds for the child care program and is discussed in our analysis of Item 341.

The budget proposes to expend \$1,000,000 of \$3,000,000 appropriated by Chapter 1176, Statutes of 1973, for the new Family Physician Training Program. This amount is the same level of funding that was proposed during the legislative consideration of the new law.

**Health and Welfare Agency**  
**FOR ALLOCATION BY OFFICE OF EDUCATIONAL LIAISON FOR**  
**CHILD DEVELOPMENT PROGRAMS**

Item 287 from the General

Fund	Budget p. 157	Program p. II-1
Item 287 .....		\$3,400,000
Reported in departmental budget .....		2,800,000
<hr/>		
Requested 1974-75 .....		\$6,200,000
Estimated 1973-74 .....		5,333,683
Actual 1972-73 .....		1,147,250
Requested increase \$866,317 (16.2 percent)		
Total recommended reduction .....		None

The discussion of the program supported by these funds can be found in our analysis of the Child Development Programs (Item 341), Department of Education.

**Health and Welfare Agency**  
**OFFICE ON AGING**

Item 288 from the General

Fund	Budget p. 160	Program p. II-4
Requested 1974-75 .....		\$794,015
Estimated 1973-74 .....		783,580
Actual 1972-73 .....		98,473
Requested increase \$10,435 (1.3 percent)		
Total recommended reduction .....		None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. Inappropriate Use of Staff. Recommend 580
  - (a) Office on Aging report to Legislature (July 1, 1974), detailing use of staff in terms of numbers of positions filled, assignments of staff and organizational structure utilized; and
  - (b) Health and Welfare Agency be directed by the Legislature not to use Office on Aging staff to perform agency tasks. 580

**GENERAL PROGRAM STATEMENT**

The Office on Aging was created by Chapter 1080, Statutes of 1973. The chapter abolished the existing California Commission on Aging as an administrative body and established in lieu thereof the Office of Aging in the

**OFFICE ON AGING—Continued**

Health and Welfare Agency and a new Commission on Aging with 15 members to serve as an advisory body to the Governor, the Legislature and the Director of the Office on Aging concerning all problems of the aging. The commission is to serve as the principal advocate body in the state on behalf of older persons and is given a number of related responsibilities. Nine of the members will be appointed by the Governor, three by the Speaker of the Assembly, and three by the Senate Rules Committee.

The responsibilities of the newly created Office on Aging include administering funds allocated to California through the federal Older Americans Act of 1965 as amended, comprehensive program planning and development, information and referral services and regional and community development regarding programs for the aging.

Programs under the Older Americans Act of 1965 as amended have grown rapidly during the past two years. Anticipated federal expenditures will increase during the current fiscal year over the 1972-73 fiscal year by 415 percent while the state funding increase will be almost sevenfold. During the same period staff will increase from 15 positions to an estimated 84 positions as shown in Table 1.

**Table 1**  
**Growth of Program for Aging**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Percent increase</i>	<i>Proposed 1974-75</i>	<i>Percent increase</i>
Staff .....	15.1	84.4	458.9%	85.4	1.2%
Federal funding....	\$2,757,463	\$14,203,584	415.1	\$18,683,355	31.5
State funding .....	98,473	783,580	695.7	794,015	1.3

The office, operating under the authority of the federal Older Americans Act of 1965 as amended, and Sections 18300 through 18356 of the Welfare and Institutions Code, carries out programs for aging consisting of the following.

1. Retired Senior Volunteers Program (RSVP)
2. Nutrition
3. Community Service
4. Administration

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes a General Fund appropriation of \$794,015, which is \$10,435, or 1.3 percent, above that which is anticipated to be expended during the current fiscal year. The total budget proposal, including federal funds of \$19,477,370, is an increase of \$4,490,206, or 30 percent, over the amount estimated to be expended during the current year. Item 269 of the 1973 Budget Act appropriated \$510,657 for support of the Commission on Aging for the 1973-74 fiscal year. A second support item of \$205,000 (Item 239.1) was available contingent upon passage of a bill creating the Office on Aging. The latter appropriation became available with the signing of Chapter 1080, Statutes of 1973, which created the office (effective January 1, 1974) and transferred all funds for support of the Commission to the



Office on Aging. Allocations for salary increase added another \$67,923, bringing the total General Fund expenditure for fiscal year 1973-74 to \$783,580. The primary reason for the dramatic increase in program costs and activities is the recently enacted Older Americans Act amendments and the mandates of Chapter 918, Statutes of 1972, and Chapter 1080, Statutes of 1973, which are the state implementation statutes for the federal act.

The state appropriation of \$794,015 is requested to provide a (1) state match of 25 percent of the total costs of the office personnel and operating expenses and (2) reserve to be utilized as a 10 percent match of federal funds establishing nutrition programs in the state. Most of the nutrition programs in the state are sponsored by local entities which provide matching funds. The state funds would be used in those instances where the local entity is unable to meet the required matching contribution. Table 2 indicates the allocation of the state Budget Act appropriation as proposed for 1974-75 compared with the estimated expenditures during 1973-74.

**Table 2**  
**Allocation of the General Fund Appropriation**

	<i>Estimated expenditures 1973-74</i>	<i>Proposed expenditures 1974-75</i>
Total personal services costs <sup>a</sup> .....	\$993,336	\$1,087,894
Total operating expenses and equipment <sup>a</sup> .....	580,045	1,006,121
Total office support subject to state matching funds .....	\$1,573,381	\$2,094,015
State share of office support (25% match) .....	\$393,235	\$523,503
General Fund reserve for nutrition .....	390,235	270,512
Total General Fund Request .....	\$783,580	\$794,015

<sup>a</sup> The costs of the RSVP Program have been removed since it is 100 percent supported by the federal government.

Analysis of the proposed 1974-75 program effort shows that estimated expenditures for two elements are virtually unchanged while the nutrition and the community services elements allocations are increased 42 percent and 36 percent respectively. Table 3 compares the estimated number of man-years and total expenditures by program element for the current year to those proposed for 1974-75.

**Table 3**  
**Man-Years and Gross Expenditures by Program Element**

	<i>Estimated man-years 1973-74</i>	<i>Proposed man-years 1974-75</i>	<i>Estimated expenditure 1973-74</i>	<i>Proposed expenditure 1974-75</i>
Retired Senior Volunteers Program element .....	5.0	5.0	\$183,000	\$183,355
Nutrition element .....	34.0	34.0	8,454,000	12,000,000
Community services element .....	30.4	30.4	4,783,000	6,500,000
Administration element .....	14.5	15.5	783,580	794,015

**OFFICE ON AGING—Continued****RSVP Element**

The Retired Senior Volunteers Program element (RSVP) coordinates volunteer services by seniors in local communities. Under a contract with the federal ACTION Agency (the federal umbrella agency supervising a number of volunteer programs) the office administers RSVP projects in California. The purpose of the RSVP program is to (1) provide significant volunteer opportunities in local communities for senior citizens and (2) make these volunteer resources known and available to the local community. The RSVP contract, which terminates March 31, 1974, authorizes the Office on Aging to locate sponsors for RSVP programs in local communities throughout the state and assist the sponsors in applying for funding through the ACTION Agency. Over 40 projects have been established in California making available worthwhile activities which enhance the lives of approximately 5,700 senior citizens. Negotiations are underway to renew the contract with ACTION beyond March 31, 1974.

**Nutrition Element**

The Nutrition Program objective is to provide low-cost, nutritionally sound meals to needy senior citizens on a regular basis in attractive surroundings. The federal regulations require that each project must be located in an area serving target groups of eligible persons having the greatest need for nutrition services. Criteria for selection of target groups includes identification of elderly persons who do not eat adequately because (1) they cannot afford to, (2) they lack knowledge regarding selection and preparation of balanced meals, (3) they have limited mobility which restricts their ability to obtain adequate foods, and (4) they lack motivation to eat properly because of personal isolation. The Office on Aging is block funded by the Administration on Aging, U. S. Department of Health, Education and Welfare, to make grant awards to public or private nonprofit institutions or organizations for the establishment and administration of local nutrition projects. Each project approved must serve in a congregate setting a minimum of 100 nutritionally balanced meals daily, five days a week or more.

Each project is also required to provide or arrange for the following supporting social services to individuals served by the project: (1) transportation and personal escort services to and from meal sites, (2) information and referral services, (3) health and welfare counseling services, (4) nutrition education, (5) shopping assistance and (6) recreational activities incidental to the project. On July 1, 1973, \$8.5 million in federal funds were made available to fund nutrition projects in California. As required by the federal government, the funds were all committed for the funding of local projects by December 31, 1973.

Another \$8.5 million may become available for the period of January 1, 1974 through June 30, 1974. Thus, there may be approximately \$17 million available during the current fiscal year on a one-time basis. The ongoing annual funds available will be approximately \$8.5 million. This one-time amount resulted from the delayed passage of the federal appropriation bill for fiscal year 1972-73 and thus the state has the 1972-73 and 1973-74 funds

available in 1973-74. Because it is a one-time occurrence, care should be exercised by the office not to fund programs which will have to be terminated after one year for lack of funds. The projects funded in California must, by federal mandate, be serving at least 16,000 meals per day by March 31, 1974.

#### Community Service Element

The overall objective of the community service element, authorized by the Older Americans Comprehensive Services Amendments of 1973, is to strengthen and develop within specified areas of the state a system of coordinated services for older persons. Community services include such activities as transporting, escorting, counseling, and other health-related services to prevent institutionalization.

Prior to the 1972 Comprehensive Services Amendments, the Commission on Aging approved community service grants to local senior citizen programs to meet a variety of needs such as housing, transportation, recreation, health, nutrition, etc. The amendments of 1972 required the establishment of planning and service agencies in designated priority service areas within the state. The Office on Aging is the designated single state agency to select priority service areas in the state and to fund Area Agencies on Aging (AAA) which are responsible for planning and coordinating the services to seniors in the service areas.

The commission has selected AAA's to serve six designated state priority service areas which collectively serve the majority of senior citizens in the state. Each of the six areas has an elderly population in excess of 100,000. The AAA's will be responsible for coordinating services to seniors in their areas and will recommend funding those projects which best meet the priority needs identified in the area plan. Table 4 outlines the allotments for designated planning areas.

**Table 4**  
**Designated Planning and Service Area Characteristics and Allotments**

<i>Planning area designated</i>	<i>Population aged 60 or over in area</i>	<i>Percent of population aged 60 or over</i>	<i>AAA allotment</i>	<i>Program allotment</i>	<i>Total funds to area</i>
Area 4 in counties: Sacramento, Yolo, Yuba, Nevada, Placer, El Dorado, Sierra, Sutter .....	116,671	4.48%	\$60,000	\$188,302	\$248,302
Area 6—San Francisco County .....	140,550	5.40	90,000	240,201	330,201
Area 9—Alameda County	142,500	5.47	90,000	235,466	325,466
Area 19—Los Angeles County .....	954,850	36.70	210,000	1,167,231	1,377,231
Area 22—Orange County	139,050	5.34	60,000	217,169	277,169
Area 23—San Diego County .....	165,450	6.35	90,000	245,694	335,694
Totals.....	1,659,071	63.74%	\$600,000	\$2,294,063	\$2,894,063

The Office on Aging is responsible for overseeing and evaluating the

**OFFICE ON AGING—Continued**

activities of the AAA's to insure that the seniors in each area are being served effectively. In addition to the six designated AAA's, there are five other priority service and planning areas (of a total of 23 such areas in the state) which have been given grants to continue planning in their designated areas. It is anticipated that these five will be selected as AAA's when additional funds for this purpose are available. The 11 planning areas represent 81 percent of the total population aged 60 and over of the state.

**Administration Element**

*We recommend that:*

*a. The Office on Aging present a written report to the Legislature on or before July 1, 1974, detailing its use of staff in terms of the numbers of positions filled, assignments of staff and organizational structure utilized; and*

*b. The Health and Welfare Agency be directed by the Legislature not to use Office on Aging staff to perform agency tasks.*

During fiscal year 1972-73 and the first six months of 1973-74, the Commission on Aging failed to (1) hire authorized staff in a timely fashion, (2) provide adequate training and supervision to staff that were hired and (3) identify precise position specifications. In addition, the commission diverted staff time to assignments in the Health and Welfare Agency.

The commission was authorized 54.3 positions during fiscal year 1972-73 but filled only 15.1 of these although there was a greatly increased workload. Requests for grants were not processed in a timely fashion and planning fell considerably behind that which was necessary to prepare for the much publicized changes which were being brought about through enactments of amendments to the Older Americans Act of 1965. Just before fiscal year 1972-73 ended, there was a change in the administration of the commission and an effort was made to make up the lost time. However, at the end of December 1973, the commission still had hired only 52 persons out of 84.4 authorized positions.

Those field staff who were hired were given minimal training and put into the field without any clear picture of job expectations. In addition, supervisory structure was lacking, leading to a relatively poor use of some of the staff time that was available.

In December of 1973, the Joint Legislative Audit Committee issued a report stating that the commission had assigned 22 of the 47 staff to the Health and Welfare Agency "Strike Force", a public information effort within the agency carried out by organizing volunteers to distribute brochures on venereal disease, drug abuse, alcoholism and dental disease. The study also reported that six other employees were assigned to tasks other than the "Strike Force", three to the Department of Human Resources Development, one as an accounting officer for the Health and Welfare Agency, one to the Drug Abuse Program of the Health and Welfare Agency, and one to the HR 1 task force of the Health and Welfare Agency.

The commission responds by asserting that at no time were there 22 commission staff members assigned to the "Strike Force." There were six staff members assigned to the effort for a period of two months. Of the six

other employees identified by the audit committee as having been given assignments other than for the commission, all but one of them were engaged in work for the commission although physically located elsewhere and reporting to state agencies other than the commission.

The three staff members working for HRD allegedly were assigned to that department to provide support for work performed for the Commission on Aging such as statistical reports, accounting reports and personnel services. Similarly, the accounting officer working for the agency was performing tasks fully related to the Commission on Aging such as budget preparation and accounting.

One worker was assigned to the drug abuse program for a period of one and one-half months. This in our view, constituted a misuse of commission staff by the agency. It is stated that there was no employee assigned to the HR 1 task force from the Commission on Aging. There was, however, and remains, one staff member of the commission assigned to a task force of the agency dealing with alternative care services for the elderly. In our opinion, the latter is an appropriate assignment since the responsibilities of the commission, and now of the Office on Aging, are of a broad nature dealing with the needs of the aging. Table 5 presents a comparison of the audit report and the commission's reply concerning assignments which were in effect during the period of the audit report.

**Table 5**  
**Comparison of Staff Assignments**  
**Audit Report and Commission on Aging Reply**

<i>Staff assignment</i>	<i>Audit report</i>	<i>Commission's reply</i>
Working for "Strike Force"	22 staff for unspecified duration	6 staff for two months
Department of Human Resources Development	3 workers assigned to HRD	3 workers assigned to HRD to do work related to commission reports and accounting since the commission was by statute a part of the department
Health and Welfare Agency	1 worker as accounting officer for agency	1 worker as accounting officer in the agency for the commission accounts
Drug Abuse Program	1 worker assigned to Drug Abuse Program in the Health and Welfare Agency for unspecified time	1 worker assigned to Drug Abuse Program in Health and Welfare Agency for 1½ months
HR 1 Task Force	1 worker assigned to HR 1 task force	1 worker assigned to Alternative Care Services for the Elderly task force.

Because at least seven staff members of the Commission on Aging were misassigned to do work for the Health and Welfare Agency (six on "Strike Force" and one on the Drug Abuse Program) during the period that the commission was lagging far behind in its workload and desperately needed staff, we have made the above recommendations. We are concerned that the newly constituted Office on Aging take appropriate steps to hire authorized staff in a timely fashion and give them adequate training and

## OFFICE ON AGING—Continued

supervision.

### HEALTH AND WELFARE AGENCY OFFICE OF DATA PROCESSING

Item 289 from the General  
Fund

Budget p. 162 Program p. II-31

Requested 1974-75 .....	\$200,000
Estimated 1973-74.....	10,649
Actual 1972-73 .....	—
Total recommended reduction .....	Pending

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Reappraisal of Requirements. Withhold recommendation pending determination by agency of requirements for establishing an Office of Data Processing with detailed support data relative to level of staffing and funding. 583

#### GENERAL PROGRAM STATEMENT

The Health and Welfare Agency is proposing the establishment of the Office of Data Processing during the current year through Section 28 of the Budget Act of 1973. The Governor's Budget identifies as the overall objective of the proposed office a reduction of agency electronic data processing (EDP) costs and a "... more effective use of EDP resources for program control and delivery of services among member departments of the agency."

As such, it is the stated intention of the agency as reflected in the Governor's Budget that the Office of Data Processing function as a central EDP coordinating and guidance unit which will review existing and proposed departmental EDP applications, work toward a common use of programs and data bases, investigate the one-time collection, encoding and storage of data, and provide assistance in the development of agency information systems.

The Governor's Budget proposes a current year total expenditure of \$110,649, of which \$100,000 will be reimbursements and \$10,649 from the General Fund, and a budget year amount of \$200,000 from the General Fund. The requested funds are proposed to support a director (\$25,908) chief of plans and systems development (\$23,484), chief of operations review and assistance (\$23,484) and one stenographic position. Of the funds remaining, the largest share (\$93,504) is for consultant and professional services.

#### Predecessor Office Not Funded

The Health and Welfare Consolidated Data Center, established by Chapter 787, Statutes of 1972, preceded the proposed Office of Data Processing as the agency's central EDP unit. Funds for the data center for the

1973-74 fiscal year were deleted by the Legislature upon recommendation of the Committee on Conference for the Budget Bill. Although the data center's primary responsibility was to implement EDP consolidation within the agency, centered around a consolidation of hardware resources, many of the center's other objectives are essentially equivalent to those proposed for the Office of Data Processing. The major difference is that there is no proposal in the Governor's Budget that the Office of Data Processing expend any effort in the area of hardware consolidation.

In this regard, Section 4.1 of the Budget Act of 1973 specifically precludes the expenditure of any funds to plan, staff or implement "... any phase of the ... Health and Welfare Consolidated Data Center." Therefore, because it appears that there may be some conflict between this language and certain activities proposed for the Office of Data Processing, the agency may be precluded from performing such activities during the current fiscal year if the office is established administratively as planned.

#### **ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Legislature withhold approval of requested funds pending a reappraisal by the agency of the level of classifications and funding proposed for the Office of Data Processing and that the agency present, at the time the budget is heard, its final determination of actual resource needs, with detailed supporting data.*

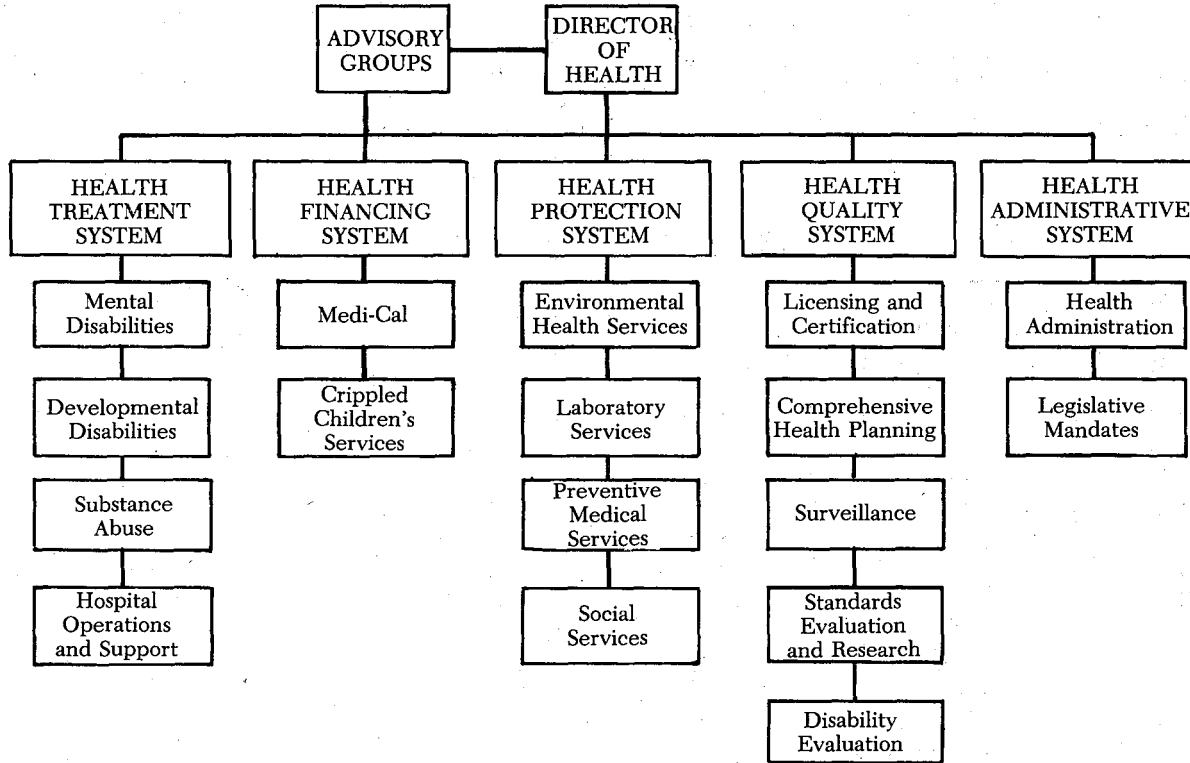
We agree with the general concepts which led to the request for this office and believe that a centrally-directed implementation effort at the agency level should result in a more effective use of EDP technology. Further, the objectives of the office, as stated in the Governor's Budget, are in concert with legislative EDP policy expressed in Sections 11700 and 11701 of the Government Code.

However, the level of detail provided does not contain sufficient justification for either the level and numbers of positions proposed, nor the other specific elements for which funding has been requested. We have met with representatives of the agency and it is our understanding that the agency recognizes the need to define further its requirements.

## DEPARTMENT OF HEALTH GENERAL SUMMARY

Effective July 1, 1973, the Department of Health was created by combining the former Departments of Mental Hygiene, Public Health, and Health Care Services, together with the social service functions of the

**Chart 1  
ORGANIZATION OF THE DEPARTMENT OF HEALTH**





Department of Social Welfare into a single department. This reorganization was effected pursuant to the provisions of Reorganization Plan No. 1 of 1970, and Chapter 1593, Statutes of 1971. Subsequent legislation (Chapter 1002, Statutes of 1973) transferred to the Department of Health the disability evaluation program of the Department of Rehabilitation and the disability review function of the Department of Social Welfare effective October 1, 1973.

In its present configuration the Department of Health is organized into five systems administering 17 programs. The following chart illustrates the current organization of the department.

**Table 1**  
**Department of Health Budget Items**

<i>Item no.</i>	<i>Analysis page</i>	<i>Description</i>	<i>Amount</i>	<i>Fund</i>
290	587	Departmental support .....	\$28,502,800	General
291	589	Mentally Ill—judicially committed....	25,100,371	General
292	612	Departmental support .....	212,941	State
				Transportation
293	590	Local mental health services .....	181,930,542	General
294	593	State Controller—legislative mandates .....	786,260	General
295	593	Alcoholism Program .....	25,338,443	General
296	594	Narcotics and Drug Abuse Program .....	5,255,748	General
297	594	Developmental Disabilities Program .....	181,956,562	General
298	613	Medical Assistance Program .....	596,666,527	General
299	631	Special social services .....	26,592,500	General
300	633	Local health services .....	27,331,474	General
Subtotal .....			\$1,099,674,168	
Other state funds available .....			14,141,971	Various
Total state expenditures .....			\$1,113,816,139	

The Governor's Budget proposes total direct appropriations and expenditures of \$1,113,816,139 from various state funds to support the Department of Health in the 1974-75 fiscal year. Federal and other funds in the amount of \$1,337,595,097 are also proposed to be expended by the department, bringing total proposed expenditures for 1974-75 to \$2,451,411,236. Table 1 lists the Budget Bill items which support the Department of Health together with the Analysis page number on which these items are discussed.

**DEPARTMENT OF HEALTH—Continued****DEPARTMENT OF HEALTH—ORGANIZATION**

As shown in Chart 1 the Department of Health consists of 5 systems which administer 17 programs. Following is a brief description of each of the systems. An analysis of each system together with the programs contained therein is presented below.

**Health Treatment System**

The Health Treatment System of the Department of Health administers four major programs: mental disabilities, developmental disabilities, substance abuse, and hospital operations and support. These programs were formerly administered by the Department of Mental Hygiene and include state hospital programs for the mentally ill, developmentally disabled, and judicially committed, community mental health (Short-Doyle) programs, regional centers for the developmentally disabled, and alcohol and drug abuse programs.

Programs administered by the Health Treatment System are supported by budget Items 291, 293, 294, 295, 296, and 297 with administrative support prorated from Item 290.

Total support for this system is proposed to be \$561.7 million.

**Health Financing System**

The Health Financing System of the Department of Health administers two major programs: the California Medical Assistance (Medi-Cal) Program, and the Crippled Children's Services Program. These programs were formerly administered by the Departments of Health Care Services and Public Health respectively. Support for the two programs administered by the Health Financing System is provided by Budget Items 298 and 300(a), with administrative support prorated from Item 290.

Total support for this system is proposed to be \$1,618 million.

**Health Protection System**

The Health Protection System of the Department of Health administers four programs: environmental health services, laboratory services, preventive medical services, and social services. The first three programs were formally administered by the Department of Public Health, while the social services program was formerly administered by the Department of Social Welfare.

The programs administered by the Health Protection System are supported by Budget Items 292, 294, 299, and 300, with administrative support prorated from Item 290.

Total support for this system is proposed to be \$355.6 million.

**Health Quality System**

The Health Quality System of the Department of Health administers five programs: licensing and certification, comprehensive health planning, surveillance, standards evaluation and research, and disability evaluation. These programs were formerly administered by the Departments of Health Care Services, Public Health, Mental Hygiene, Social Welfare and Rehabilitation.

Support for the programs administered by the Health Quality System is contained in Budget Item 290 with administrative support prorated from Item 290.

Total support for this system is proposed to be \$45.4 million.

#### Health Administrative System

The Health Administrative System of the Department of Health provides the staff support necessary for the day-to-day operation of the programs administered by the department. This includes fiscal and budgetary control, personnel operations, training and staff development, and data processing.

Support for the Health Administrative System is contained in Budget Item 290 with total support proposed to be \$23.2 million.

### Department of Health DEPARTMENTAL SUPPORT

Item 290 from the General  
Fund

Budget p. 163 Program p. Vol. II-101

Requested 1974-75 .....	\$28,502,800 <sup>a</sup>
Estimated 1973-74.....	22,352,196
Actual 1972-73 .....	N.A.
Requested increase \$6,150,604 (27.5 percent)	
Total recommended reduction .....	Pending

<sup>a</sup> Includes Medi-Cal administration funds formerly appropriated as a separate item.

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Departmental Support. Withhold recommendation pending legislative action on Items 291 through 300. 587

#### GENERAL PROGRAM STATEMENT

Support for the administrative functions of the Department of Health is provided by funds appropriated in Item 290 of the Budget Bill. Although shown in Chart 1 as the Health Administrative System, the majority of the dollars expended through this item, together with the proposed man-years are distributed back to the other four systems of the department and are discussed under the programs within each of those systems.

#### ANALYSIS AND RECOMMENDATIONS

*We withhold recommendation on this item pending legislative action on Items 291 through 300 of the Budget Bill.*

The budget proposes a General Fund appropriation of \$28,502,800 for the support of the administrative functions of the Department of Health. This is an increase of \$6,150,604, or 27.5 percent, above the amount estimated to be expended during the current year. However, the General Fund amount proposed for 1974-75 includes \$9,983,473 for the administration of the Medi-Cal Program which in prior years has been appropriated as a

**SUPPORT—Continued**

separate item. The Medi-Cal administration amount is discussed in our review of the medical assistance program, Item 298.

Because the funds appropriated by this item are prorated to programs supported by other items in the Budget Bill, any changes made in such programs will be reflected as an adjustment against this item. We therefore withhold recommendation on Item 290 pending legislative action on Items 291 through 300. The results of such action can then be appropriately reflected against Item 290.

**Health and Welfare Agency  
DEPARTMENT OF HEALTH**

Items 291, 293, 294, 295, 296, and  
297 from the General Fund

Budget p. 163    Program p. II-34

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Requested 1974-75 .....	\$420,347,926
Estimated 1973-74.....	411,575,226
Actual 1972-73 .....	N/A
Requested increase \$8,772,700 (2.1 percent)	
Total recommended reduction .....	None

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

- |  |     |
|--|-----|
| 1. Office of Noise Control. Recommend department submit specified data concerning the Office of Noise Control to the Legislature and the Department of Finance prior to the legislative fiscal committees' review of the department's budget.  | 600 |
| 2. Social Services Management. Recommend that before the Department of Health modifies existing social services management activities it submit a report to the Legislature and the Department of Finance detailing the results of a recent study including the planned application of the findings of such study.   | 604 |
| 3. Adoption Services. Withhold recommendation pending completion of a program evaluation of the Adoption Services Element by the Department of Finance.  | 605 |
| 4. Social Services Funding. Recommend that by May 15, 1974, the department submit to the Legislature a report describing kinds of programs and the program costs for those services funded under the Homemaker/Chore Program with the county share of the social service allocation together with the department's general recommendations about program priorities at the county level. | 605 |
| 5. Licensing and Certification. Withhold recommendation on the Licensing and Certification Program pending submission of budget year data for the implementation of SB   | 608 |

- 413, AB 1600, AB 1601, and AB 2262 of the 1973 session.
6. Medical Facility Reimbursement Rates. Recommend 608  
Legislature direct department to establish rates of reimbursement for medical and nonmedical health care facilities which take into consideration annual increases in the cost of living, level of program provided in such facilities, and the possibility of differential payment based on the level of care required by patients within the same facility.
7. Comprehensive Health Planning. Withhold recommendation on the Comprehensive Health Planning Program pending receipt of a report describing the state level program. 610

### HEALTH TREATMENT SYSTEM

The Health Treatment System is responsible for the administration of state hospital and community-based programs for persons who are mentally disordered, developmentally disabled, and who are drug or alcohol abusers. As shown in Table 1, six major appropriation items support the programs administered by this system.

**Table 1**  
**Programs and Proposed General Fund Appropriations**  
**Health Treatment System**  
**1974-75**

<i>Budget item</i>	<i>Program</i>	<i>1974-75 Proposed amount</i>
291	State Hospital Programs—judicially committed .....	\$25,100,371
293	Community mental health programs .....	181,930,542
294	Legislative mandates .....	766,260 <sup>a</sup>
295	Alcoholism programs .....	25,338,443
296	Narcotics and drug abuse programs .....	5,255,748
297	Developmental disabilities program .....	181,956,562
	Total General Fund appropriations .....	\$420,347,926
	Other General Fund expenditures.....	11,344,252
	Total .....	\$431,692,178

<sup>a</sup> Excludes \$20,000 of appropriation reflected in Health Protection System.

### ITEM 291—STATE HOSPITAL PROGRAMS FOR JUDICIALLY COMMITTED PERSONS

This budget item includes the support for state hospital programs for mentally ill persons 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 the General Fund in contrast to patients who receive services through provisions of the Lanterman-Petris-Short and Short-Doyle Acts, whose service costs are shared on a 90 percent state/10 percent county basis.

#### State Hospital Budget Proposal

##### *We recommend approval.*

The budget proposes General Fund support for programs funded by Item 291 in the amount of \$25,100,371. This is an increase of \$204,569, or 0.8 percent, above the amount estimated to be expended in the current year. Because Penal Code and other judicially committed patients repre-

**DEPARTMENT OF HEALTH—Continued**

sent a relatively stable percentage of the total mentally disordered case-load, the proposed 1974-75 appropriation appears to be justified.

**ITEM 293—COMMUNITY MENTAL HEALTH PROGRAMS**

The Department of Health, through the Health Treatment System, is charged with the administration and support of the state's community mental health programs. This includes the maintenance of five state hospitals for the mentally ill, and the provision of financial assistance to 60 county and community 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 California's mental health legislation as embodied in the Short-Doyle and Lanterman-Petris-Short Acts. The law authorizes Short-Doyle programs to deliver various mental health services which are eligible for 90 percent state reimbursement.

Item 293 proposes an appropriation of \$181,930,542 to support community mental health programs in the budget year. Although this appears to be a reduction of \$8,884,321 from the amount estimated to be expended during the current year, several factors must be taken into account in order to present an accurate comparison of year-to-year funding for these programs.

In previous years, a single appropriation was made to the Department of Health which funded all community mental health services. However, with the enactment of Chapter 1137, Statutes of 1973, (SB 204) and Chapter 1255, Statutes of 1972, (SB 714) separate appropriations for alcoholism services and drug abuse services are required. These separate appropriations are discussed below under Items 295 (alcoholism) and 296 (drug abuse). However, since funds for alcoholism and drug abuse services are primarily allocated and expended through the community mental health system the total of Items 293, 295, and 296 should be considered together as the total support for community mental health programs. In addition, the budget contains Item 294 which appropriates \$766,260 to reimburse local mental health programs for state-mandated costs under the provisions of Section 2231(a) of the Revenue and Taxation Code.

Table 2 depicts the estimated state support for community mental health programs for 1973-74 and 1974-75.

**Table 2**  
**Estimated State Support for Community Mental Health Programs**  
**1973-74 and 1974-75**

	<i>1973-74 Estimated</i>	<i>1974-75 Proposed</i>
Short-Doyle programs .....	\$134,595,036	\$140,077,537
State hospital services .....	56,219,827	41,853,005
Alcoholism programs .....	28,460,774	32,947,378
Drug abuse programs .....	7,514,814	9,056,167
State-mandated programs .....	383,000	766,260
Total .....	\$227,173,451	\$224,700,347
1974-75 decrease .....		\$-2,473,104

Thus, it can be seen that the 1974-75 budget proposes the expenditure of \$2,473,104 less for support of local mental health programs than the amount estimated to be expended in the current year, rather than the \$8,884,321 indicated if only Item 293 is considered. While this is a minor decrease, it more accurately reflects the total needs of local mental health programs than previous budgets and appropriations which have resulted in substantial unexpended balances at the end of the last two fiscal years, which may again happen at the end of the current fiscal year.

#### **Community Mental Health Budget Proposal**

*We recommend approval.*

While we have recommended approval of the amount budgeted for community mental health programs, there are several issues which the Legislature should be aware of in its consideration of this item.

#### **State Hospital Services**

The 1974-75 budget proposes increased state support to community mental health programs of \$5,482,501. However, a significant decrease in funding for state hospitals for the mentally disordered is proposed. Current-year support for state hospital services purchased by local mental health programs (including alcohol and drug abuse services) is estimated to be \$56,219,827. The budget proposes support for state hospital services in 1974-75 in the amount of \$41,853,005 or a decrease of \$14,366,822 (25.6 percent).

This decrease is due to two factors. First is a budgetary shift in fixed overhead costs from hospitals for the mentally disordered to hospitals for the mentally retarded. This shift accounts for \$10.1 million of the proposed reduction. Second is the continued decline in the number of patients resident in hospitals for the mentally disordered. During the current year, the average resident population is estimated to decline by 940 patients, or 12.8 percent.

In the budget year the average population is projected to decline by an additional 982 patients (15.3 percent).

It should be noted, however, that the decline in patient population during the current year was due, in large part, to the transfer of a specific dollar amount to local mental health programs for each unused patient day from the number originally budgeted. This transfer, which acts as an incentive for local mental health programs to underutilize state hospital services, is not proposed to continue in the budget year.

The budget does propose the maintenance of all state hospitals during 1974-75, and a report submitted to the Legislature on December 15, 1973, outlines the proposed utilization of each of the state hospitals in the system.

#### **Staffing Standards**

The budget also proposes the reduction of 815.5 professional and staff positions in the hospitals for the mentally disordered for a General Fund savings of \$5,174,781. This reduction is based on the annual review of the caseload in accordance with the 1968 SCOPE staffing standards. We understand, however, that the Department of Health is currently reviewing

**DEPARTMENT OF HEALTH—Continued**

and updating the 1968 standards and will present a revised staffing proposal based on this review to the Legislature during the budget hearings.

**Social and Rehabilitation Services**

The budget adopted for the current year included total support of \$12,900,000 in state and federal funds to provide social and rehabilitative services (SRS) to mentally ill persons linkable to the welfare system. Although we have strongly questioned the department's participation in this program since its inception, due to the lack of federal funds, the program was approved and funds were allocated to local mental health programs.

As we had cautioned in our current-year analysis of the community mental health services item, federal funds for the SRS Program have failed to materialize in the amount anticipated. Expenditures during the current year are now estimated to be \$6,125,871 rather than the \$12.9 million budgeted.

Although many local mental health programs have started SRS programs during the current year, the budget proposes a further reduction in total support of these programs to \$3,153,068 in 1974-75, or a reduction of 48.5 percent. It also appears that 1974-75 will be the final year in which federal support for SRS programs will be available. Because the majority of these programs were designed to provide precare and aftercare programs for the mentally ill, this development may lead to the funding of at least some of the SRS programs with traditional 90 percent state/10 percent local funding.

**Precare and Aftercare Services**

The success of the community mental health services program depends largely on the development and availability of precare and aftercare services in the community. Such services are designed to keep persons out of the hospital initially and to provide supportive services after a period of hospitalization to reduce the incidence of readmission.

Chapter 1061, Statutes of 1973, (AB 1762) requires local mental health programs to develop and maintain specific precare and aftercare services. The proposed budget gives no indication as to how Chapter 1061 is to be implemented or what level of support is proposed.

The Budget Act of 1973, Item 262.1, appropriated \$7 million to the Department of Health for allocation to local mental health programs for specific services to the mentally ill. Those funds were limited to expenditures for residential treatment, partial hospitalization, group care, crisis intervention, and halfway houses.

In creating Item 262.1, the Legislature anticipated that earmarking funds for specific programs would stimulate the State Department of Health and local mental health programs to provide additional precare and aftercare services to the mentally ill beyond the services traditionally provided through the Short-Doyle Act.

However, the manner in which this \$7 million has been allocated to local mental health programs, and the method by which the Department of Health accounts for expenditures virtually precludes any assurance that



new or expanded services to the mentally ill have been made available as the result of a separate budget item. It appears that the \$7 million has been allocated to fund residential treatment, partial hospitalization, group care, crisis intervention, and halfway houses in approximately the same ratio as these services have traditionally been funded in the past.

While this is not directly contradictory to the language of Item 262.1, it was the expressed intent of the Legislature that the \$7 million was to be used in such a manner as to stimulate local mental health programs to develop new services for the mentally ill rather than to continue funding of existing services.

#### ITEM 294—LEGISLATIVE MANDATES

*We recommend approval.*

Item 294 appropriates \$786,260 from the General Fund to the State Controller for reimbursement to local agencies for state mandated costs pursuant to the provisions of Section 2231 (a) of the Revenue and Taxation Code as enacted by Chapter 1406, Statutes of 1972.

Two bills were enacted during the 1973 session which have an impact on the Department of Health and which require state reimbursement to local agencies because of mandated programs.

Chapter 1061, Statutes of 1973, (AB 1762) imposes additional program and administrative requirements on local mental health programs beyond those originally required in the Short-Doyle Act. Of the amount appropriated by Item 294, \$766,260 will be available to local mental health programs for reimbursement resulting from the requirements of Chapter 1061.

The remaining \$20,000 appropriated by Item 294 is to reimburse local agencies for the new requirements imposed by Chapter 954, Statutes of 1973, (SB 1365) on the supervision of student X-ray technicians. The \$20,000 will be available to those local agencies (primarily school districts) who will have to hire additional personnel as a result of the provisions of Chapter 954.

#### ITEM 295—ALCOHOLISM PROGRAMS

The Office of Alcohol Program Management (OAPM) is responsible for the administration of state and federal funds for the prevention, treatment, and rehabilitation programs that deal with alcohol abuse and alcoholism. Working with the Health Treatment System, OAPM operates through county alcoholism programs established pursuant to the provisions of Chapter 1137, Statutes of 1973, (SB 204) which are responsible for local planning, consultation, grant review, and the provision of alcoholism services directly or through contract arrangements with private or other public programs.

##### Alcoholism Budget Proposal

*We recommend approval.*

The budget proposes total support for alcoholism programs of \$33,829,343. This includes a General Fund appropriation of \$25,338,443 made by Item 295, additional General Fund support of \$6,000,000 available from Chapter 1137, Statutes of 1973, and federal funds in the amount of \$2,490,-

**DEPARTMENT OF HEALTH—Continued**

900. The General Fund amount proposed for expenditure in 1974-75 represents an increase of \$4,294,303, or 15.9 percent, above the amount estimated to be expended in the current year, while the federal funds available for expenditure are projected to decline by \$94,511, or 3.6 percent.

Included in the General Fund totals for 1974-75 is \$881,965 for the support of the Office of Alcohol Program Management. Funds are appropriated by this item to the Department of Health with the provision that expenditures are subject to the review and approval of OAPM.

**ITEM 296—NARCOTICS AND DRUG ABUSE PROGRAMS**

The Health Treatment System of the Department of Health is responsible for the administration and implementation of the Campbell-Moretti-Deukmejian Drug Treatment Act (Chapter 1255, Statutes of 1972). This involves working primarily through the community mental health system since the care and treatment of drug abusers is a responsibility shared by the state and the counties. Additionally, in coordination with the State Office of Narcotics and Drug Abuse the department shares the responsibility for the approval and regulation of methadone maintenance programs, the review and coordination of drug research projects, and the development of a state plan for drug abuse prevention.

**Drug Abuse Budget Proposal**

*We recommend approval.*

The budget proposes total support for narcotics and drug abuse programs of \$15,873,102. This includes a General Fund appropriation of \$5,255,748 made by Item 296, additional General Fund support of \$5,344,252 available from Chapter 1255, Statutes of 1972, and \$5,273,102 in federal funds. The General Fund amount proposed for expenditure represents an increase of \$1,600,000, or 17.7 percent, above the amount estimated to be expended during the current year, while federal funds available for expenditure are projected to decrease by \$942,168, or 15.2 percent.

Included in this item is support for 50 positions in the Department of Health which were added administratively during the current year and are proposed for continuation in the budget year. These positions are related to both program and administration, including program evaluation, and appear to be justified pursuant to the provisions of Chapter 1255, Statutes of 1972. Also included is support for the Office of Narcotics and Drug Abuse.

**ITEM 297—PROGRAMS FOR THE DEVELOPMENTALLY DISABLED**

The Department of Health, through the Health Treatment System, has the responsibility for administering those programs which provide services to persons who are mentally retarded or developmentally disabled. There are three major components to the programs funded by this item:

1. Regional centers located throughout the state which provide services designed to evaluate, diagnose, refer and place mentally retarded and developmentally disabled persons in appropriate public and private basic living and care.

2. State hospital programs for the mentally retarded and developmentally disabled which provide state managed care, treatment and life maintenance services at the request of the regional centers.
3. Protective living and social services provided either by state employees of the Community Services Section (CSS) of the Department of Health, or directly by those regional centers which have chosen not to participate in the state-operated program.

**Budget Proposal**

*We recommend approval.*

The budget proposes a General Fund appropriation of \$181,956,562 to the Department of Health to support services to the mentally retarded and developmentally disabled. In addition, the budget authorizes the expenditure of \$11,514,565 in federal and other funds for such services. These funds will support the regional centers, the state hospital programs, and the protective living services function. The General Fund amount appropriated by Item 297 represents an increase of \$22,529,041, or 14.1 percent, above the amount estimated to be expended during the current year. Federal funds are projected to decline in the budget year by \$714,720 from the amount estimated to be expended in the current year, while family repayments are projected to remain constant at \$1,900,000.

**Regional Centers**

By law, all direct services for the mentally retarded and developmentally disabled are to be provided through a statewide network of regional diagnostic, counseling, and service centers. Currently, there are 16 such centers operated by local agencies under contract with the Department of Health.

The budget proposes total expenditures for the regional centers of \$35,391,858. This represents an increase of \$8,843,416, or 33.3 percent, above the amount estimated to be expended in the current year. Three new centers are proposed to be established during 1974-75, in accordance with the provisions of Chapter 704, Statutes of 1973 (AB 1759), and the budget provides \$1,050,000 for first-year costs of the new centers. Two of the new regional centers will be located in Los Angeles County and one will be in San Joaquin County.

A total of \$1,000,000 is proposed to continue the genetic screening program which was begun in the current year, and to fund new programs related to the prevention of mental retardation and developmental disabilities.

Also as part of the \$8.8 million increase the budget proposes \$4,935,000 for the regional center program to provide services to persons on the waiting lists of existing centers, and to provide new services to clients who will become eligible for services for the first time.

**State Hospital Services**

The Department of Health operates five state hospitals which provide services exclusively for the mentally retarded and developmentally disabled. In addition, specialized services for such persons are provided at four other state hospitals. In order for a patient to receive state hospital serv-

**DEPARTMENT OF HEALTH—Continued**

ices, he must be admitted through a regional center. There is estimated to be an average of 10,019 patients resident in the state hospitals during 1974-75. This represents a slight increase from the 9,822 estimated for the current year.

The budget proposes total expenditures for hospital services to the mentally retarded and developmentally disabled of \$141,764,802. While this represents an increase of \$12,935,383, or 10.1 percent, above the amount estimated to be expended during the current year, a large part of this increase (\$10.1 million) results from the assignment of fixed overhead costs from hospitals for the mentally disordered to hospitals for the mentally retarded.

The budget also proposes the elimination of 153 positions from hospital programs for the mentally retarded and developmentally disabled. These reductions are due to the effect of the 1968 SCOPE staffing standards. Although these positions are proposed for reduction, we have been informed that the department is currently revising the 1968 staffing standards and will present to the Legislature during the budget hearings a proposal based on this revision which may have the effect of actually increasing staff at the hospitals.

**Protective Living Services**

The budget proposes the expenditure of \$15,515,175 in state and federal funds for the provision of protective living services to the mentally retarded and developmentally disabled. These funds support the salaries of employees of the department who are assigned to the Community Services Section (CSS), and provide for the payment of placement costs of regional center clients placed in public and private protective living facilities.

The amount proposed to support protective living services in 1974-75 represents an increase of \$544,522, or 3.6 percent, above the amount estimated to be expended during the current year.

**HEALTH FINANCING SYSTEM**

The Health Financing System of the Department of Health includes the California Medical Assistance Program (Medi-Cal) and the Crippled Children's Services Program. State administrative support from the General Fund is appropriated by Item 290 for both programs. Item 298 contains the Medi-Cal General Fund appropriation and is discussed in that item. Our analysis of the Crippled Children's Services Program, is discussed in Item 300.

In order to facilitate a smooth transfer of positions from the Department of Health to the new Department of Benefit Payments, a Benefit Payments Program was established within the Health Financing System during the current year. A total of 164 positions supporting various banking functions are proposed to be transferred to the Department of Benefit Payments on July 1, 1974. Our discussion of the Department of Benefit Payments is included in Item 307.

### HEALTH PROTECTION SYSTEM

The Health Protection System of the Department of Health includes programs and services formerly administered by the Departments of Public Health and Social Welfare. Services delivered through this system are supported by appropriations from Budget Items 290, 292, 294, 299, and 300(b), (c), (d), (e), (f).

The Health Protection System strives to protect the health of Californians through four major objectives: (1) controlling or eliminating environmental health hazards, (2) preventing and controlling infectious diseases, (3) protecting families and individuals against social disruption or social disorganization, and (4) in concert with other systems, planning and developing facilities and manpower to meet the health needs of Californians. The system achieves these objectives through the following four programs: the Environmental Health Services Program, the Laboratory Services Program, the Preventive Medical Services Program, and the Social Services Program. Each of these programs is divided into elements and components responsible for performing the various activities necessary to accomplish the program objectives.

#### Total Proposed Health Protection System Expenditures

For fiscal year 1974-75, the Department of Health proposes total support and subvention expenditures of \$355,676,277 in state, federal and private funds in support of the Health Protection System. The expenditure level and staffing of the system over the last two fiscal years is shown in Table 3. The fiscal and staffing adjustments in the 1974-75 budget will be discussed in the analysis of each separate program of the system.

**Table 3**  
**Health Protection System**  
**Staffing and Expenditure Data**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund .....	\$31,458,770	\$47,321,823
Federal funds .....	227,409,989	255,009,876
Motor Vehicle Account, State Transportation Fund .....	141,450	212,941
County funds .....	46,899,213	43,359,672
Reimbursements:		
Federal .....	493,782	504,790
Other .....	3,660,226	3,832,994
Transfer of estimated savings from Medi-Cal .....	—	5,434,181
Total system expenditures .....	\$310,063,430	\$355,676,277
Man-years .....	1,151.3	1,168.9

### ENVIRONMENTAL HEALTH SERVICES PROGRAM

The two major objectives of this program are the promotion and maintenance of a physical environment that contributes positively to health, and the protection of California consumers from unsafe, unwholesome and ineffective or misrepresented foods, drugs, and other products. To meet these objectives, the program is divided into the following elements: (1) Food and Drug, (2) Radiologic Health, (3) Water Sanitation, (4) Vector Control, (5) Occupational Health, and (6) Sanitation Services.

**DEPARTMENT OF HEALTH—Continued****Environmental Health Budget Request**

The Governor's Budget proposes a total of \$8,839,013 from all funds in support of this program for fiscal year 1974-75. The program's expenditures by source, and staffing patterns are illustrated in Table 4. With the exception of those staffing and expenditure changes discussed below, the department is proposing to maintain the Environmental Health Services Program at existing levels. Other changes shown in Table 4 primarily reflect cost-of-living increases and changes in the method by which the department allocates its costs.

**Table 4**  
**Environmental Health Services**  
**Staffing and Expenditure Data**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund.....	\$2,331,820	\$2,265,022
Federal funds.....	2,582,286	2,803,983
Reimbursements:		
Federal.....	3,016,758	3,159,153
Other.....	406,975	416,047
Hazardous Waste Control Account, General Fund.....	95,000	194,808
Total program expenditures.....	\$8,432,839	\$8,839,013
Man-years.....	408.1	416.6

**Water Sanitation Element**

*We recommend approval.*

During the current year, the department added one professional and part-time clerical support positions to meet its workload requirements associated with the licensing of bottled-water plants and water-vending machines. In addition, it added two full-time professional and part-time clerical support positions for the certification of waterworks operators. The department proposes to maintain the professional positions in the budget year at a cost of \$54,000 which will be reimbursed by license fees.

**Radiologic Health Element**

*We recommend approval.*

The Radiologic Technology Act requires the department to approve schools of radiologic technology, establish standards for formal training of radiologists, and certify persons who use X-ray equipment. Departmental regulations provide for on-the-job X-ray training by specified licentiates of the healing arts. To meet rising workload associated with these responsibilities, the department proposes the addition of two radiation protection specialists and a clerk-typist II at a budget year cost of \$52,502. This cost will be fully reimbursed by fees.

**Vector Control Element**

*We recommend approval.*

In order to implement Chapter 1236, Statutes of 1972, which provides for the regulation of the handling, processing and disposal of hazardous wastes by the Department of Health, 6.2 positions were added to the

Vector Control Element during the current year and are proposed to be continued in the budget year. The total cost of these positions (\$95,000 in 1973-74 and \$195,000 in 1974-75) will be fully recovered through fees charged to operators of hazardous-waste disposal sites. As indicated in Table 4, such fees will be placed in the Hazardous Waste Control Account in the General Fund.

#### **Occupational Health Element**

##### *We recommend approval.*

The Department of Health provides technical laboratory and field work support to the Department of Industrial Relations under the states' Occupational Safety and Health Administration Act (OSHA) requirements. To meet these requirements, the department has augmented the staff of the Occupational Health Element by 39.5 positions (31.5 new positions and eight positions transferred from the Department of Industrial Relations) during the current year and proposes to maintain them in the budget year. In addition, it has transferred 9.3 positions nonrelated to OSHA activities to the Laboratory Services Element. The direct budget-year costs of \$1,543,000 in addition to prorated administrative costs, of the new and transferred positions for the Occupational Health Element are to be 100 percent reimbursed through an interagency agreement with the Department of Industrial Relations.

#### **LABORATORY SERVICES PROGRAM**

The budget narrative states that the objectives of this program are: (1) to provide laboratory support services essential to departmental programs, (2) to assist other medical and health-related agencies in fulfilling their responsibilities, and (3) to assure continued development of high-quality laboratory services provided by local medical and health-related facilities and personnel. To accomplish these objectives, the program is divided into three major sections: the bioenvironmental laboratories, the biomedical laboratories, and laboratory central services. The bioenvironmental laboratories consist of an air and industrial hygiene laboratory, a food and drug laboratory, a sanitation and radiation laboratory, an epidemiological studies laboratory (all located in Berkeley) and a laboratory in Los Angeles which performs chemical, bacteriological, physical and other laboratory analyses related to environmental health. The biomedical laboratories, located in Berkeley, consist of a clinical chemistry laboratory, a microbial disease laboratory, and a viral and rickettsial diseases laboratory. The laboratory central services section, which is headquartered in Berkeley, provides necessary support services.

#### **Laboratory Budget Request**

Table 5, which indicates the total man-year and cost data for the laboratory services program, shows that the department proposes to expend \$7,377,759 and 381.8 man-years of effort on this program in the 1974-75 fiscal year. With the exception of those staffing and expenditure changes discussed below, the department plans to maintain the laboratory services program at existing levels. Changes shown in Table 5 primarily reflect cost-of-living increases and changes in the method by which the depart-

**DEPARTMENT OF HEALTH—Continued**

ment allocates its expenses.

**Table 5**  
**Laboratory Services Program Staffing and Expenditure Data**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General fund .....	\$2,594,383	\$2,682,608
Federal funds .....	3,550,469	3,720,626
Motor Vehicle Account, State Transportation Fund .....	141,450	212,941
Reimbursements:		
Federal .....	86,807	88,743
Other .....	642,468	672,841
Total program expenditures .....	\$7,015,577	\$7,377,759
Man-years .....	374.8	381.8

**Office of Noise Control**

*We recommend that the department submit specified data concerning the Office of Noise Control to the Legislature and the Department of Finance prior to the legislative fiscal committees' review of the department's budget.*

Chapter 1095, Statutes of 1973 (SB 1220), creates an Office of Noise Control within the State Department of Health and requires this office to develop noise standards and perform various other specified functions related to noise control. The bill carried a \$115,000 appropriation for the office during the 1973-74 fiscal year. However, this appropriation was deleted by the Governor with the explanation that, "The provisions of this bill can be implemented within existing budgetary resources of the department."

The Governor's Budget contains no information pertaining to the funding, staffing, or activities of the office for either the current or budget years and the Department of Health has not responded to our questions concerning this information. While it is reasonable to assume that a department the size of the Department of Health may have enough margin in its operating expenses to absorb certain responsibilities without additional funds, it is difficult to determine how the department can undertake the level of responsibilities inherent in the Office of Noise Control without additional resources. We therefore recommend that the department submit the following information to the Legislature and the Department of Finance prior to the legislative fiscal committees' review of the department's budget:

1. The proposed programs and activities of the Office of Noise Control.
2. The office's organization structure, staffing patterns, and relationship to the total Department of Health structure.
3. An itemization of the funding sources and utilization of such funds (including personnel and operating expenses) for the office during the last six months of the 1973-74 fiscal year and the proposed full-year funding for the 1974-75 fiscal year.



**Bioenvironmental Laboratories Element**

*We recommend approval.*

(1) *Occupational Safety and Health Act Responsibilities.* During the current year, the department added 23.5 positions in addition to the 9.3 man-years transferred from the Occupational Health Element to the bioenvironmental laboratories to provide laboratory support for the Occupational Health and Safety Act responsibilities of its Occupational Health Element and of the Department of Industrial Relations. The department proposes to maintain these positions in the budget year at a direct cost of \$458,000 which will be totally reimbursed by the Department of Industrial Relations through an interagency agreement.

(2) *Forensic Alcohol Analysis and Air Pollution Responsibilities.* The clinical chemistry laboratory of the Biomedical Laboratories Element is requesting three professional positions and one clerical position to insure that the 89 laboratories licensed to perform forensic alcohol analyses (blood alcohol tests) perform such tests in compliance with departmental regulations. The necessity for these positions is due, in part, to a recent court case, *People v. Foulger* (26 CA 3rd Supp. 1) which held that conviction for drunk driving must be based upon evidence which is admissible only if the forensic alcohol levels tests are performed in accordance with departmental regulations. The total cost of these positions (\$67,503) is to be funded from the Motor Vehicle Account, State Transportation Fund, and, with cost-of-living increases, will bring the total department support from such fund (Budget Item 292) to \$212,941 in the budget year (as shown in Table 3). As discussed on page 612 under our analysis of Item 292, approximately \$73,000 of these funds are used to support three professional and related clerical staff that are studying the medical effects of air pollution.

**PREVENTIVE MEDICAL SERVICES PROGRAM**

The narrative of the Governor's Budget states that the objective of this program is "to search for, assemble, and disseminate new and existing knowledge, technology, and skills to prevent, control and minimize the incidence, causes, and effects of disease, reduce the extent and duration of illness and the number of deaths, and to improve the quality of life through the promotion of positive health." To achieve this objective, the program provides services through the following elements: family health services, infectious disease, emergency medical services, and contract counties health services.

**Preventive Medical Services Budget Request**

As shown in Table 6, the department proposes to expend a total of \$25,548,194 and 217.5 man-years on this program during the 1974-75 fiscal year.

**Family Planning Services**

Within the Preventive Medical Services Program is the Office of Family Planning. Since the funds to support family planning are appropriated in Item 300, our discussion of family planning services is found in our analysis of that item on page 636.

## DEPARTMENT OF HEALTH—Continued

**Table 6**  
**Preventive Medical Services Program**  
**Staffing and Expenditure Data**

	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
General Fund.....	\$14,432,566	\$9,637,569
Federal funds .....	9,612,935	10,455,444
Reimbursements .....	1,000	1,000
Transfer of estimated savings from Medi-Cal .....	—	5,434,181
Total program expenditures.....	\$24,046,501	\$25,548,194
Man-years .....	214.4	217.5

**Child Health Disability Program**

Also found under our analysis of Item 300 on page 636 is the discussion of the Child Health and Disability Prevention Program established pursuant to the provisions of Chapter 1069, Statutes of 1973 (AB 2068).

**Infectious Diseases Element**

*We recommend approval.*

The department is proposing to increase the budget-year General Fund expenditure of its Infectious Diseases Element by \$423,664 for increased financial support of immunization programs of high-risk pediatric populations (primarily children aged one through four) throughout the state. This proposal, which provides \$58,664 for a nursing consultant II and a senior stenographer and \$365,000 for direct financial assistance to local health departments, will be used to offset decreases in federal support and to assist counties in sustaining maximum immunization levels for all immunizable diseases.

**SOCIAL SERVICES PROGRAM**

The Social Services Program is 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. The major program objectives are listed as (1) the restoration of families and individuals to self-support, independent living, competence in management of family and self, and (2) the protection of children, handicapped and elderly public assistance recipients and persons otherwise unable to secure basic service.

The program consists of the following three elements: (1) services management, which has the responsibility to develop and maintain the basic framework, planning and controls under which social services are provided, (2) services operations, which is responsible for defining and reviewing the content of the various services, and (3) adoptions services which provide directly and through supervision and coordination of public and private licensed adoption agencies for adoptions which protect the interests of all persons concerned.

**Status of Federal and State Social Service Laws and Regulations**

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. California's share of that amount was to be \$245 million for the 1972-73 fiscal year. The same amount was available during the current fiscal year and also for the budget year.

The funds received are matched by state or county funds which result in programs funded on a 75-percent-25-percent federal, state, or county sharing basis.

The act further specified the following additional limitations on the manner in which the available funds may be expended:

Funds allocated 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.

**Federal Social Service Regulations Suspended**

In May 1973, the federal government issued new regulations which defined further the nature, extent and funding provisions for social services and also required the state to issue new social service regulations. These regulations were modified and became effective on November 1, 1973. However, Congress passed, and the President signed, HR 11333, the Social Security Amendments of 1973, which suspended the new federal regulations until December 1974. Accordingly, the Department of Health, which has the main responsibility for administering the state's social service program, will not promulgate the new regulation which had been prepared in response to the federal regulations. However, the department advises that it is currently preparing new regulations in response to Chapter 1216, Statutes of 1973, (AB 134) which redefines the state's social services programs. That act provides that at least 66 percent of the federal social services money received by California shall be allocated to the counties.

Table 7 presents a summary of the detailed social service expenditure information on page 78 of the Budget Supplement, Volume II. The budget

**DEPARTMENT OF HEALTH—Continued**

presents the current and budget year totals, and we have added the past year amount for comparison purposes. The primary reason for the considerable increase in the General Fund support during the current year is that the state assumed full funding of the preschool program and the increased support for child development programs.

**Table 7**  
**Social Services Program Expenditure Totals**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund .....	\$28,361,189	\$74,818,685	\$79,988,020
Federal funds .....	218,913,353	245,733,000	245,733,000
County funds .....	47,003,887	48,222,292	44,872,986
Totals .....	\$294,278,429	\$368,773,977	\$370,594,006

**Need to Evaluate Social Services Management Activities**

*We recommend that, before the Department of Health modifies its existing social services management activities, it submit a report to the Legislature and the Department of Finance detailing the results of a recent Booz, Allen and Hamilton Inc. study, including the planned application of the findings of such study.*

In January 1973, the State Department of Social Welfare, with federal funds made available for that purpose, contracted with Booz, Allen and Hamilton Inc. to develop a pilot project to design and test a social service reporting and delivery system which would be goal-oriented, time limited and susceptible to fiscal and programmatic evaluation. The project, which was conducted in two test sites, San Joaquin and Los Angeles Counties, was completed as of December 31, 1973. The end product of this project is a social services management information system model in which the management firm sets forth specific goals for service recipients (based on federal and state laws and regulations) and defines social services relating to such goals in discrete terms so that their costs and impact on people can be measured. The Department of Health (which now administers the social services program) says that results of the project have been seen as favorable for both statewide and local use. However, it has not stated if, or how, the proposed social services management information system will be implemented or utilized.

We have reviewed preliminary data on the project and believe that there might be major problems concerning its implementation and use. One such problem concerns the assumption by the designers "that sound cost-accounting systems are already operational at the state and county levels and that these systems will provide an accurate aggregation of the cost of social services."

We are in favor of any system which would improve the state's capability to manage the dissemination of social services. However, we believe that before the Department of Health requires the implementation of the proposed social services management system (or any other new method of delivery or reporting of social services at either the state or local level) it should submit a detailed report to both the Legislature and the Depart-

ment of Finance which would include: (1) a description of the proposed services reporting and delivery system including required state and county activities and responsibilities; (2) a listing for a three-year period of the additional fiscal and manpower requirements needed for the implementation and operation of the system for both the state and county levels; (3) an explanation of how such funding and staffing will enable the system to achieve its objectives and those of the state's social service program; (4) a description of the state and county cost-accounting and data processing systems, including any required modification of such systems, to be used by the proposed social services delivery and reporting system; and (5) a description (including a timetable) of the proposed implementation of the system.

#### **Adoption Services Element**

*We withhold recommendation pending completion of an evaluation of the Adoption Services Element program by the Department of Finance Audits Division.*

The Audits Division of the Department of Finance is currently engaged in a program evaluation review of the Adoption Services Element. This review will, among other things: (1) attempt to identify the present problem areas in the state's adoption activities and (2) determine and recommend alternative policies and procedures to improve the state's effectiveness in carrying out its responsibilities in the area of adoptions and foster care as it relates to adoptions. Hopefully this review will also establish objectives for the Adoption Services Element which are realistic and susceptible to quantifiable evaluation.

In past Analyses, we have made recommendations concerning the necessity for review of programs in the Department of Health in order to achieve the development of objectives and program structures which are conducive to reliable evaluation. Therefore we support the current review of the Adoption Services Element. Several other programs in the Department of Health appear also to be in need of such a review and restructuring of objectives and programs.

We believe that it would be premature to make any recommendations concerning the Adoption Services Element until the Department of Finance finishes its review in February or March 1974, and we withhold recommendation until such time.

#### **Homemaker/Chore Program**

*We recommend that by May 15, 1974, the Department of Health submit to the Legislature a report describing the kinds of programs, and the program costs for those services funded with the county share of the social service allocation together with the department's general recommendations about program priorities at the county level.*

Chapter 1216, Statutes of 1973 (AB 134) provides that the counties will operate Homemaker/Chore Programs for aged, blind and disabled welfare recipients who require such services and that the nonfederal cost of the programs will be borne by the State General Fund.

In fiscal year 1974-75 the Department of Health intends to allocate \$170,579,128, or 69.4 percent, of the federal social service funds to the

**DEPARTMENT OF HEALTH—Continued**

counties. The Department of Finance estimates that \$40,500,000 of the federal allocation will be used to pay for the full year's operation of the Homemaker/Chore Programs in 1974-75.

The new Homemaker/Chore Program replaced the Attendant Care Program in November 1973. The services provided by the two programs are essentially the same. Both programs provide housekeeping and personal services to recipients so that they are able to remain in their own homes and out of institutionalized living arrangements. One of the primary differences between the two programs is the way they are funded. The Attendant Care Program was funded as part of the welfare grant whereas the Homemaker/Chore Program is 75 percent funded from the county federal social service allocation. This new funding arrangement places the counties in a situation where they must pay for an additional program from their fixed federal social service allocation.

The departmental estimate of the cost of the ongoing social services programs and of the Homemaker/Chore Program are preliminary estimates that must be refined and made more reliable based on data which has yet to be gathered. The county welfare departments have only had a month or two experience operating the Homemaker/Chore Program. County review of the former attendant care cases to determine which recipients should continue to receive services and at what level under the Homemaker/Chore Program is not yet completed, and not all counties have determined to what level of funding they will establish their Homemaker/Chore delivery system. These decisions have cost implications. Further, it is currently difficult to estimate to what extent county welfare directors are moving to phase down their ongoing social services programs in order to free enough federal funds for the new Homemaker/Chore Program.

If the data contained on page 78 of the Budget Supplement, Volume II, are reflective of the actual county situation, then the counties will face a federal fund shortage of approximately \$17 million in their ongoing social services programs. The \$17 million is composed of a reduction of \$10 million of available funds for the ongoing programs and assumes a 5 percent inflation factor, valued at \$7 million, in operating the ongoing programs.

**HEALTH QUALITY SYSTEM**

The Health Quality System of the Department of Health incorporates programs formerly administered by the Departments of Mental Hygiene, Public Health, Health Care Services, and Social Welfare. Services provided by this program are supported by the appropriation in Item 290.

The system objective is to assure that an acceptable quality of health care is delivered to the citizens of the state at a reasonable cost. To achieve this objective, the system is divided into the following five programs: licensing and certification, comprehensive health planning, surveillance, standards evaluation and research, and disability evaluation.

**Total Proposed Health Quality System Expenditures**

For fiscal year 1974-75, the Department of Health proposes to expend \$45,517,594 and 1,995.4 man-years in support of the system. Budget-year fiscal and staffing adjustments will be discussed in the analysis of each separate program.

**LICENSING AND CERTIFICATION PROGRAM**

The Licensing and Certification Program, which now includes all the state's health facility related evaluation functions, is responsible for the enforcement of structural and seismic safety standards of health facilities and the development and enforcement of quality care standards for health and community care facilities. The program's objectives are: (1) assuring that all plans for new or remodeled health facilities meet high structural standards, including seismic safety standards for all health facilities; (2) promoting the growth and development of needed health facilities; (3) bringing all health and community care facilities into full compliance with licensing standards; (4) assuring that the care provided meets the standards and needs of the community; and (5) encouraging the upgrading of care and development of new and innovative methods of care. To meet these various objectives, the program is divided into three main elements: facilities construction, facilities licensing and services approval.

**Licensing and Certification Budget Request**

Table 8 shows staffing and expenditure data for the Licensing and Certification Program. The decline in General Fund expenditures for the program primarily results from implementation of recent legislation which provides for health facilities monitoring and review to be reimbursed through fees. Such fee revenue is reflected in the budget year increase shown in the "other" category of reimbursements. The decrease in federal funds and the decline in staffing shown for the budget year reflects a phasedown of the Hill-Burton Program as a result of Congressional action. However, it is expected that new federal legislation will be enacted to continue the program at its previous levels. If this is the case, the department will need to revise federal funds and related staffing data to reflect the adjusted program level.

**Table 8**  
**Licensing and Certification Program Staffing and Expenditure Data**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund.....	\$5,844,612	\$1,570,360
Federal funds.....	5,667,362	2,412,009
Health Facilities Construction Loan Insurance Fund.....	153,462	161,902
Hospital Building Account—Architecture Public Building Fund.....	2,100,000	2,200,000
Reimbursements:		
Federal.....	2,366,534	2,708,488
Other .....	1,625,337	3,685,850
Total program expenditures.....	\$17,767,307	\$12,738,609
Man-years .....	494.8	437.2

**DEPARTMENT OF HEALTH—Continued****New Legislation Necessitates Budget Revision for the Licensing and Certification Program**

*We withhold recommendation on the Licensing and Certification Program pending submission of budget-year data for the implementation of Chapters 1202, 1057, 924, and 1203, Statutes of 1973 (SB 413, AB 1600, AB 1601, AB 2262).*

Four major bills (SB 413, AB 1600, AB 1601, AB 2262) were passed by the Legislature in 1973 and will become effective in 1974. These bills will have significant impact on the quality of care provided in health and community care facilities. They define basic categories of medical and nonmedical facilities for licensing, distinguish between general requirements for a license and specialized services for which a special permit is required, and also provide for consultation services to assist in upgrading the quality of care provided in licensed facilities. Each of these measures provides for fees to offset the cost of administration by the department. Chapter 1057 (the long-term health facilities act) includes provisions for the issuance of citations for deficiencies in skilled nursing homes and intermediate care facilities and provides for a system of fines for noncompliance.

These four measures will cause significant redirection of the department's manpower and will possibly create a requirement for additional personnel and expenditure levels in the Licensing and Certification Program. We understand that the department is currently engaged in a study of the staffing and expenditure requirements for the new legislation and plans to submit a request to the Legislature based on such study during the legislative review of the department's budget. Therefore, we withhold recommendation on the budgetary requirements of the Licensing and Certification Program pending submission of budget year data concerning the implementation of the above statutes.

**Health Care Facility Reimbursement Rates**

*We recommend that the Legislature direct the Department of Health to establish rates of reimbursement for medical and nonmedical health care facilities which take into consideration annual increases in the cost of living, level of program provided in such facilities, and the possibility of differential payment based on the level of care required by patients within the same facility.*

With the creation of a single Department of Health, all functions relating to the licensing and certification of medical and nonmedical health facilities have been consolidated into one organizational unit. In addition, the Legislature in 1973 passed and the Governor signed four major bills which significantly affect the quality of care provided in all licensed facilities.

With emphasis being placed on quality of care it is incumbent upon the state to establish methods of reimbursement which will insure the continued delivery of quality care in all facilities where such care is purchased.

Quality care is insured only when proper incentives exist for the provision of such care. The legislation enacted at the last session of the Legisla-



ture provides one kind of incentive in requiring strict licensure procedures coupled with specific penalties for noncompliance. Having thus established negative incentives for the provision of quality care, we feel that the Legislature and the department should now establish positive incentives by establishing procedures for the adequate reimbursement of providers of service.

As the cost of living increases, facility operators and other providers of service must respond to the demands of the marketplace by paying higher costs for goods and services. If they are to stay in business, part of these costs must be passed on to the consumer. Because the state is a major consumer of the services provided by medical and nonmedical health care facilities, and because the success of both the community mental health and the regional center programs depends in large part on such facilities and services being available in the community, the state must be willing to establish and pay reasonable rates of reimbursement for the services it purchases.

In addition, the provisions of Public Law 92-603 (HR 1) require the states to reimburse skilled nursing and intermediate care facilities for services purchased under the state's Medicaid (Medi-Cal) Program on a "reasonable cost related basis" by July 1, 1976.

The state, of course, must establish methods and standards for determining reasonableness in costs, but it is clear that the present methods of rate setting and reimbursement must be changed. For example, the most recent rate increase granted to skilled nursing homes, intermediate care facilities, and community care facilities on December 15, 1973, provided for a 6 percent across-the-board increase. This was the first increase in nearly two years and bears no relationship to actual increases in the cost of living during that period of time, particularly as the cost of living relates to the provision of medical services.

#### **Facilities Construction Element**

*We recommend approval.*

Under federal regulations, hospitals using funds from the Hill-Burton Program (which provides federal financial assistance for health facilities construction) must provide a reasonable volume of service to specified persons unable to pay for such services. Federal regulations require the state to ascertain if the 300 facilities in California that have used Hill-Burton funds are in compliance with the act. The department is proposing to add four Health Facilities Representative III and a clerk-typist II to the facilities construction element in the budget year to assist it in meeting its Hill-Burton monitoring responsibilities. The total cost of these positions (\$172,653) is to be federally funded. The positions are tied to the availability of Hill-Burton funds. Should such funds run out, the department advises that the positions will be removed from the budget.

#### **Facilities Licensing Element**

*We recommend approval.*

New provisions mandated in PL 92-603 (HR 1) require the state to survey skilled nursing home facilities and acute care hospitals to insure compliance with additional operations requirements. To meet these moni-

**DEPARTMENT OF HEALTH—Continued**

toring requirements, the department is proposing to add seven health facilities representatives, at a budget year cost of \$135,218, to the Facilities Licensing Element. Seventy-five percent of the cost (\$101,413) will come from federal funds and the remaining 25 percent (\$33,805) will be provided by fees.

**COMPREHENSIVE HEALTH PLANNING PROGRAM**

*We withhold recommendation pending receipt of a report describing the state level comprehensive health planning program.*

The State Office of Comprehensive Health Planning was established in 1967 with federal funds provided by Public Law 89-749—"the Comprehensive Health Planning and Public Service Amendments of 1966." The Governor designated the State Department of Public Health as the state agency responsible for carrying out comprehensive health planning in California. The purpose of the program was to improve the delivery of health services by providing coordinated planning in both health manpower and facilities development at the regional and state levels by a team of public and private providers and consumers of health services.

**Program Organization**

Currently, comprehensive health planning in California is organized into two planning levels: (1) the Comprehensive Health Planning and Manpower Program within the Health Quality System of the Department of Health, which the budget indicates is divided into a comprehensive health element and a manpower development element, and (2) 12 regional voluntary comprehensive health planning groups. The program also includes a 21-member State Advisory Council responsible for advising the Director of the State Department of Health on comprehensive health planning matters and for acting as an appeals body for the decisions of the voluntary comprehensive health planning agencies concerning facilities expansion.

**Comprehensive Health Planning Budget Request**

Until the current year, the state comprehensive health planning program has been funded totally by federal grants. The federal government now requires a 20-percent match of state funds in order to receive the federal funds. The 1974-75 grant, which includes a carryover of approximately \$200,000 from the current year, totals approximately \$800,000. The budget also shows a \$1,332,907 General Fund support level in the 1974-75 fiscal year for the program. The Department of Health advises that this amount is for support of the manpower development element and for the department's administrative overhead cost allocation to the comprehensive health program. We believe that the General Fund figure is high and results from an inaccurate allocation of departmental administrative expenses on an estimated percentage basis to each of the programs in the department. The federal government is currently auditing the state's comprehensive health program, and we understand that preliminary findings indicate some major problems concerning the proper level of state support.

During the current year, the department added seven professional and three clerical positions to the comprehensive health element of the comprehensive health planning program. These positions are totally federally funded and the department proposes to maintain them in the budget year at a cost of \$153,389.

#### **State Level Responsibilities**

The State Office of Comprehensive Health Planning is responsible for reviewing, updating and implementing the state plan for health, which was completed in June 1971. The state plan has never been adopted by the administration. The office is also responsible for reviewing public health block grants, Hill-Burton project applications, the planning grants of the regional agencies, health manpower training facility projects, student loan forgiveness requests, centrally administered health services and mental health programs, and National Center for Health Services research and development grants.

The state program is also responsible for assisting, guiding and monitoring the voluntary regional comprehensive health planning agencies.

#### **Lack of Direction**

The reorganization of the Department of Health and staff turnover have resulted in a lack of direction in the state comprehensive health planning program. It also appears that the state program may not be fulfilling its mandated responsibilities. These and other problems have been extensively documented in an October 15, 1973, report by the Comprehensive Health Planning Service of the U.S. Department of Health, Education, and Welfare.

That report and our review of the total comprehensive health planning effort in the state have led us to conclude that there are problems in the management and direction of the program at the state level. For example, we cannot identify any clear and distinct program goals. There is little if any direction being given to regional and local planning efforts.

#### **Report of Activities Needed for Proper Program Evaluation**

During last year's hearing on the Department of Health budget problems in this program were discussed and the department director stated that they would be alleviated as the new department's organization settled into place. We have seen no improvement in the situation and in fact have observed a general decline in the comprehensive health planning program. We therefore withhold recommendation until the Department of Health submits a report to the Legislature and the Department of Finance describing how the above-mentioned problems will be alleviated. Specifically, the department should present a clear statement as to how the comprehensive health program relates to the State Department of Health responsibilities and activities. In addition, a statement should be presented as to the state's relationship with regional and local agencies. Finally, the report should outline the specific work plan of the program so that the Legislature can determine whether it wishes to continue the present state support.

**DEPARTMENT OF HEALTH—Continued****DISABILITY EVALUATION PROGRAM**

Under the provisions of Chapter 1002, Statutes of 1973, (AB 425) the Department of Health succeeds to all functions relating to disability evaluation which were formerly the responsibility of the Departments of Rehabilitation and Social Welfare.

Funded entirely by the federal government, the program operates under a contract with the Social Security Administration to determine whether or not persons are disabled, and, if so, whether they are eligible to receive payments under the provisions of the Social Security Act.

**Disability Evaluation Budget Request**

*We recommend approval.*

The budget proposes the expenditure of \$23,504,591 in federal funds to support the disability evaluation program. These funds will support 1,120 positions in the Department of Health, all of which were transferred to the department during the current year under the provisions of Chapter 1002, Statutes of 1973, (AB 425) and all of which are proposed to be continued during the budget year.

The department estimates that 340,000 disability determination applications will be processed during the budget year. This represents an increase of 65,700 above the current year.

**Department of Health****FORENSIC ALCOHOL ANALYSIS REGULATION AND MEDICAL EFFECTS OF AIR POLLUTION**

Item 292 from the Motor Vehicle Account, State Transportation Fund

Budget p. 167 Program p. II-101

Requested 1974-75 .....	\$212,941
Estimated 1973-74.....	141,450
Actual 1972-73 .....	76,772
Requested increase \$71,491 (50.5 percent)	
Increase to improve level of service \$67,503	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The Laboratory Services Program of the Department of Health is responsible for implementation of regulations relating to forensic alcohol analysis. These regulations govern laboratories and persons performing tests to determine the concentration of ethyl alcohol in the blood of persons involved in traffic accidents or violations. Currently there are 89 licensed laboratories and approximately 500 persons licensed to perform forensic alcohol analysis. The laboratory staff conducts proficiency tests and written examinations for approximately 40 persons per quarter to

qualify them to perform forensic alcohol analysis.

The Laboratory Services Program is also responsible for determining the medical effects of air pollution. In order to perform this activity, the program maintains three professional positions and one clerical position. The program coordinates its work closely with the Air Resources Board.

Both the forensic alcohol analysis and medical effects of air pollution responsibilities of the Laboratory Services Program are supported from the Motor Vehicle Account of the State Transportation Fund.

#### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The proposed appropriation of \$212,941 is \$71,491 or 50.5 percent above estimated current year expenditures. As discussed on page —, under our analysis of the Department of Health, \$67,503 of this increase is for three new professional positions and clerical support for the Laboratory Services Program to meet its workload responsibilities associated with regulating the laboratories and persons performing forensic alcohol analysis. The remaining increase of \$3,988 represents cost-of-living increases.

#### CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)

Item 298 from the General

Fund	Budget p. L-45	Program p. II-51
Item 298.....		\$596,666,527
Transfer from Item 290 <sup>a</sup> .....		9,983,473
Transfer from Item 307 <sup>a</sup> .....		901,806

Requested 1974-75 .....	\$607,551,806
Estimated 1973-74.....	598,885,000
Actual 1972-73 .....	560,178,728

Requested increase \$8,666,806 (1.5 percent)

Total recommended reduction ..... Pending

<sup>a</sup> These items are shown here in order to make a comparison with the current year expenditures.

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Review of Caseload and Effect of HR 1. Withhold recommendation pending: (1) review of spring caseload and revised average cost estimates, and (2) more complete information regarding HR 1's fiscal impact on the program. 616
2. Family Planning Services. Withhold recommendation on proposed transfer of Medi-Cal General Fund savings to Item 300 for family planning services until more information concerning HR 1's fiscal impact becomes available. 618
3. Caseload Estimates. Withhold recommendation on the funds budgeted for the administration of the Medi-Cal program pending receipt of caseload estimates to be made in the spring. 620
4. Fiscal Intermediaries. Recommend the General Fund ap- 622

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued**

- appropriation for fiscal intermediary operations and support be set aside in a separate budget item, and adequate control language be included in the item to insure proper distribution of such funds.
5. Prepaid Health. Recommend the additional 18 positions authorized for prepaid health plans by the Director of Finance be established as soon as possible within the Department of Health. 623
  6. Special Report. Recommend Department of Health prepare a report to include the period from the inception of the PHP program to the present, which contains separate budgets for the Prepaid Health Plan Program and a similar case-load receiving care under the regular fee-for-service Medi-Cal Program. 624

**General Program Statement**

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 21 who reside with their families, who are medically needy on the basis of their income and resources; and (4) medically indigent adults, from age 21 to 65 and those ceremonially married persons under 21 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 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.

**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	—
Skilled nursing 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 or podiatrist 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		

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued****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 complete regulations by the Department of Health, Education, and Welfare (HEW). 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 is 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 home required services which could be costly to the state depending on HEW regulations.

The Governor's Budget, as presented to the Legislature on January 10, 1974, does not include the fiscal impact of HR 1 on the Medi-Cal Program. Some of the federal regulations necessary for implementing the provisions of HR 1 are still being promulgated by HEW. We anticipate that more information regarding HR 1 costs and/or savings will be available during the budget hearings and that this information will enable the fiscal impact to be built into the current-year and budget-year estimates at that time.

**ANALYSIS AND RECOMMENDATIONS**

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

The budget proposes General Fund expenditures of \$607,551,806 for the California Medical Assistance Program which is \$8,666,806, or 1.5 percent, more than is estimated to be expended during the current fiscal year. The funds appropriated by Item 298 represent the state's share of cost for the Medi-Cal Title XIX Program and the medically indigent adults who are not eligible for federal reimbursement. In the budget year, state support funds, which were appropriated in this item in the past, are being appropriated in Item 290. In addition to these appropriations, the budget shows funds from other sources to bring the total program expenditure to \$1,628,901,517, which is \$53,872,663, or 3.4 percent, more than is estimated to be expended during the current fiscal year. Table 2 shows the program ex-



penditures by type of service and by type of administrative cost.

**Table 2**  
**Total Medi-Cal Costs**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74<sup>a</sup></i>	<i>Proposed 1974-75<sup>a</sup></i>
Professional services.....	\$329,408,845	\$324,770,800	\$327,784,000
Prescription drugs .....	81,746,065	83,816,500	90,077,200
Dental care.....	54,397,507	59,205,200	59,594,800
Hospital inpatient.....	487,034,517	530,423,200	568,901,300
State hospitals .....	39,765,887	44,040,600	44,040,600
Nursing homes.....	280,646,495	316,421,900	300,374,000
Other services .....	49,638,089	84,601,200	101,430,300
Title XVIII B buyin .....	23,400,009	29,065,500	28,423,500
Totals .....	\$1,346,037,414	\$1,472,344,900	\$1,520,625,700
Administration:			
State support, Benefit Payments .....	—	—	\$1,803,612
State support, Health.....	\$22,213,756	\$25,256,821	23,904,451
County support .....	41,131,002	40,467,700	43,703,649
Fiscal intermediary .....	34,199,088	37,013,433	38,864,105
Totals .....	\$97,543,846	\$102,737,954	\$108,275,817
Total, Medical Assistance Program	\$1,443,581,260	\$1,575,082,854	\$1,628,901,517

<sup>a</sup> These estimates do not include the fiscal impact of Public Law 92-603 (HR 1).

Table 3 presents the source of funding for the Medi-Cal Program.

**Table 3**  
**Source of Funding for the Medi-Cal Program**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
State funds			
Item 298, General Fund .....	\$560,178,728	\$598,885,000	\$596,666,527
Transfer from Item 293, Short-Doyle, General Fund .....	1,121,796	25,027,637	26,028,743
Transfer from Item 290, State Adminis- tration, General Fund .....	—	—	9,983,473
Transfer from Department of Benefit Payments, General Fund .....	—	—	901,806
Board of Medical Examiners' Contin- gent Fund.....	272,733	272,733	—
Item 264.1, Budget Act of 1973 .....	—	50,000	—
Federal funds.....	631,476,354	678,990,020	707,152,056
County funds .....	250,531,649	271,857,464	288,168,912
Total Medi-Cal.....	\$1,443,581,260	\$1,575,082,854	\$1,628,901,517

#### 1973-74 Fiscal Year Budget

A review of the reconciliation of current year General Fund expenditures with current year appropriations on page 104 of the program budget shows a General Fund savings of \$4,899,663 for the Medi-Cal Program. The main reason given for this savings is the transfer of medically indigent adults aged 18 to 21 to the medically indigent children category of eligibles. This transfer was made in accordance with Chapter 1025, Statutes of 1973, to allow for federal funding of Medi-Cal costs related to these individuals. Effective January 1, 1974, the department estimated 8,900 adults

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued**

would be transferred to the children's category. This is the only change in the current year caseload estimates since the May 1973 revision.

The other major adjustment to the current year budget includes an allowance for 6 percent increases in skilled nursing and intermediate care facility reimbursement rates which became effective December 17, 1973. Again, HR 1 costs and/or savings have not been included in the current year estimates.

**Proposed Use of General Fund Savings**

*We withhold recommendation on the proposed transfer of Medi-Cal General Fund savings to Item 300 for family planning services until more information concerning HR 1's fiscal impact becomes available.*

The 1974 Budget Act contains the following language in Item 298:

"Provided further, that in the event savings occur in this item from implementation of Public Law 92-603 (HR 1) an amount not to exceed \$5,434,181 may be transferred from this item to and in augmentation of Item 300 for family planning services on order of the Director of Finance."

The intent of this language is to transfer Medi-Cal General Fund savings to Item 300 in an amount necessary to maintain current year family planning expenditure levels. In the current year, approximately \$4.8 million was appropriated by Chapter 1213, Statutes of 1973, to increase family planning program expenditures to a total of approximately \$9.8 million, all funds. The transfer of \$5.4 million, Medi-Cal General Fund savings is intended to continue the General Fund level of support appropriated in Chapter 1213. However, HR 1's fiscal impact has not been built into the current-year estimates. Thus, we are unable to determine if savings in an amount sufficient to maintain existing program expenditures for family planning in the budget year will be realized. The family planning program is discussed in our analysis of Item 300.

**1974-75 Fiscal Year Budget**

Although Item 298 proposes an appropriation of \$596,666,527 for the budget year which is \$2,218,473, or 0.4 percent, less than the amount appropriated by the Medi-Cal General Fund support item, General Fund expenditures have not actually decreased. Certain funds which were appropriated in the current year item are being appropriated in other items for the budget year. Table 4 shows those changes and provides the infor-

**Table 4**  
**State Support for Medi-Cal**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund, direct support .....	\$598,885,000	\$596,666,527
Transfer from Item 293, Short-Doyle .....	25,027,637	26,028,743
Board of Medical Examiners' Contingent Fund .....	272,733	—
Item 264.1, Budget Act of 1973 .....	50,000	—
Transfer from Item 290, State Administration .....	—	9,983,473
Transfer from Department of Benefit Payments .....	—	901,806
State Support Totals .....	\$624,235,370	\$633,580,549

mation necessary to evaluate the growth of General Fund support for the Medi-Cal Program.

The proposed budget shows an increase of \$9,345,179, or 1.5 percent, in all General Fund expenditures for Medi-Cal and an increase of \$53,872,663, or 3.4 percent, for the total program over the current fiscal year. Adjustments to the budget year include: cost *increases* of: (1) 7.5 percent for prescription drugs due to a rate increase in the ingredient portion of drugs and a projected increase in recipients who are high users of drugs, (2) 7.3 percent for projected increases in hospital inpatient costs, and (3) 4.0 percent in Short-Doyle Medi-Cal services; and cost *decreases* of: (1) 5.1 percent in nursing home services because rate increases authorized in the current year have not been included in the budget year, and (2) 3.8 percent in intermediate care services for the same reason.

County funding for the budget year is estimated to increase by \$16,311,448, or 6 percent. The counties do not share in program savings or cost increases because annual increases for county shares are fixed in the law. A detailed discussion of the counties' role in the delivery of health care is found on page 625.

#### **Nursing Home Rates**

The Department of Health granted a 6 percent increase in the rates paid nursing homes and intermediate care facilities on December 17, 1973, after administrative hearings were conducted. The General Fund cost for the increase during the current fiscal year is \$6.9 million and \$13.4 million all funds. The 1974-75 cost for the increase would be \$27 million, all funds, of which \$13.5 million is the General Fund share. Why the funds are not budgeted is difficult to comprehend. Although the increase has been termed an "interim" increase it is hardly likely that nursing home rates will be reduced on July 1, 1974, back to what they were prior to December 17, 1973.

Table 2 shows the estimated 1974-75 costs of the health benefits provided through the Medi-Cal Program. The total nursing home costs for 1974-75 are estimated to be \$300.4 million as compared to \$316.4 million for the current fiscal year. Within the same table, hospital inpatient costs are projected to go up from \$530.4 million during the current year to \$568.9 million, an increase of 7.3 percent. The projected budgeted increase is for cost increases and not for any caseload increase. Nursing home costs are subject to many of the same inflationary pressures as those of hospitals.

#### **ADMINISTRATION OF THE MEDI-CAL PROGRAM**

Under the supervision of the Secretary for Health and Welfare, the State Departments of Health and Benefit Payments are the two agencies 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 are 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

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued**

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.

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 5 shows the total estimated cost incurred for administration in fiscal years 1972-73, 1973-74, and 1974-75.

**Table 5**  
**Estimated Medi-Cal Cost for Administration from the Health Care Deposit Fund**  
**1972-73 through 1974-75**

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
Administrative support for:			
Department of Benefit Payments.....	—	—	\$1,803,612
Department of Health .....	\$22,213,756	\$25,256,821	23,904,451
Total state .....	\$22,213,756	\$25,256,821	\$25,708,063
County administration .....	41,131,002	40,467,700	43,703,649
Fiscal intermediary .....	34,199,088	37,013,433	38,864,105
Total .....	<u>\$97,543,846</u>	<u>\$102,737,954</u>	<u>\$108,275,817</u>

**Increased Administrative Cost**

*We withhold recommendation on the funds budgeted for the administration of the Medi-Cal Program pending the revision of caseload estimates in the spring.*

The total budgeted administrative costs represent 7.1 percent of the benefits which are estimated to be paid by the Medi-Cal Program during the budget year as compared to 7.0 percent for the current year. The bulk of administrative 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 most significant increase in administrative costs is the \$3,235,949, or 8 percent, increase in the cost of eligibility determination in the counties for the budget year. This increase is attributed to increases in the projected caseload for the medically needy and medically indigent categories. County support represents the costs related to eligibility determination for these two categories. Although the total Medi-Cal caseload is estimated to decrease by 9,400 eligibles, or 0.4 percent, the caseload for the medically needy and medically indigent is estimated to increase by 34,200 eligibles, or 9.2 percent. Caseload estimates are shown on page 57 of the Program Budget (Vol. II) and will be revised in the spring. Therefore, we are also withholding our recommendation on the administrative costs of the program until new caseload estimates are made in May. We question the

current estimate that the Medi-Cal caseload will decrease. In fact, it seems more likely that an increase will occur due to the increased unemployment which is projected by the Department of Finance in another portion of the budget.

#### **FISCAL INTERMEDIARIES**

At the inception of the Medi-Cal Program, three fiscal intermediaries, Blue Cross North, Blue Cross South, and Blue Shield, acting under contract with the State Department of Health Care Services, processed and paid all claims for payment submitted by providers of services to Medi-Cal eligibles. In 1968 the 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 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.

#### **Medi-Cal Management System**

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 1972-73 fiscal 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 required 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 was to prepare a comparative evaluation of the Medi-Cal Management System and the Medi-Cal Intermediary Operations (MIO).

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

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued**

MIO was able to expand the system to include Blue Cross North and Blue Cross South. Therefore, the claims processing system being operated in 56 counties under MIO is that which was to be compared to MMS.

**1973 Budget Act Controls**

In June 1973, the HR 129 task force submitted its report on the comparative evaluation of MMS and MIO to the Legislature. The report contained the three following recommendations:

1. "Continue the Medi-Cal Intermediary Operations (MIO) in the 56 counties presently serviced by that system."
2. "Retain the Medi-Cal Management System (MMS) prototype in the present two counties through the 1973-74 fiscal year."
3. "If legally permissible, renegotiate the contract with Medi-Cal Intermediary Operations (MIO) to clarify the terms and provide for more state control and participation."

Based on the information contained in the report, the Legislature added the following language to the Medi-Cal General Fund item of the 1973 Budget Act:

"Provided further, that no more than \$3,776,220 of the funds appropriated by this item shall be expended for the purposes of the Medi-Cal management prototype system in the two pilot counties; and provided further, that no more than 75 percent of such \$3,776,220 shall be expended, encumbered or transferred on or before April 1, 1974, unless an invitation for bid for a statewide mechanized claims processing and information retrieval system, which meets the requirements for increased federal sharing under Public Law 92-603 (HR 1) has been released and a contract resulting therefrom has been executed by such date; and provided further, that upon the execution of such contract on or before April 1, 1974, the remainder of such \$3,776,220 shall be available for such purposes."

**Shortage of Funds for Medi-Cal Management System (MMS)**

*We recommend that the General Fund appropriation for fiscal intermediary operations and support be set aside in a separate budget item and that adequate control language be included in the item to insure proper distribution of such funds.*

The Department of Health released a "Request for Proposal for a State-wide Medi-Cal Intermediary" in November 1973. However, the scheduled deadlines within the proposal do not indicate that the contract will be signed by April 1, 1974. The contract is scheduled to be signed May 15, 1974, and the contractor will begin operation July 1, 1974. Therefore, no more than 75 percent of the funds allocated for MMS prototype operations could be expended during the current year due to the restrictive language in the Budget Act quoted above. Continued operation of MMS would be advisable through the end of the current fiscal year. Thus, a General Fund shortage of as much as \$1 million for fourth quarter operations and phase-out costs for MMS could be realized. The amount of the shortage varies depending upon what firm is awarded the new contract.

To insure that proper funding of fiscal intermediary operations is contained in the 1974 Budget Act there is a need for more stringent control of those funds. General Fund appropriations for the fiscal intermediaries will have to be adjusted to reflect contract negotiations that take place, right up to the end of the budget process. For these reasons we conclude that the appropriation for fiscal intermediary operations should be set aside as a separate budget item with appropriate control language.

#### 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).

As of October 1, 1973, the department had signed 48 prepaid health plan contracts with a maximum allowable enrollment of 838,184 Medi-Cal beneficiaries. The potential size of the program has almost doubled since February 1, 1973, when 25 plans existed with a maximum enrollment of 454,384 Medi-Cal beneficiaries. On the other hand, actual enrollment as of October was 196,715 as compared to 132,668 in February. During the fiscal year 1972-73 a total of \$37 million was paid in capitation rates.

On November 15, 1973, our office presented a report to the Assembly Health Committee entitled "A Review of the Regulation of Prepaid Health Plans by the State Department of Health." The report contained 20 major recommendations regarding the administration of prepaid health plans (PHP's). We are currently reviewing actions taken by the department in response to our report. We do not intend to repeat complete discussions of those areas covered by the report or during the hearings in this analysis. However, there are two specific areas we feel should be discussed during the budget hearings: (1) position changes, and (2) PHP savings.

#### Position Changes

*We recommend that the additional 18 positions authorized for prepaid health plans by the Director of Finance be established as soon as possible within the Department of Health.*

On October 23, 1973, a letter subject to the provisions of Section 28 of the Budget Act was sent to the Joint Legislative Budget Committee from the Director of Finance stating that he was authorizing the transfer of funds between budget items that would result in the establishment administratively of 18 new positions and the transfer of 18 other positions from the Field Services Section of the Department of Health for a total of 36 new positions in prepaid health plan activities. Authorization for the 36 positions became effective November 22, 1973. During our review of the role of the Department of Health in the supervision of PHP's in

**CALIFORNIA MEDICAL ASSISTANCE PROGRAM (MEDI-CAL)—Continued**

September 1973, it became apparent that the staffing was inadequate to meet the problems confronting the department and that the 36 new positions should, therefore, be filled as soon as possible. However, the program budget shows that only 18 new positions are proposed for the current year. We do not understand why all 36 positions are not proposed for the current year pursuant to the Section 28 letter.

**Prepaid Health Plan Savings**

*We recommend that the Department of Health prepare a report that includes the period from the inception of the PHP Program to the present which contains separate budgets for the Prepaid Health Plan Program and for similar caseload receiving care under the regular fee-for-service Medi-Cal Program.*

The Department of Health's request for the 36 positions stated that the augmentation required to support these positions could be funded from program savings, and the letter to the Joint Legislative Budget Committee pursuant to the provisions of Section 28, Budget Act of 1973, stated the following:

"During the 1972-73 fiscal year, the amount paid in PHP capitation payments is estimated by the Department of Health to be from \$7 million to \$8 million less than the amount which would have been paid under the Fee-for-Service Program."

Fee-for-service is the regular method of reimbursement for Medi-Cal savings. Therefore, it was assumed that the PHP Program produced savings during the 1972-73 fiscal year. However, we have been seeking information from the department to substantiate the \$7 million to \$8 million in PHP Program savings, without any results, since the Assembly Health Committee hearings in November 1973.

As was pointed out during the hearings, in order to facilitate evaluation of the PHP Program, it is desirable to have a separate program budget prepared. In addition, a separate budget for a similar caseload receiving care under the regular Medi-Cal Program would be necessary for comparisons. Therefore, we suggest the need for a report to correct this condition.

**Medi-Cal Dental Services**

During the current year, the Department of Health entered into a contract with California Dental Services (CDS), a nonprofit California corporation, for the provision of all dental services to Medi-Cal beneficiaries on a prepaid capitation rate basis. A portion of the discussion concerning this contract on page 57 of the program budget is somewhat misleading. It says: "Approximately 12,000 dentists are members of CDS and all are eligible to participate in the program." This leads one to believe that dentists not belonging to CDS cannot provide care to Medi-Cal beneficiaries. Our understanding is that all dentists who have received Medi-Cal provider numbers, which certify eligibility for participation in the program, can continue to provide services to Medi-Cal beneficiaries. However, instead of billing the fiscal intermediaries under the regular



fee-for-service system, they would bill CDS on a fee-for-service basis.

CDS has been awarded the contract as a pilot project for a four-year period. The maximum capitation for the first full year is \$62 million. The contract has eliminated the need for utilization controls on dental services and permitted the reduction of 99.9 positions.

#### **SUGGESTED STUDY AND PARAMETERS ON THE ROLE OF COUNTIES IN HEALTH CARE DELIVERY**

*We recommend that a long-range study be performed on the role of counties in health care delivery. We further recommend that the following major areas be included in the study: (1) county share development; (2) eligibility determination and program administration; and (3) role of counties in health care delivery.*

#### **Role of Counties in Health Care Delivery**

Prior to the enactment of the California Medical Assistance Program (Medi-Cal) in 1965, the county hospitals provided a wide range of services to persons who were county indigents and to eligible persons from the Public Assistance Medical Care (PAMC) and the Medical Assistance for the Aged (MAA) Programs.

County responsibility for indigent persons is defined in Sections 17000 and 17001 of the Welfare and Institutions Code (W&IC).

Section 17000 states:

"Every county and every city and county shall relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means, or by state hospitals or other state or private institutions."

Section 17001 states:

"The board of supervisors of each county, or the agency authorized by county charter, shall adopt standards of aid and care for the indigent and dependent poor of the county or city and county."

Except for the PAMC-MAA contributions, the major responsibility for county hospital costs was borne by the county taxpayers, usually through property taxes.

#### **Medi-Cal Program**

When Medi-Cal began in 1966, a comprehensive, uniform group of basic health care services was made available for public assistance recipients. Some of these services may not have been provided under existing county programs. A major objective of the legislation was the elimination of segregation of services for the poor in county hospitals. Medi-Cal eligibles were to be able to secure health care in the same manner employed by the general public (i.e., in the private sector or at a county facility).

The effect of the total program on the counties, primarily because of the changes in funding provisions, was the upgrading of the quality and availability of services within county hospital systems for public assistance recipients and county indigents.

## HEALTH CARE DELIVERY—Continued

## County Share in Funding the Medi-Cal Program

An increase in the cost of care in county hospitals was anticipated when the Medi-Cal program was proposed in 1965. 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 1964-65 county cost of health care, including 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.

The effect of the state participation in the county option program was that funds provided by the state replaced costs that would otherwise have been borne by counties through increases in property taxes. However, budget limitations had to be placed upon the state's funding of the option program since costs rose very rapidly and some counties took advantage of the program by billing the state for costs that were not intended to be covered.

Starting with the 1969-70 fiscal year and continuing through the 1970-71 fiscal year, the state limited its funding of the option program to \$35,000,000 each year. Therefore, the county share figures for 1969-70 and 1970-71 do not reflect total county costs under the option program. It is known that counties absorbed additional costs those two years but facts to measure the degree are not available. A summary of county option costs is shown in Table 1:

Table 1  
County Option Costs  
(millions)

	1966-67 (16 mos.)	1967-68	1968-69	1969-70	1970-71
County participation .....	\$125.5	\$106.0	\$109.6	\$109.0	\$106.5
State participation.....	32.2	27.1	20.7	35.0	35.0
	<u>\$157.7</u>	<u>\$133.1</u>	<u>\$130.3</u>	<u>\$144.0</u>	<u>\$141.5</u>

Except for the counties' additional costs due to the state-funding limita-

tion discussed above, the counties' contributions under the Medi-Cal Program were relatively stable the first five years, as shown in Table 2.

**Table 2**  
**County Medi-Cal Expenditures**  
**(millions)**

	<i>1966-67</i> <i>(16 mos.)</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>
County option .....	\$125.5	\$106.0	\$109.6	\$109.0	\$106.5
Title XIX .....	123.0	104.5	104.8	107.3	108.4
	<u>\$248.5</u>	<u>\$210.5</u>	<u>\$214.4</u>	<u>\$216.3</u>	<u>\$214.9</u>

Title XIX costs are for the former PAMC and MAA Programs which have been incorporated in the Social Security Act as a portion of the Medicaid Program.

#### **Medi-Cal Reform Program (MRP)**

The Medi-Cal Reform Program (MRP) was effective October 1, 1971, and created significant changes in the Medi-Cal Program in the following areas: (1) scope of benefits and prior authorization; (2) county shares in the funding of the program; and (3) eligibility.

The scope of benefits under MRP limited beneficiaries to a maximum of two physician visits and two prescriptions per month and required prior authorization for various medical services. Counties and private providers have stated they have not received reimbursement at times due to utilization controls and an inability to obtain labels required to bill for services rendered.

The legislation also established a new method for determining each county's share in the Medi-Cal Program. 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. In subsequent years, the new shares are increased by the county's percentage change in modified assessed value, as determined by the State Controller. The original county shares for 1971-72 were set at \$241,260,000.

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

Significant changes in the area of eligibility were made. Eligibility was expanded to cover county medically needy children and adults who are under 65 and not linkable to the categorical welfare programs. Federal funds are available for the medically indigent children but not for medically indigent adults from age 21 to 65.

The counties have responsibility for determining Medi-Cal eligibility for the medically indigent category using maintenance need standards to calculate a person's liability or share towards the cost of health care. The person must pay this share or obligate to pay the amount, sometimes called the spenddown, determined to be in excess of the maintenance

**HEALTH CARE DELIVERY—Continued**

need standard before he is eligible for Medi-Cal benefits. The maintenance need standards apply statewide even though some counties have higher costs of living than others.

Prior to MRP, counties had adopted their own maintenance need standards. Calculations to determine MRP county shares made no adjustment for counties having lower or higher maintenance need standards than those established under MRP. Counties that had higher standards should possibly have their shares adjusted downward because MRP standards require the individuals to contribute costs the counties previously had been absorbing. Counties that had lower maintenance need standards should possibly pay a higher share because they have contributed less towards the cost of health care than they would have if they had been using MRP standards.

Some of the problems that have developed related to the eligibility determination process are:

1. Persons refusing to apply for Medi-Cal who receive treatment in county facilities and are unable to pay for it;
2. Difficulty in completing and verifying Medi-Cal applications for the medically indigent whose eligibility must be determined monthly; and
3. Loss of revenue through inability to collect from persons who obligate spenddowns and then do not pay.

The last problem is more acute in counties with higher costs of living than the state average. The amount of revenue loss on spenddowns is also related to varying degrees of effort and success by the counties in collecting outstanding obligations.

**Cost Shift to Counties After Medi-Cal Reform Program (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.

The main elements of the cost shift evolved from one, or a combination of the following areas: (1) estimates for the new medically indigent category, (2) the modification of program benefits, and (3) 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 medical indigents covered by the option program. Average monthly caseload estimates for this category were between 750,000 and 800,000. The actual figures were: 40,150 persons for 1971-72 and 139,307 persons for 1972-73. The Governor's Budget estimates 1973-74 caseload figures at 228,100 and projects 1974-75 figures at 258,800.

Through the county share, counties are contributing for persons who are unable to become Medi-Cal eligibles. Currently, some of the counties provide care at county expense for these persons who do not qualify for Medi-Cal.

Services provided were standardized for all categories of eligible persons and some of the services formerly covered by the option program

were eliminated under Medi-Cal. Therefore, counties contribute for services for which they cannot receive reimbursement. Similarly counties that took advantage of the option program by billing for services never covered under Medi-Cal have shares based on figures that did not represent the actual county medical indigent costs.

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 medical indigents.

An example of point (c), Chapter 1329, Statutes of 1972, substantially reduced the required contribution of Butte County from \$1,120,000 as established under MRP to \$951,700. County representatives had contended that erroneous information was utilized by the Department of Health Care Services (DHCS) to develop Butte County's share. DHCS officials had extracted the county hospital reimbursement of \$400,000 from the county's budget. Later investigation determined that only \$231,700 was attributable to the care of medically indigent patients that would be eligible for Medi-Cal under MRP. The share was reduced by \$168,300.

#### **The Current Situation**

Counties are experiencing many administrative and fiscal difficulties. The difficulties are related to lower than anticipated revenues under MRP and rising uncompensated costs absorbed as county-only expenses in operating county hospital systems. Additionally, counties do not participate in program savings because their shares are fixed by statute. Furthermore this has forced counties to investigate ways to reduce both county expenses for health care and losses related to the Medi-Cal Program. These investigations have led to the closure of the single county hospital in some counties and the closure of all but one county hospital in some counties which have two or more county hospitals.

A number of counties have adopted the Medi-Cal medically indigent maintenance need standard as the county standard. In addition, some counties have taken the position that there are no longer any county indigents. From the county's perspective, if a person does not qualify for Medi-Cal, the person is assumed financially capable of paying for his health care costs. For a multitude of reasons, there are persons who do not qualify as a Medi-Cal medically indigent, who are incapable of paying for their health care costs. Some of these persons might include: transients, illegal aliens, working poor, former county indigents with a large spend-down, etc. There is some question as to what persons, if any, outside of the Medi-Cal medically indigent eligibles, are the county responsibility under Section 17000 of the Welfare and Institutions Code.

Counties closing their facilities still pay their share to the state and seldom have any other county-only health care costs except where they contract with private hospitals for treatment of jail inmates, juveniles and some emergency care costs. A few counties have removed themselves from the county hospital business by turning over operation of the facility to a University of California Medical School. Other counties have studied

**HEALTH CARE DELIVERY—Continued**

closing their county hospitals but have decided to stay in the health care business for a variety of reasons. Until recently, counties have increasingly relied on greater amounts of local funds, usually property taxes, to subsidize county hospital operations. However, Chapter 1406, Statutes of 1972 (SB 90) and Chapter 358, Statutes of 1973 (AB 2008), essentially froze county property tax rates at 1971-72 or 1972-73 levels.

To summarize, counties are experiencing increased county-only costs that are largely a result of: (1) cash-flow problems, (2) loss of anticipated revenues, and (3) increased uncompensated costs.

In December and January, our office conducted an informal survey of approximately 20 counties regarding recent developments in health care at the county level. We have also been coordinating with the County Supervisors' Association (CSAC) and the State Department of Health regarding a short-range survey and the need for a long-range study on the role of counties in health care delivery. Each has indicated a willingness to participate in such a study.

Currently, the Department of Health, with CSAC assistance, is conducting a county hospital patient profile survey among approximately 15 of the larger counties. The patient profile survey will probably provide data to support administrative changes to enable the counties to bill for more patients in the medically indigent category and in other areas where the counties are incurring certain uncompensated costs. It is admittedly a short-range effort aimed at helping relieve the counties' current fiscal problems.

The results of our survey and the implications for the counties and state of the range and extent of problems discussed in the previous section warrant a longer-term examination. Therefore, we recommend that a long-term study be performed on the role of counties in health care delivery. In addition, we suggest consideration be given the feasibility of hiring or subsidizing a number of staff to carry out the project. The project could probably be conducted in nine months to a year.

Following is a brief discussion of the three areas we recommend for inclusion in the study: (1) county share development; (2) eligibility determination and program administration; and (3) role of counties in health care delivery.

**County Share Development****1. Legislative Intent of MRP for Medically Indigent**

The legislative intent of MRP for the medically indigent category should be examined because the expected number of eligibles has never been reached.

**2. County Shares Under MRP**

The county shares as calculated under MRP may be erroneous for a number of reasons: (a) the expected number of eligibles in the medically indigent category has never been reached; (b) no adjustment in county shares has been made for counties having lower or higher maintenance need standards than those adopted under MRP; (c) counties may be contributing for services that are not reimbursable due to standardization

of benefits; (d) counties that took advantage of the option program may be paying inflated shares; and (e) standard county shares may contain costs not related to the county indigents.

#### Eligibility Determination and Program Administration

There are a number of reasons why counties are incurring increased county-only expenses: (a) eligibility determination for the medically indigent is difficult to verify initially and to repeat on a monthly basis; (b) the eligibility process does not deal with persons who refuse to apply and are still treated; (c) the counties are losing revenue from spenddown losses for the medically indigent category; (d) the adequacy of the maintenance need standards needs to be examined in light of spenddown losses and the varied costs of living around the state.

Due to utilization controls and an inability to obtain labels for services rendered, counties have lower than anticipated Medi-Cal revenues.

#### Role of Counties in Health Care Delivery

The closure of some county hospitals raises the issue of county responsibility under Section 17000 (W. & I. Code) for persons who do not qualify for the Medi-Cal medically indigent category. The current fiscal problems facing the counties are threatening their continued participation as primary providers of health care. The long-term implications of this should be examined.

### Department of Health

#### FOR COST OF SPECIAL SOCIAL SERVICE PROGRAMS

Item 299 from the General  
Fund

Budget p. 163 Program p. II-76

Requested 1974-75 .....	\$26,592,500
Estimated 1973-74.....	N/A
Actual 1972-73 .....	N/A
Total recommended reduction .....	Pending

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Adoption Services. Withhold recommendation pending completion of program evaluation. 632

#### GENERAL PROGRAM STATEMENT

This item appropriates the General Fund money budgeted to match federal funds coming to California for certain social service programs. This item cannot be compared with previous years expenditures because some programs are budgeted in this item that were previously nonexistent (homemaker and chore service) and some programs are not budgeted in this item which in previous years had been (family planning).

## FOR COST OF SPECIAL SOCIAL SERVICE PROGRAMS—Continued

## ANALYSIS AND RECOMMENDATIONS

*Withhold recommendation pending completion of a program evaluation of the Adoption Services Element by the Department of Finance.*

This item appropriates \$26,592,500 in General Fund money to match two federal social service programs and one social service program, the adoptions program, for which there is no federal matching money. Table 1 shows the programs funded by Item 299.

**Table 1**  
**Social Service Programs Funded by Item 299, 1974 Budget Bill**

Type of program	1973-74			1974-75		
	State	Federal	Total	State	Federal	Total
Homemaker and chore service .....	—	—	—	\$13,500,000	\$40,500,000	\$54,000,000
Adoptions .....	\$9,159,900	—	\$9,159,900	12,892,500	—	12,892,500
Demonstration projects .....	200,000	\$600,000	800,000	200,000	600,000	800,000
Totals .....	\$9,359,900	\$600,000	\$9,959,900	\$26,592,500	\$41,100,000	\$67,692,500

Item 299 of the Budget Bill also lists six other social service programs which are administered by the state. The General Fund matching money is budgeted in other items with language authorizing the transfer of funds to this item in order to match the available federal funds. The six programs and the state and federal funding for 1974-75 are as follows:

Program	Total	State	Federal
Child Development Services .....	\$62,935,256	\$14,408,000	\$48,527,256
(Department of Education)			
Child Protection .....	3,479,785	—	3,479,785
(Department of Health)			
Regional Centers .....	7,673,300	1,918,300	5,755,000
(Department of Health)			
Community Rehabilitation .....	17,333,300	4,333,300	13,000,000
(Department of Health)			
Blind Counselors .....	140,000	35,000	195,000
(Department of Rehabilitation)			
Community Work Experience and Service Center Evaluation .....	502,674	125,669	377,005
(Department of Employment Development)			
Totals .....	\$92,064,315	\$20,820,269	\$71,244,046

The State Department of Health is considered the single agency by the federal government for the purpose of administering the federal social service funds that come to California. The department does this by directly administering programs itself, by contracting with other state agencies which administer programs, and by reviewing the county administration of programs.

We have withheld recommendation on this item pending the completion of a program evaluation of the adoptions program by the Department of Finance.

The responsibility for supervision of this and other social service programs is located within the Health Protection System of the Department of Health. Our review and recommendations relating to these programs



are found in our analysis of the Department of Health.

**Department of Health**  
**ASSISTANCE TO CITIES, COUNTIES AND LOCAL AGENCIES**  
**FOR LOCAL HEALTH SERVICES**

Item 300 from the General

Fund

Budget p. L-45 Program p. II-34 and 100

Requested 1974-75 .....	\$27,331,474
Estimated 1973-74 .....	N/A <sup>a</sup>
Actual 1972-73 .....	N/A <sup>a</sup>
Total recommended reduction .....	Pending

<sup>a</sup> This is a new item which combines several separate General Fund appropriations from prior years.

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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- |   |     |
|---|-----|
| 1. Child Health Disability Program. Withhold recommendation pending receipt of the revised budget for this program.   | 636 |
| 2. Family Planning. Withhold recommendation on the General Fund appropriation for family planning services until more Medi-Cal Program savings information becomes available. | 636 |

**GENERAL PROGRAM STATEMENT**

This item represents a consolidation of several items contained in previous Budget Acts which have been represented as a single General Fund support item for the first time this year. It contains the General Fund support for the following city, county and local agency health services programs: (a) Crippled Children's Services Program, (b) tuberculosis sanatoria, (c) support for counties without local health services, (d) local health agencies and districts, (e) Child Health Disability Program, and (f) family planning. Table 1 lists the schedule of funding for the various programs as contained in the Budget Bill.

**Table 1**  
**Program Funding Schedule for Item 300**

<i>Program</i>	<i>Proposed 1974-75</i>
Crippled Children's Services .....	\$23,854,444
Tuberculosis sanatoria .....	312,153
Counties without local health services .....	1,094,828
Local health agencies .....	10,451,936
Child Health Disability Program .....	1,000,000
Family planning .....	4,444,444
Other reimbursements .....	(471,570)
Federal grants .....	(11,590,761)
Family repayments .....	(1,764,000)
Total .....	\$27,331,474

Each program is analyzed separately for changes in the level of funding.

# **ASSISTANCE TO CITIES, COUNTIES AND LOCAL AGENCIES FOR LOCAL HEALTH SERVICES—Continued**

## **ANALYSIS AND RECOMMENDATIONS**

### **A. Crippled Children's Services**

#### *We recommend approval.*

The goals of the Crippled Children's Services (CCS) Program are to maintain early casefinding of children with handicapping conditions and provide them with high quality comprehensive medical and other related services. This program was administered by the former Department of Public Health.

Each county is required to appropriate funds in support of the cost of the program. These funds are matched on a 3-to-1 basis with federal and state funds. In addition, family repayments contribute to the cost of treatment services in accordance with uniform standards of financial eligibility and a uniform repayment formula. 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 department controls the implementation of the activities in achieving 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.

#### **CCS Budget Request**

The department has proposed a total expenditure from all sources of \$24,088,069 for this program during the budget year. This represents an increase of \$872,915, or 3.8 percent, over the level of funding for the current year. The sources of funding for the current and budget years are shown in Table 2 below.

**Table 2**  
**Sources of Funding for the**  
**Crippled Children's Services Program**

	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
General Fund.....	\$18,542,223	\$19,384,333
Federal grants .....	2,454,315	2,468,166
Reimbursement .....	454,616	471,570
Family repayment.....	<u>1,764,000</u>	<u>1,764,000</u>
Total support .....	\$23,215,154	\$24,088,069

The proposed General Fund amount for the budget year is an increase of \$842,110 or 4.5 percent over the current fiscal year. This increase is due to: (1) projected increases in caseload and costs for services, which reflect normal growth of the program, and (2) the addition of approximately \$200,000 from the General Fund to be used by counties to hire 22 new physical and occupational therapists. Plans for the expansion of the thera-

py units have been reviewed with the State Department of Education and local school districts.

#### **B. Tuberculosis Sanatoria**

##### *We recommend approval.*

Existing law requires the state to provide grants in aid to local agencies for the care and treatment of persons suffering from tuberculosis. The specified aid is \$2.60 per patient-day for the first 36,500 patient-days, \$2.30 for the second 36,500 patient-days, and \$1.75 for all additional days. The law also provides burial expenses, not to exceed \$300, for those tuberculars who expire in an institution subject to the jurisdiction of the Director of Corrections and for costs associated with the lease of certain facilities for the care of tuberculosis patients who violate the quarantine orders of local health officers.

#### **TB Budget Request**

The department is proposing a General Fund appropriation of \$312,152 which is \$12,006, or 4 percent, above the current-year appropriation of \$300,147. This increase is for cost-of-living adjustments.

#### **C. Assistance to Counties Without Local Health Departments**

##### *We recommend approval.*

Through the Contract Counties Program, the Department of Health provides public health services to counties with populations under 40,000 which do not wish to set up their own public health departments. Counties contract individually with the Department of Health for the provision of such services. Each participating county is required to appropriate for public health purposes a sum equal to not less than 55 cents per capita for the total county population. The state appropriates the additional amount required for necessary public health services. Currently, 15 counties receive public health services through contracts with the Department of Health.

#### **Contract Counties Budget Request**

The budget proposes a total of \$1,094,828 in support of the Contract Counties Program. This includes an appropriation of \$964,422 from the General Fund and \$130,406 in federal funds. The proposed General Fund appropriation represents an increase of \$33,936, or 3.6 percent, above the \$930,486 estimated to be expended in the current year. The department states this is for price increases. The federal portion of the appropriation is projected to remain at the current year level.

#### **D. Assistance to Local Health Departments**

##### *We recommend approval.*

This appropriation is for the department's responsibilities for allocating state and federal funds to 43 qualified local health departments. The state funds are allocated in accordance with the provisions of Section 1141 of the Health and Safety Code which provides that: (1) each local health department shall receive a basic allotment of \$16,000 per county or 60 cents per capita per county, whichever is less, and (2) after deducting this formula amount from the state appropriation for local health services, the remain-

**ASSISTANCE TO CITIES, COUNTIES AND LOCAL AGENCIES  
FOR LOCAL HEALTH SERVICES—Continued**

der shall be apportioned to the counties on the basis of population served by each health department. The purpose of this subvention is to promote and support the development of adequate and effective local health programs.

**Local Health Budget Request**

The budget proposes a total of \$10,451,936 for this subvention. This includes \$5,426,737 from the General Fund and \$5,025,199 in federal funds. The General Fund appropriation is \$629,192, or 13 percent, above the current-year estimated expenditure of \$4,797,545 and represents \$365,000 for increased financial support for immunization programs of high-risk pediatric populations and \$264,192 in price and formula payment adjustments. The federal funds proposed for the budget year are the same as estimated to be expended in the current year.

**E. Child Health Disability Program**

*We withhold recommendation pending receipt of the revised budget for this program.*

Assembly Bill 2068 (Chapter 1069, Statutes of 1973) establishes a state-wide child health and disability prevention program, to be administered by the Department of Health and operated at the local level, effective July 1, 1974. The program, consisting of a comprehensive screening service and evaluation followup diagnosis and referral for treatment, will be available to all California children under the age of six who have not completed kindergarten and all Medi-Cal beneficiaries under the age of 21. The Department of Health estimates that the eligible population totals approximately three million children.

Chapter 1069 appropriated \$400,000 to the department during fiscal year 1973-74 for initial costs associated with program implementation. The Governor's Budget proposes \$1 million for support of the program during the 1974-75 fiscal year. Due to the scope of the program and the size of the potential population to be served, this amount appears unrealistic. We understand that the department plans to submit a revised proposal, including a breakdown of expenditures and staffing patterns, for the child health and disability program prior to final legislative action on the department's budget. Therefore, we withhold recommendation on the program pending our review of such revised data.

**F. Family Planning Services**

*We withhold recommendation.*

The family services element in the Preventive Medical Services Program of the department provides for family planning services, through contract arrangement, with local family planning projects. The budget appropriation of \$4,444,444 consists of \$4 million in federal social service funds and \$444,444 from the General Fund (on a 90 percent/10 percent sharing ratio). Both the federal and state portion of this appropriation are the same as current-year levels.

Chapter 1213, Statutes of 1973, created an Office of Family Planning in

the Department of Health and appropriated \$4,770,000 from the General Fund to the department during fiscal year 1973-74 for the provision of family planning services to specified individuals, through contract arrangements with local family planning agencies. With the addition of Chapter 1213 funds, total family planning financial assistance for the current year is \$9,865,546 (\$4,770,000 from Chapter 1213, \$4,000,000 in federal funds and \$1,095,546 in other General Fund appropriations). Funds from Chapter 1213 will not be available in the budget year and accordingly the Preventive Medical Services Program reflects a decrease in General Fund expenditures in the 1974-75 fiscal year. However, the department is proposing to continue the 1973-74 level of family planning financial support in the budget year by transferring \$5,434,181 of estimated Medi-Cal savings (resulting from implementation of PL 92-603, HR 1) to this item for a total family planning financial assistance level of \$9,878,625 (\$5,434,181 from Medi-Cal savings, \$4,000,000 in federal funds, and \$444,444 from the General Fund). As discussed on page 618, under our Analysis of Item 298, we withhold recommendation on the proposed transfer of Medi-Cal funds until more information concerning HR 1's fiscal impact becomes available.

### Health and Welfare Agency

#### EMPLOYMENT DEVELOPMENT DEPARTMENT

Item 301 and 305 from the General Fund.

Item 302 from the Classified School Employees Fund.

Item 303 from the EDD Contingent Fund.

Item 304 from the Unemployment Compensation Disability Fund.

Budget p. 171 Program p. II-142

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Requested 1974-75 .....	\$35,052,046
Estimated 1973-74.....	32,562,829
Actual 1972-73 .....	24,484,816
Requested increase \$2,489,217 (7.6 percent)	
Total recommended reduction (General Fund) .....	\$923,694

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#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Manpower Planning. Withhold recommendation on Item 301 (e) \$112,320, pending federal regulations clarifying the role of and federal funding available to the State Manpower Planning Council. 641
2. Services to Welfare Recipients. Recommend: 643
  - (a) Lowering of CWEP on EDD priority structure and study to determine personnel costs of operating CWEP with findings reported to Legislature by July 1, 1974;
  - (b) Legislation to require EDD to contract directly with Department of Health to staff employables program;
  - (c) Pilot program be established to test effectiveness of

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

- colocation of welfare income maintenance unit with EDD staff serving Employable Welfare recipients.
3. WIN Program Evaluation. Recommend EDD and State Personnel Board present to Legislature a plan to adapt the Jobs for Welfare Recipients Program evaluation model to the department's WIN Program. 648
  4. Service Center Program. Recommend Service Center Program be presented as a separate program in the Governor's Budget. 649
  5. *Service Center Program. Reduce Item 301 (b) by \$764,592.* Recommend deletion of 68 service center positions assigned throughout the department. 651
  6. *Service Center Program. Reduce Item 301 (b) by \$144,000.* Recommend deletion of consultant services budgeted from the Governor's office. 652
  7. *State Office of Economic Opportunity (SOEO) Support. Reduce Item 301 (c) by \$15,102.* Recommend appropriation be contingent upon receipt of federal matching funds for support of SOEO. 655
  8. Cal-Jobs Program. Recommend Cal-Jobs annual report contain more information for better evaluation of program. 658
  9. Small Business Assistance Program Component. Recommend a portion of contracts with consultant firms be reserved for purchase of specific business consultant expertise. 659

**GENERAL PROGRAM STATEMENT**

The Employment Development Department (formerly the Department of Human Resources Development) is responsible for assisting job-ready individuals to find available employment, providing qualified job applicants to employers, preparing potentially employable persons for the job market and making unemployment and disability insurance benefit payments. The department's responsibility for comprehensive statewide and local manpower planning was broadened by Chapter 1207, Statutes of 1973, known as the Employment Development Act of 1973. Chapter 1211, Statutes of 1973, transferred the Cal-Jobs Program to the department, making it responsible for functions related to job creation through economic development efforts.

The department acts under the authority of the Wagner-Peyser Act, the Comprehensive Employment and Training Act of 1973, the Social Security Act, the State Unemployment Insurance Code, the State Employment Development Act of 1973 and several smaller statutes and administrative orders. It carries out the following eight programs: (1) the Employment Service Program, (2) the Unemployment Insurance Program, (3) the Disability Insurance Program, (4) the Migrant Services Program, (5) the Office of Economic Opportunity, (6) the California Job Creation Program, (7) Legislative Mandates Program and (8) departmental administration.

Table 1 compares the estimated number of man-years and total expenditures by program for the current year and those proposed for 1974-75.

**Table 1**  
**Man-Years and Gross Expenditures by Program**  
**1973-74-1974-75**

	<i>Estimated man-years 1973-74</i>	<i>Proposed man-years 1974-75</i>	<i>Estimated expenditures 1973-74</i>	<i>Proposed expenditures 1974-75</i>
Employment services .....	4,653.2	4,731.9	\$112,690,046	\$115,527,620
Unemployment insurance .....	3,544.2	2,776.1	752,681,071	865,966,566
Disability insurance .....	1,035.5	915.7	392,010,969	422,386,705
Migrant services .....	9.0	9.0	2,163,788	1,895,803
Office of economic opportunity .....	59.0	45.0	987,573	873,734
California job creation .....	14.3	14.3	1,980,299	2,996,187
Legislative mandates .....	—	—	78,000	156,000
Department administration (distributed to other programs) .....	911.6	874.4	(\$13,956,325)	(\$13,730,544)

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval of Item 301 (a), (d) and (f) and Items 302 through 305 in the amounts budgeted.*

The proposed appropriations for support of the department in fiscal year 1974-75 total \$35,052,046, an increase of \$2,489,217, or 7.6 percent, over the current-year estimated expenditures. The total expenditure program after reimbursements proposed by the department for fiscal year 1974-75 is \$1,407,036,733, which is an increase of \$141,120,039, or 11.7 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 \$1,208,052,000, or \$138,457,000 more than the current year.

Table 2 compares the current-year estimated expenditures with the budget items proposed for support of the department, the funding source and the purpose of each appropriation.

Two of the budget items are appropriations from the General Fund totaling \$15,249,470; one is an item from the EDD Contingent Fund of \$1,980,316; and there is one item each from the Classified School Employees Fund and the Unemployment Compensation Disability Fund in the amounts of \$316,555 and \$17,505,705 respectively.

### EMPLOYMENT SERVICE PROGRAM

This program provides a labor exchange for employers and job-ready applicants and also assists marginal workers to become ready for and enter into the labor market. Employment service covers a broad range of activities including the following:

1. Helping the unemployed worker to find at a central location those job openings in the community for which he qualifies;
2. Providing employers ready access to a large centralized labor supply;
3. Employment counseling to assist welfare recipients, the disadvantaged, the disabled and others with special needs to determine where and how to work, to remove barriers to and to find employment;

## EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

**Table 2**  
**Comparison of State Expenditures by Budget Item and Funding Source**  
**1973-74—1974-75**

<i>1974-75 Budget Item</i>	<i>Fund source</i>	<i>Purpose</i>	<i>Estimated expenditures 1973-74</i>	<i>Proposed expenditures 1974-75</i>	<i>Percent difference</i>
301(a)	General Fund .....	WIN	\$6,490,256	\$7,165,550	+10.4%
301(b)	General Fund .....	State services centers	4,154,773	4,361,894	+5.0
301(c)	General Fund .....	State Economic Opportunity Office	131,500	168,221	+27.9
301(d)	General Fund .....	Migrant Master Plan	409,298	409,298	No change
301(e)	General Fund .....	Manpower planning (CAMPS)	—	112,320	+100.0
301(f)	General Fund .....	California Job Creation Program	1,922,160	2,876,187	+49.6
	General Fund .....	Various program support	184,392 <sup>a</sup>	—	N/A
302	Classified School Em- ployees' Fund .....	Classified school employees'			
		UI Program	307,595	316,555	+2.9
303	EDD Contingent Fund	Pro rata charges	1,878,886	1,980,316	+5.4
304	Unemployment Com- pensation Disabili- ty Fund .....				
		Support DI operations	17,005,969	17,505,705	+2.9
305	General Fund .....	Local assistance per legislative mandates	78,000	156,000	No change <sup>b</sup>
	Totals.....		\$32,562,829	\$35,052,046	+7.6%

<sup>a</sup> Authorization for salary increase.

<sup>b</sup> \$78,000 appropriated by Chapter 1012, Statutes of 1973, for six months' support; the level of support remains unchanged.



4. Serving veterans to assure that they receive all benefits relating to employment to which they are entitled;
5. Collecting and disseminating labor market information; and
6. Operating manpower training programs designed to make unskilled job applicants competitive in the labor market.

The basic elements of the Employment Service Program are applicant assessment, manpower planning, manpower development, job placement and indirect services. The primary output of the program is the number of individuals placed in jobs. All other services are aimed toward that final goal. The number of placements is increasing and the average cost per placement is decreasing over the three-year period compared in Table 3.

**Table 3**  
**Employment Services Accomplishments and Costs**  
**1972-73 to 1974-75**

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75
Individuals assessed .....	1,734,000	1,558,000	1,682,000
Individuals placed in training .....	31,396	30,372	27,950
Individuals placed in jobs .....	316,050	414,770	456,270
Nonagricultural placements .....	267,160	356,200	391,840
Agricultural placements .....	48,890	58,570	64,430
Total Costs .....	\$97,670,651	\$112,690,046	\$115,527,620
Average cost per individual placed in job .....	\$309.04	\$271.69	\$253.20

### Manpower Planning

*We withhold recommendation on Item 301(e), manpower planning support, pending federal regulations clarifying the role of and federal funding available to the State Manpower Planning Council.*

Planning for state manpower needs, expenditures and priorities is an essential element in the employment services program. Recognizing the importance of manpower planning, the Legislature included in the legislation creating EDD a section establishing the California Manpower Planning Council. The council, chaired by the Secretary of the Health and Welfare Agency, consists of the chairman and 12 other appointees of the Governor. The council is mandated to: (a) develop a state manpower plan, (b) coordinate manpower and employment planning activities in designated planning areas throughout the state, (c) provide assistance and comprehensive information to planning area councils and (d) serve as the State Manpower Planning Council for the purpose of all federal manpower program requirements. The council is to be supported by federal funds and is to have an executive secretary and adequate staff to fulfill its mandated functions.

Under the current-year funding pattern the Department of Labor (DOL) funded the council in the amount of \$303,833. At the same time, 11 cities with populations exceeding 100,000 and 21 counties with populations over 150,000 received operational planning grants (OPG) from DOL as a one-time-only means of planning for manpower services in their respective areas under the anticipated Manpower Revenue Sharing (MRS) Program. In five additional localities in the state, DOL funded Comprehensive Manpower Projects (CMP's) which were essentially de-

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

signed to test what the MRS structure will do, that is, the prime sponsor receives a grant not only for planning but also for funding and operating manpower programs in its area.

The state council responsibility under terms of the federal grant is to coordinate a state manpower plan and to provide direct planning services in areas of the state too small to qualify for planning grants. The state direct planning involvement this year required the commitment of staff to serve as executive secretaries to nine planning areas. The staffing needs were greater than the DOL grant would fund and, anticipating a fiscal year 1974-75 funding level of \$328,413, the department is requesting a \$112,320 General Fund appropriation. However, Congress recently enacted and the President signed S. 1559, the "Comprehensive Employment and Training Act of 1973," which will change the responsibility and funding of the State Manpower Planning Council.

**The Comprehensive Employment and Training Act of 1973 (CETA)**

This act replaces work and training provisions previously contained in the Manpower Development and Training Act of 1962, Title I of the Economic Opportunity Act of 1964, and the Emergency Employment Act of 1971. The major features of CETA are: (1) the transfer of responsibility for planning and administering local manpower programs from federal and state agencies to local prime sponsors, (2) the decategorization of manpower programs allowing the prime sponsor to choose the mix of services which meets the needs in his area of responsibility, and (3) the establishment of local and state planning councils.

A prime sponsor is any unit of general local government which has a population of 100,000 or more persons or any combination of such units which are in reasonable proximity to each other and which contains any unit of general local government of 100,000 or more persons. The state may also qualify as a prime sponsor by agreeing to serve all geographical areas in the state which are not eligible to become prime sponsors, and by agreeing to make adequate provision for the coordination of manpower and related services. The state must also provide for the exchange of information throughout the state including the areas served by prime sponsors.

The State Manpower Planning Council under the mandates of CETA is to (1) review the plans of each prime sponsor and be available to assist the prime sponsors in whatever way will enhance statewide coordination of manpower programs, (2) monitor the operating programs conducted by each prime sponsor and make appropriate recommendations for improvement of services, and (3) make an annual report to the Governor and issue whatever other reports are necessary to the statewide enhancement of manpower programs. One percent of the funds allocated to each state goes directly to the Governor for costs of the statewide council. The executive secretary of the California Manpower Planning Council estimates that this would make available approximately \$800,000 to the council in fiscal year 1974-75 rather than the \$328,413 presented in the Governor's Budget.

The area planning responsibilities of the state planning council will probably be decreased, but its role of assisting prime sponsors will be expanded. Until now counties with less than 150,000 population were not eligible to receive a direct planning grant, leaving the state council with the planning and coordinating responsibilities in these counties. Under CETA the population requirement is lowered to 100,000, which will make several more counties eligible to become prime sponsors thus reducing the council's responsibilities for area planning. However, the responsibility in relation to prime sponsors is expanded making the council responsible for monitoring programs and providing labor market information assistance to the prime sponsor. For these reasons, we withhold our recommendation on state funding for the State Manpower Planning Council until federal regulations are issued clarifying the effect of the new act on the funding and responsibility of the council. We anticipate that initial federal regulations will be issued by mid-March 1974.

#### **Manpower Development**

This program element administers a wide range of manpower development and training programs funded under the Manpower Development and Training Act (MDTA) and the Work Incentive Program (WIN). It also includes the Public Employment Program (PEP) mandated under the Emergency Employment Act of 1971. Title I of CETA replaces MDTA and decentralizes the responsibility for administering the majority of the manpower programs. The only part of the program which will be directly retained by the state is that part for which the state will be funded as a prime sponsor.

The PEP program is also replaced by CETA, and Title II of the act authorizes \$250 million in fiscal year 1973-74 and \$350 million for fiscal year 1974-75 for public service employment programs, identical to PEP. These funds will be administered through local governmental entities that apply for sponsorship.

*Elimination of Staff Positions.* The department has indicated a potential loss of approximately 500 positions with the implementation of the new federal manpower act. In anticipation of the phasing out of MDTA and related programs, the department is preparing to negotiate with prime sponsors throughout the state to establish contracts whereby the department would administer some of the same programs it now operates and thus retain most of the positions. Failing this, there will be a significant cutback in positions within the department during fiscal year 1974-75.

#### **Services to Welfare Recipients**

1. *We recommend (a) EDD's priority structure place the establishment of WIN On the Job Training (OJT) slots above that of Community Work Experience Program (CWEP) slots, and (b) EDD conduct a study to determine the personnel costs involved in operating CWEP and report their findings to the Legislature on or before July 1, 1974.*
2. *We recommend that legislation be enacted which would: (a) direct EDD to contract with the social services program of the Department of Health so that EDD will assume responsibility for the staffing of*

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

*the Separate Administrative Unit (SAU) in lieu of counties, and (b) require EDD to provide WIN staff in equal numbers to SAU staff.*

3. *We recommend that EDD establish a pilot program by which the department would contract with up to three county welfare departments to provide for the colocation of Welfare Income Maintenance Staff at EDD offices to provide eligibility and grant determination services to employables under the direction and supervision of EDD.*

As part of the Employment Services Program the department administers three basic manpower and placement programs designed to meet the needs of welfare recipients; these three programs are the Work Incentive Program (WIN), the Employables Program, and the Community Work Experience Program (CWEP). A fourth program, Jobs for Welfare Recipients (JWR), also called Public Service Employment (PSE), is administered jointly by the Employment Development Department and the State Personnel Board.

**Work Incentive Program**

The Work Incentive Program was inaugurated in the second quarter of fiscal year 1968-69. The objective of the program is to provide manpower development and placement services to the employable recipients of the Aid to Families with Dependent Children Program (AFDC). In December 1971, the President signed Public Law 92-223, known as the Talmadge Amendments or WIN II. With the Talmadge Amendments, the program emphasis changed its priorities to serve individuals in the following order: (1) those who are job ready, (2) those needing on-the-job training or public employment service to become employed, and (3) those needing more extensive manpower training and services to remove barriers to employment.

**Employables Program**

The Employables Program was established in Ventura County in June 1971 as a pilot project to determine the possibility of separating the employables AFDC-U (unemployed parent) recipients from the nonemployable recipients. The program was later extended to serve both AFDC-U and employable AFDC-FG (family group) recipients. Through a contractual agreement between the Employment Development Department and each of 58 county welfare departments, the program provides for the outstationing of county welfare department staff at EDD offices and the integration of the social work staff with EDD staff under the direction and supervision of EDD. The program concentrates on the employment potentialities of the recipient.

**Community Work Experience Program**

The Community Work Experience Program (CWEP) is also designed to deal with AFDC recipients. The program requires 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. Under the program, able-bodied welfare recipients who cannot be placed

in permanent jobs or training must work for a governmental or a 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. The project narrative describes the goals of the program as being to demonstrate that mandatory participation of an employable AFDC recipient in the program: (1) is administratively feasible and practical, (2) will reduce the extent of dependency on welfare, (3) will diminish the rate of new welfare applications, and (4) will result in a reduction of overall welfare costs.

In theory, these three programs are designed to compliment one another and to enhance the services provided to welfare recipients. In practice, they create some problems of conflict of priorities between programs and of an excessive amount of staff time coordinating the programs, producing an extensive proliferation of paperwork.

The major priority of the department during fiscal year 1973-74 has been to increase the number of applicants placed in jobs. We concur with this priority. A second priority, pertaining to welfare-related manpower services, has been to utilize the CWEP program to the greatest possible degree in the belief that it will reduce the extent of dependency on welfare. We believe that this priority has been counterproductive. There has been a great deal of pressure placed on local EDD offices and county welfare departments to arrange for and implement the CWEP program as rapidly as possible. Under this priority structure, the WIN program has been utilized primarily as a job placement vehicle. With the rush to get CWEP implemented, the potential of providing more on-the-job training slots through the WIN program has been neglected.

For example, from the beginning of the program July 1, 1972, through June 30, 1973, a total of 4,243 CWEP slots had been developed. From July 1, 1973, through November 30, 1973, an additional 4,882 slots had been negotiated. While these activities were concentrating on creating CWEP slots, WIN OJT slots were neglected. As an evidence of this neglect, there was a reduction of \$5 million in federal WIN moneys announced by a letter from the regional manpower administrator of the Department of Labor (DOL) on April 4, 1973. The letter states that, in view of the disappointing record, the fiscal year 1973 WIN allocation was being reduced by \$5 million. The letter goes on to point out several of the problems identified by regional DOL which could be responsible for the disappointing record. One problem identified was that the actual job development process, other than by the recipients themselves, was practically nonexistent. There was the further problem identified that many local office managers had no idea how much money they had available to them for WIN on-the-job training (OJT) and Public Service Employment (PSE). This problem apparently was due to the lack of priority on the part of the department to see to it that funds were fully utilized for OJT and PSE. Another problem noticed by the regional administrator was the failure to make good use of the 48-hour priority which is given WIN participants for National Association of Businessmen's OJT Program (NAB/JOBS) openings. The regional office pointed out that in January there were 336 NAB/JOBS hires

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

in California and that no more than 28 of these were WIN participants. Among the reasons given by EDD office managers for not taking aggressive action was lack of time and also a need for training on how to do it.

From our contacts with numerous local offices during the past year we believe that the primary reason for the failure to properly utilize WIN to establish OJT opportunities for welfare recipients (resulting in a \$5 million return of funds to DOL) was the failure of the department to set its priorities in such a way as to utilize WIN fully prior to placing its emphasis on CWEP. We were told numerous times of the pressures which were coming from top administration to implement CWEP while there was little or no emphasis on the utilization of WIN moneys for the development of OJT positions.

At the end of the fiscal year 1972-73 WIN contract, there was \$1.7 million remaining unobligated in addition to the \$5 million returned to DOL. We believe that the administration should put far more emphasis on the proper utilization of WIN training moneys and far less emphasis on attempting to make CWEP a viable program.

We emphasize the OJT and PSE aspects of WIN for two reasons. First, the federal regulations require that 40 percent of WIN money must be spent for OJT and PSE functions. Second, efforts to develop and monitor slots for CWEP somewhat parallel efforts to develop OJT slots for WIN. WIN OJT enrollments, unlike CWEP, lead to permanent employment of participants.

Not only are priorities mixed, but there is also, through the intermingling of the three programs, an excessive amount of staff time involved in administering the triad. The Employables Program was initiated in both Ventura County and San Diego County prior to the introduction of CWEP and WIN II. With the addition of WIN II and CWEP, the staff at both the above EDD offices estimated that their workload had become almost 75 percent paperwork and program coordination efforts. Very little time remained for job development attempts. The additional paperwork was the result of having to produce separate reports for each of the programs. In view of these factors, we question the value of continuing all three programs. We are especially concerned about the viability of the CWEP program.

In spite of extensive reporting, there is no substantive data available to determine the cost, the effectiveness, the advantages, or the disadvantages, of the CWEP program. Interviews with the staff involved directly administering the program indicate that there are more disadvantages than advantages. Among the advantages most frequently mentioned are (1) the program provides a protective setting for women who have never been in the employment market and effectively introduces them to an employment atmosphere, (2) it keeps the unemployed father out of the home part of the time thus making for a more peaceful home life, (3) there is some limited value to the community by the work performed, and (4) it may force a few into employment.

The disadvantages of the CWEP program as cited by workers directly involved with it are (1) excessive paperwork connected with the program,

(2) unequal sanctions of the WIN program, the Employables Program and the CWEP program create confusion, unequal treatment and hostility among the recipients, (3) the user agencies, in general, are not committed to the program (they want free labor but are unable or unwilling to provide adequate supervision or structuring to the projects), (4) it is an expensive program if the time of the employable staff, user agency staff and eligibility staff are to be compared with results, (5) there are excessive monitoring problems in that it is extremely difficult to follow up on attendance, performance and eligibility status of the participants in the program, and (6) the majority of CWEP activities are "make work" activities adding no skills to the clients and creating frustration in those who are participating.

One of the major details lacking in program data is the staff time involved in administering the program. No staff time is charged to the program. All charges are made to other programs such as WIN, county welfare or employment services. Since the project is designed to determine if CWEP is administratively feasible and practical, one of the factors which must be measured is cost in terms of staff time. There are indications that a great deal of staff time is spent with relatively meager results. For example, EDD's December 27, 1973, employment and research report on the Employables/CWEP program activities shows that while there were 4,882 total slots in CWEP counties from July 1, 1973, until November 30, 1973, only 582 persons had been placed in CWEP activities. This small placement number, in spite of the priority position CWEP occupies in the department, indicates that there are not that many good opportunities to utilize CWEP. It also indicates that considerable effort has gone into locating CWEP slots when there is not a real need for the slots. At the same time, WIN OJT slots have not been aggressively developed. Therefore, we recommend that first priority be given to developing WIN program components, and that there be a study conducted by the department to identify time spent on the CWEP activity in order that it can be reasonably considered and a determination made as to what kind of cost-effectiveness might be identified for the program.

#### **Strengthening the Employables Program**

The Employables Program is operated on a contractual basis with each of the various counties within the state. The arrangement is one which requires the negotiating of a contract with each county welfare director. Counties have totally different standards as to how much staff they will commit to the program, what kinds of cooperative efforts will go into the program, and what kind of constraints will be placed upon the department to reciprocate commitment of staff to the program. As a result, there is no statewide uniformity to the program. Counties have also encountered employee problems as a result of the contractual arrangement of the Employables Program. The social workers remain county employees but are under the direct supervision of EDD. This has led to many severe administrative problems in the field offices. We do not recommend that this dual administrative arrangement continue.

We are recommending, therefore, that legislation be passed which

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

would require EDD to enter into a contractual arrangement with the social services program of the Department of Health to become the administrator of the separate administrative unit. This would eliminate the necessity of 58 separate contracts and give the program statewide uniformity. We are recommending the contract with the Department of Health in order to get the 90 percent federal funding available for the support of this activity.

It is also a part of the concept of the Employables Program that there would be an equal number of EDD staff working with the Separate Administrative Unit (SAU) providing social services. With EDD experiencing reductions in federally funded positions, there is not always the commitment of an equal number of EDD staff to the program. Social work personnel, in effect, have been carrying out many of the functions of the EDD staff. We feel that it is essential to a balanced program to require that EDD provide a balance of staff, so that those who are qualified to provide employment services are equally involved with those who are qualified to provide social services for removing the barriers to employment. We are recommending, therefore, that EDD be required to maintain that balance.

The placements of welfare recipients in the job market have increased considerably in the past two years. A significant part of that increase can in our opinion be attributed to the Employables Program. Our recommendation is aimed at strengthening the Employables Program and removing some of the problems which have attended it.

**Communications Problems**

One of the major problems which has been brought to our attention each time that we have visited persons that are involved with the Employables/WIN/CWEP component is the difficulty in communication between the welfare income maintenance staff and the employment services unit. Essentially, it appears to be a problem of logistics. The physical distance between the staff of the two departments make communication difficult. According to program staff, an excessive amount of time is spent on the phone attempting to clarify continuing eligibility grant situations, initiate sanctions and attempt to make contact with clients who have failed to keep appointments. We believe that colocation of the income maintenance unit with the units providing employment and social services to employables should be tested to determine whether it will save time and provide better services to employable welfare recipients. We encourage that EDD establish a pilot program by contracting with up to three county welfare departments to provide for colocation of eligibility staff at EDD offices serving employables.

**WIN Program Evaluation**

*We recommend that the department and the State Personnel Board present to the Legislature on or before September 1, 1974, a study plan to adapt the Jobs for Welfare Recipients Program evaluation model developed by the State Personnel Board to the EDD WIN Program.*

A major problem in ongoing decisions relating to manpower programs



in general and WIN in particular is the lack of a carefully constructed and applied evaluation system. After more than five years of experience with WIN, we still do not have any clear evaluation data from which to answer the basic questions of what has been effective and why. The Talmadge Amendments dramatically changed the direction of the program, but we do not know whether this is altogether an improvement. While placements recorded for the WIN program have increased markedly, a significant number of those placements are recipients who locate their own jobs and are placed in the WIN program retroactively, so that WIN receives a placement credit for work that was not done by or through the program. The program evaluation model we are suggesting should be designed to report accurately what is actually achieved by the program and to eliminate from the evaluation statistics all "paper placements."

In addition to the need for accurate statistical reporting, the evaluation system must provide a basis for present management decisions and for future policy decisions. Last year we identified this same need in the Jobs for Welfare Recipients (JWR) program, a WIN component administered by the State Personnel Board. Based on an initial model we suggested, the board developed and has begun using an evaluation system which we believe is adaptable to other components of the WIN program. For a description of the JWR evaluation system, see our Analysis of the Personnel Board, Budget Item 181.

#### **Service Center Program**

*We recommend that the Service Center Program be presented as a separate program in the Governor's Budget so that: (a) the elements of the program reflect the basic purposes of the program, including purposes relating to job placements, job training entries and completions, information and referral services and services to remove barriers to employment; (b) production standards are stated for each program element; and (c) a cost-benefit comparison is prepared for each program element.*

The Service Center Program has gone through a number of stages since its beginning on July 1, 1966. The program was established through an executive order as a direct result of the Watts riot in 1965. The goal of the Service Center Program is to facilitate the more effective coordination, development and improvement of governmental and community services to residents in poverty areas in order to assist them to reach their highest potential of economic and social self-sufficiency.

In March 1966, the Legislature authorized the establishment of 13 service centers. The administration later reduced the number of centers to six, which were located in San Francisco, Richmond, Venice, south central Los Angeles, east Los Angeles and San Diego. These centers were designated as model experimental programs to test the practicality and the effectiveness of the concept of providing a broad range of human services at one location in poverty areas. These six service centers remain in operation with two more centers which were established in west and east Fresno in 1968. With the passage of the Human Resources Development Act in 1968 the centers were transferred to the then newly constituted Department of Human Resources Development.

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

As originally envisioned, the Service Center Program was to achieve its goal by bringing together in one center, located in a target poverty area, services to the disadvantaged and poverty stricken. Such services were to include rehabilitation, employment, social welfare, corrections and youth authority, apprenticeship, fair employment practices, public and mental health and a variety of other government services in the community. Each service center director was to have functional authority over all of the various organizational units put together under the roof of the service center. In practice this functional supervision of services by the director did not work well because of the conflict between the direct authority of the various departments represented and the functional authority of the service center director.

With the placing of the Service Center Program under the Department of Human Resources Development the director became an employee of HRD whose responsibility was limited to the direct supervision of the employment element within the center. Efforts were made to coordinate the various services within the center, but there was no attempt to bring together the organizational units into any kind of functional line responsibility.

The Service Center Program is funded by an appropriation from the General Fund. It is impossible to identify any program goals or achievements in the department's budget.

The record keeping system of the department also fails to identify any unique services offered by the Service Center Program separating it from those services which are available in EDD centers which are federally funded. Data collected by the department to show achievements of the service centers is identical to the data which is collected for the Department of Labor to show achievements of efforts funded entirely by federal funds.

In the Governor's Budget the Service Center Program is identified only as a funding source. It is impossible to determine if the funding request for the program is realistic or whether the program is operating according to the intent of the Legislature. It is essential that the budgeting request be changed to isolate the program from all other programs in the department and to clearly identify the goals and objectives of the program as it is administered by the department. Since most of the department's activities are directed toward the goal of employment, this would seem to be the major goal of the Service Center Program. There are services other than employment which are offered through the Service Center Program which also need to be clearly specified and measured.

Clarification of the program's purposes and accomplishments can best be achieved through designation of separate program and program elements within the budget document. The budgeted program should be based on broad purposes or goals, and the program elements should be based on specific purposes which indicate something definite to be achieved. The budget should have information which will demonstrate the cost-effectiveness of the program being funded. In order to establish cost-benefit figures, the department should establish production standards

for each element by which to evaluate the level and quality of services being provided. These standards should be stated in the budget in order to assure accountability of the department and to provide a basis for management and audit reviews.

Factors which uniquely affect the productivity of the service centers must be identified and clearly evaluated in terms of their effect on production in order to determine the real value of the Service Center Program. For example, in the one area which is used to evaluate all of the programs of the Employment Development Department, that of placements per position equivalent, the Service Center Program has been achieving one-half or less than the statewide average of all EDD employment offices. Unless qualifying factors are introduced, this measurement would indicate that the Service Center Program is not effective.

Table 4 compares Service Center placement accomplishments per personnel equivalents to the statewide average.

**Table 4**  
**Comparisons of Placements by State**  
**Service Centers with Statewide Placements**  
**Calendar Year 1973**

	<i>January-June 1973</i>	<i>Individuals placed</i>	<i>Personnel equivalents</i>	<i>Individuals placed per P.E.</i>
Total all service centers .....		7,543	524.6	14.4
State total .....		147,849	4,147.9	35.6
	<i>July-November 1973</i>			
Total all service centers .....		10,977	418.0	26.3
State total .....		191,265	3,668.7	52.1

#### **Use of Service Center Positions**

*We recommend a reduction of 68 positions which are budgeted in the Service Center Program but are assigned throughout the department for a General Fund savings of \$764,592.*

The department identifies a total of 276 positions which are authorized for the Service Center Program. As of January 7, 1974, 181 of the authorized positions were located in state service centers, 68 in other EDD field offices, 22 allocated to central office operations as the percentage share for administrative operations and 5 positions were directly assigned to central operations above the allocated share.

Since the Service Center Program is directly funded by the General Fund, we believe that it is necessary for the program to maintain its separate accountability and not assign funded positions to other programs within the department. In all the department field offices, except the six service centers, the personnel working on job placement and employment activities are fully funded by the federal government. There are both federally-funded and state-funded positions in the service centers. The Legislature has appropriated state funds to supplement the federally funded positions for the service centers which are located in poverty areas. We can find no justification for having 68 General Fund-supported service center positions in other field offices. If that number of positions cannot be utilized in the service centers and are needed in other offices then federal funding should be secured for them.

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued****Governor's Representatives for Community Services**

*We recommend a reduction of \$144,000 from the Service Center Program which is budgeted for consultant services from the Governor's office.*

Since May 1, 1969, there has been a yearly contract negotiated between the Department of Employment Development and the Governor's office stipulating that community relations consultant services will be provided by the Governor's office to the Service Center Program. The stated purpose of the contract is to maintain liaison between the community, the Governor's office and the Service Center Program. The consultants are to advise the service center managers of community problems and assist in developing possible solutions to those problems as they relate to the Service Center Program. A report by the Auditor General in November of 1969 indicated that service center managers, in general, were dissatisfied with the Community Relations Consultant Program because "they received little or no advice about community problems, they lacked control over the consultants, they did not have knowledge of the activities or whereabouts of the consultants, in some cases the consultants were incompetent, they had not been consulted about who was to be hired as community relations consultants, and in some cases the consultants were of no benefit to the Service Center Program." In visiting with the service center managers during the past year we have consistently found the same types of complaints. We have been unable to identify any instances in which the Governor's representative has identified any significant problems related to the center or suggested any solutions to problems. Although the representatives have office space in each of the service centers the location of the representatives are generally unknown to the center managers. Yet, in spite of no significant service rendered, contracts have been renewed each year.

Currently, there is a contract in effect extending from July 1, 1973, through June 30, 1974, in an amount not to exceed \$144,000. This year for the first time the contract does call for a written report through the Governor's office recommending specific improvements in services, effectiveness and impact of the Service Center Program and recommendations for coordinating program planning at local, county, regional, state and federal levels. Our review of the effect of the past contracts indicates to us that the Service Center Program is receiving no substantial value for expenditure of this money and we, therefore, recommend the deletion of the funds to continue the contract.

**Unemployment Statistics**

On February 1, 1974, the department, under the mandate of Department of Labor (DOL), will begin using a new statistical method for arriving at unemployment data for the state. This change in methodology will be used by all the states and territories. The new method is expected to raise the unemployment rate in California by about one-third above what has been determined under the previous method.

Essentially, the methodology changes from establishing benchmarks based on the decennial census to the use of the Current Population Survey

(CPS) conducted by DOL's Bureau of Labor Statistics (BLS) through a monthly visit to 50,000 households in selected areas of the country. The procedure of the survey in California involves a sample of 5,000 households in the state each month. Information is obtained from each of these households regarding the employment status of all the members of the household. In determining the monthly California unemployment rate, data from the 1973 CPS will be used to establish benchmarks for the 1974 calculations.

Because the data are based on samples, there is a certain probability of error involved. A survey of 5,000 households presents too few individuals to be strongly relied upon for statewide projections. In addition, EDD reports are generated not only for the larger Standard Metropolitan Statistical Areas (SMSA), which are surveyed, but also for the smaller areas of the state where no survey is conducted. In order for the survey data to be reliable for statewide measurement, some adjustments in the sample size would be advisable. The Assembly Committee on Efficiency and Cost Control estimates that a sample of 22,000 would be sufficient for statistical acceptance. Despite the problem of sample size, it appears that the new methodology will provide a more accurate measure of California's unemployment population than has the previous methodology.

#### **UNEMPLOYMENT INSURANCE PROGRAM**

The Unemployment Insurance (UI) Program operates under federal-state law. Its primary objective is to reduce economic hardship through benefit payments to the eligible worker who through no fault of his own is unemployed. Eligibility for benefit payments is gained by working covered "employment" as defined in the State Unemployment Insurance Code. The unemployment benefits and cost of administration are funded by employer contributions and taxes.

An amount of \$62,795,566 is proposed for the support of this program during fiscal year 1974-75. This constitutes a \$4,704,495 increase over the support expenditure in the current year. Most of the program elements are federally financed or otherwise reimbursed. There is an economic downswing forecast for calendar year 1974 which is expected to increase markedly the number of unemployed who will apply for and receive UI benefits. This expected increase in applicants is coupled with legislation (Chapter 1012, Statutes of 1973) which raised the maximum weekly benefits award from \$75 to \$90, to elevate the total amount of benefit payments estimated to be paid in fiscal year 1974-75 to \$803,171,000 which would be \$108,581,000, or 15.6 percent, above the current-year estimated payments.

The elements of this program are: unemployment insurance benefit functions, unemployment insurance accounts and tax collections functions, classified school employees, unemployment insurance support, unemployment insurance processing allowance payments and appeals process.

#### **Department of Benefit Payments**

Chapter 1212, Statutes of 1973, (AB 1950) transferred the functions of the Department of Social Welfare to a newly created Department of Benefit Payments. Various specified fiscal affairs of EDD were also trans-

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

ferred to the new department. Among the functions transferred are elements of UI accounts and tax collections and classified school employees. A total of 1,484.3 positions are being transferred from EDD to the Department of Benefit Payments.

**Reduction in Federal Funding**

A new unemployment insurance cost model is being implemented during the current fiscal year changing the method used in the federal budgeting process to determine funding for staff support of the program. During the current year the new system is not fully operative and the old system whereby the department could "earn" position equivalents according to the volume of UI applicants has been suspended resulting in a reduction in support for the program estimated by the department at \$6.4 million and 592 positions.

In order to cope with the problems of severe understaffing in the UI program certain steps have been taken: (1) some programs, such as job information specialists, have been discontinued, (2) employment services (ES) staff have been temporarily moved to UI functions (it has been necessary to use as high as 25 percent of the ES staff in some areas), and (3) some vacant central office positions have been reallocated to field offices. With the anticipated downturn in the economy there will be a significant increase in the number of persons applying for UI benefits. Unless DOL takes this factor into account and increases funding for support of the UI program, severe problems of applicants waiting in long lines and receiving poor service will arise.

**DISABILITY INSURANCE PROGRAM**

The Disability Insurance (DI) program operates under the authority of state law. The primary objective of the program is to reduce economic hardship through benefit payments to the eligible worker who cannot work due to an 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; employment may be covered either under the state plan or a voluntary plan. Voluntary plans are sponsored by employers and approved by the Director of EDD.

Disability benefits and administrative costs are funded by a 1 percent employee contribution on the first \$9,000 earned by the employee.

An amount of \$17,505,705 is proposed for administrative support of this program during fiscal year 1974-75. This is an increase of \$499,736, or 2.9 percent, over the current fiscal year estimated expenditures.

During the 1973 legislative session two major bills were enacted affecting the DI program: (1) Chapter 1188, Statutes of 1973, (AB 806) increased the maximum weekly disability benefit amount to \$119 per week at an estimated additional cost to the fund of approximately \$15.9 million per year, and (2) Chapter 1163, Statutes of 1973, (SB 652) includes pregnancy within the definition of disability for purposes of unemployment disability compensation law if certain conditions are met, adding an estimated cost to the fund of approximately \$11.1 million per year. Normal pregnancies are not covered. A person must have severe complications as defined in

the law.

Expenditures for benefits are expected to be \$404,881,000 in 1974-75 up \$29,876,000 (8 percent) over the current year estimated benefit payments of \$375,005,000.

#### **Normal Pregnancy Benefits—Court Issue**

The U.S. District Court in San Francisco in the *Aiello-Armendarez* case, struck down as unconstitutional the Unemployment Insurance Code restriction which disallows normal pregnancy as a disability for which unemployment disability benefit payments are to be awarded. The department has appealed the decision and a stay has been granted pending a decision by the U.S. Supreme Court. Applications of all such pregnancies filed for days of disability occurring after July 5, 1973, the day of the court decision, are being processed by the department, but no benefits will be paid unless and until the Supreme Court upholds the order of the district court. Early estimates by the department indicate that the cost of granting all pregnancy claims could result in increased annual disbursements from the Disability Fund of \$131 million. Unless employee contribution rates were significantly increased or other funding sources obtained, the additional disbursements would virtually bankrupt the fund in approximately 12 months.

#### **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 of \$1,895,803 in the budget year. This figure is composed of a federal grant of \$1,486,505 and a General Fund appropriation of \$409,298. The state appropriation request is the same level as the current fiscal year.

During fiscal year 1974-75, the service will provide housing for 3,100 farmworker families. The day care element is provided by contract through the social services program of the Department of Health and the Department of Education. The state appropriation of \$409,298 is used to match federal funds for the day care element of this program. Approximately 2,100 children (aged 2 to 6) of migrant families will be provided food, protection and education on a 12-hours-per-day basis.

#### **OFFICE OF ECONOMIC OPPORTUNITY**

*We recommend a reduction in Item 301(c), support of SOEO, of \$15,102, and that such appropriation be contingent upon the receipt of federal matching funds for the continuation of the SOEO.*

The State Office of Economic Opportunity (SOEO) 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

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

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 Office of Economic Opportunity for assistance in exercising his authority under Section 242.

The objectives of the program are to assist Community Action Agencies (CAA's) and local government entities to develop antipoverty programs, define priorities, find new funding sources such as general revenue-sharing funds, provide technical assistance to antipoverty programs and management assistance, fiscal accounting and program planning in order to increase the performance and accountability of the programs and to develop better local standards for evaluating the effectiveness of community action programs.

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 in the past hindered the State Office of Economic Opportunity from exercising positive leadership in statewide poverty programs. However, during the current fiscal year the function of the office has begun to shift toward more active involvement in providing meaningful technical assistance. Because of the absence of a federal budget appropriation to fund the Economic Opportunity programs during fiscal year 1972-73, funding has been on the basis of a continuing resolution. In early 1973 the President announced the intention of phasing out the CAA's and reduced funding to phase out grants. During this funding turmoil, the relationship between SOEO and CAA's has improved as new sources of funding were sought. In December 1973 the President signed an appropriation bill containing \$328 million for OEO programs through the remainder of this fiscal year 1973-74.

The total proposed expenditure of \$873,734 is a decrease of \$113,839, 11.5 percent less than the current year's estimated expenditures. The General Fund request of \$168,221 is an increase of \$29,479, or 21.2 percent, over the current year.

The budget request reflects an error in the determination of programs requiring state matching funds. The total program cost is placed at \$873,734. Of that amount, \$75,513 for the Housing Intern Program in 1974-75 is money carried over from the current year grant and, therefore, requires no state match. In addition there is a \$60,000 grant for special technical assistance which does not require state matching.

**Table 5**  
**State and Federal Funds Match**

	<i>Revised budget</i>	<i>Governor's Budget</i>
Total program costs.....	\$873,734	\$873,734
Intern program (carryover funds from 1973-74) .....	-75,513	—
Net program costs.....	798,221	873,734
Federal funds subject to 20% state match .....	738,221 <sup>a</sup>	813,734 <sup>a</sup>
General Fund .....	153,119 <sup>b</sup>	168,221 <sup>b</sup>
Federal funds .....	645,102	705,513

<sup>a</sup> \$60,000 for special technical assistance program not subject to state match has been deducted.

<sup>b</sup> Includes \$5,475 for anticipated state salary increases.



Table 5 presents our calculations of the need for program support after deducting the above two programs.

The total amount of declared federal funds which is subject to state matching is \$738,221, which will require a state match of \$153,119. We therefore recommend that the program be budgeted at this reduced amount for a reduction of \$15,102.

#### **Future Community Action Programs**

With the President's proposed phasing out of OEO there is some question as to what will happen with community action programs. There are three major trends taking place: (1) community action programs are being transferred to other federal agencies which in some cases contract the program administration back to Community Action Agencies (for example, Head Start is now a HEW program); (2) Community Action Agencies are being funded by local governments from general revenue-sharing funds or through contracts to develop and administer programs previously conducted by the local government; and (3) new legislation is being introduced to reinstate program and funding authorizations for the continuation of CAA's or similar community action programs operated at the local level.

Currently, the state office has been funded through June 30, 1974. It is unknown whether further federal funding will be available to the office beyond the current fiscal year. Therefore, we are recommending that the state funding of the office be contingent upon the receipt of federal funding and authorization to continue the SOEO program.

#### **CALIFORNIA JOB CREATION PROGRAM**

Chapter 1455, Statutes of 1968, established in state government the California Job Development Corporation Law Executive Board (Cal-Jobs Board) with the responsibility of easing unemployment in economically disadvantaged areas by facilitating the granting of loans to businesses located in those areas. Chapter 1372, Statutes of 1968, established the Small Business Assistance Program Law as a pilot program under the supervision of the State Superintendent of Banks. The Small Business Assistance Program was mandated to achieve the same goal as the Cal-Jobs Program by providing technical and management assistance to small businesses in economically disadvantaged areas.

During the 1973 legislative session, a new provision (Chapter 1211, Statutes of 1973) was passed combining and expanding the Cal-Jobs Program and the Small Business Assistance Program into the California Job Creation Program.

The program is administered within the Health and Welfare Agency (to be transferred to the Employment Development Department effective July 1, 1974) under the direction of an executive director. A policy-setting and overseeing body, the California Job Creation Program Board also provides direction to the program. Board members are specified heads of state agencies, two members of the Legislature, 11 business and community representatives appointed by the Governor, and one representative from each of three regional job-creation corporations.

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

The program has as its objective the establishment and supervision of nonprofit regional California job creation 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 creation corporations.

There are now three regional job-creation 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 within the areas served by the corporations.

Other aspects of the program include a variety of technical and management assistance efforts to help small businessmen establish, improve and expand their firms.

The budget proposes a General Fund appropriation of \$2,876,187 which is \$954,027, or 49.6 percent, more than is estimated to be expended during the current fiscal year. The Budget Act appropriation for 1973-74 was \$922,160 and was supplemented by Chapter 1211, Statutes of 1973, which appropriated an additional \$1 million for the expansion of the program.

The basic elements of this program are the Cal-Jobs element and the Office of Minority Business Enterprise element.

Table 6 compares the estimated numbers of man-years and total expenditures by program element for the current year to those proposed for 1974-75.

**Table 6**  
**Man-Years and Gross Expenditures by Program Element**  
**1973-74—1974-75**

	<i>Estimated man-years 1973-74</i>	<i>Proposed man-years 1974-75</i>	<i>Estimated expenditures 1973-74</i>	<i>Proposed expenditures 1974-75</i>
Cal-Jobs .....	8.6	8.6	\$1,876,187	\$2,876,187
Personal and office operations costs .....	8.6	8.6	533,398	548,785
Loan guarantee funds .....	-	-	1,342,789	2,327,402
OMBE .....	5.7	5.7	104,112	120,000

**Cal-Jobs**

*We recommend the Cal-Jobs annual report contain more information than is currently supplied in order to better evaluate the program.*

Since the beginning of the program in 1969, Cal-Jobs has operated in an experimental fashion. There has been a lack of central control and monitoring mechanisms. The changes which have been initiated in the program have come primarily as a result of the collective experience of the Job Development Corporations based on feeling of need rather than on a substantiated documentation of the need and/or the effectiveness of the program. Data which has been collected and reported has been based primarily on samples and has been incomplete and unreliable.

Staff of the program are now beginning to bring together the various parts of the program into a coordinated system based on specific goals and

objectives. In order to provide the Legislature with a clear picture of the effectiveness of the program the currently required annual report of the board to the Legislature should contain more complete information than is presently supplied. The report should contain the following information:

1. The number of man-years of employment created through the Cal-Jobs Program (both through the Loan Guarantee component and through the Small Business Assistance Program component) above the man-years of employment existing before the granting of assistance through the program.
2. The percentage of the man-years of employment which are filled by persons who are disadvantaged, disabled or youth living in the target areas.
3. The number of man-years of employment lost during the report period due to failures of those businesses assisted by the program.
4. The number and amounts of loan defaults. Reasons for loan defaults and methods being used to, insofar as possible, correct the problem must be identified in order to assure the Legislature that the rate of losses is acceptable and that the program remains viable.

Table 7 shows the number and rate of losses among the two job-creation corporations that have been active to the present time.

**Table 7**  
**San Francisco and Los Angeles Job Creation Corporations**  
**Loan Activity from Inception of Program**  
**to the Present**

Corporation	<u>Total loans</u>		<u>Loans defaulted</u>		<u>Paid in full or guarantee released</u>	
	Number	Credit approvals	Number	Amount	Number	Amount
San Francisco Opportunity through Ownership <sup>a</sup> .....	67	\$2,315,386	33	\$1,201,732	25	\$559,213
Los Angeles Job Creation Corpora- tion <sup>b</sup> .....	34	\$1,371,087	10	\$190,474	4	\$58,150

<sup>a</sup>Through November 30, 1973.

<sup>b</sup>Through September 25, 1973.

#### **Small Business Assistance Program Component**

*We recommend that a portion of all contracts negotiated with consultant firms to provide management and technical assistance be held in reserve to enable such firms to purchase services from individuals who are experienced in the specific business being assisted.*

The Small Business Assistance Program component is carried out by contracting with consultant firms to provide services to businesses that qualify under the Cal-Jobs Program. To date, the major emphasis has been on loan packaging with some management and technical assistance provided. A number of the consulting firms lack the technical capability to deliver the management and technical services for which they are funded. In addition, it is impossible for a general business specialist to meet all the needs connected with a specific business. Most of the staff in even the better consulting firms are generalists who are able to provide the kinds of basic information which relate to establishing a cash-flow system, an

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

accounting system, general marketing techniques system, etc., but they lack the experience to deal with business problems which relate to specific kinds of enterprises. Even a consultant having business experience in an area such as manufacturing of furniture could provide very little help to a person who is experiencing problems in a food service business. It is usually required that assistance be obtained from someone who has experience in the specific business that is being assisted. A number of volunteer programs provide some of this type of assistance but the existence of a fund for purchase of services not otherwise available could prove helpful in obtaining otherwise unavailable expertise and avoiding future business failures. We therefore recommend that a portion of all contracts negotiated with consultant firms be held in reserve to enable such firms to purchase services from individuals who are experienced in the specific business being assisted.

In addition, continuing efforts should be made by the Cal-Jobs Program to strengthen their management and technical assistance program to provide both pre- and post-loan counseling and to establish the best means possible for early identification of problem areas within the businesses being helped.

**Office of Minority Business Enterprises (OMBE)**

State OMBE is a federally funded program operating under the Cal-Jobs Board. The primary focus of OMBE is to assist minority businesses in three major areas: (1) obtain an equitable amount of state procurement contracts, (2) education and training opportunities for minority entrepreneurship, and (3) business development efforts through assisting state agencies to redirect existing programs and develop new programs to increase opportunities for minority-owned businesses. In the area of procurement OMBE will be working closely with the Office of Small Business Procurement established in the Department of General Services during the 1973 legislative session (Chapter 1198, Statutes of 1973). The Office of Small Business Procurement is mandated to provide assistance to specified small minority businesses to increase the number and amount of state purchase orders, contracts, concessions, bank deposits and other resources let to minority-owned businesses.

**LEGISLATIVE MANDATES**

In accordance with Chapter 1406, Statutes of 1972, (SB 90) there is in the Budget Item 305 an appropriation needed to reimburse local government entities for costs that may occur as a result of state mandates on local government programs. Chapter 1012, Statutes of 1973, (AB 580) extended the maximum unemployment insurance benefit award up to \$90 per week by adding high-quarter wage intervals of \$40 for each \$1 increase to the weekly benefit award.

The only employees of any local government entity compulsorily participating in the UI Program are regularly employed classified school employees. School employers contribute to the Classified School Employees Fund to reimburse the Unemployment Fund for actual benefit amounts paid out and the cost of administration.

Chapter 1012 carried an appropriation of \$78,000 to cover the first six months of the program (January 1, 1974, through June 30, 1974). The appropriation request of \$156,000 continues the appropriation at the same level for the next twelve months.

#### **ADMINISTRATIVE, STAFF AND TECHNICAL 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 \$13,730,544 to the departmental programs in the budget year. This is a decrease of \$225,781, or 1.6 percent, under the current-year expenditure estimates and includes a reduction of 37.2 man-years of employment.

This program's staffing and funding allocation for the five-year period commencing with fiscal year 1970-71 follows:

<b>Staffing and Funding Allocations</b>					
<b>Administration and Management Services Program</b>					
	1970-71	1971-72	1972-73	1973-74	1974-75
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
Staffing man-years .....	824.1	921.8	851.1	911.6	874.4
Funding allocations .....	\$10,999,239	\$11,418,845	\$11,812,509	\$13,956,325	\$13,730,544

#### **Joint Project—Rehabilitation and Employment Development**

Chapter 1207, Statutes of 1973, mandated that the Director of the Employment Development Department and the Director of the Department of Rehabilitation develop a demonstration project to explore means of improving services leading to employment and self-support. The project is also to test the feasibility and effectiveness of consolidating and integrating manpower and vocational rehabilitation programs and delivery systems.

The two departments have entered into an agreement by which they are establishing projects in Long Beach (Los Angeles County), Oakland (Alameda County) and Hanford (Kings County). In Long Beach, there is a center manager from the Department of Rehabilitation (DR) and an assistant center manager from EDD. In Oakland, the center manager is from EDD and the assistant center manager from DR. Hanford, where the project is too small to merit an assistant center manager, has a manager from EDD and a consultant from DR.

The center managers are to be given broad latitude in the way they organize and administer the project. Individuals within the project labor market areas are served through the center. There is a common reception intake for all clients, and a Problem Identification Unit (PIU) for determining the most appropriate services that apply to multiproblem individuals. The Job Information Center (JIC) on the premises provides general labor market information and available job opportunities. In each

**EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued**

center there is an Intensive Employability Services Unit (IESU) designed for individuals who need extensive services in order to become job ready.

The disabled are served primarily by DR staff and the nondisabled primarily by EDD staff. The IESU utilizes the vocational rehabilitation service delivery model. A Job Placement Unit (JPU) is available in each center to assist the job-ready and near job-ready clients.

A Community Advisory Council (CAC) is to be established for each center to assure community and consumer participation in the project.

The project began January 1, 1974, and will terminate November 30, 1975.

**Health and Welfare Agency**  
**DEPARTMENT OF REHABILITATION**

Item 306 from the General  
Fund

Budget p. 177 Program p. II-169

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Requested 1974-75 .....	\$7,460,222
Estimated 1973-74.....	7,739,218
Actual 1972-73 .....	7,725,602
Requested decrease \$278,996 (3.6 percent)	
Total recommended reduction .....	None.

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Lack of Uniform Physician Reimbursements.

668

Recommend agency review problem of the lack of uniform physician reimbursements paid by departments within the agency and report to Legislature by September 1, 1974.

**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 Rehabilitation Act of 1973 and Division 10 of the Welfare and Institutions Code and carries out the following four programs: (1) rehabilitation of the disabled; (2) nonrehabilitative services; (3) development of private sector rehabilitation resources; and (4) departmental administration. A fifth program, the disability determination program, was transferred to the Department of Health October 1, 1973.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the amount budgeted.*

For the 1974-75 fiscal year the budget for the Department of Rehabilitation proposes a total program expenditure, after reimbursement, of \$64,-866,675 of which \$57,406,453, or 88.5 percent, is from federal funds, and \$7,460,222, or 11.5 percent, is from the General Fund. The total, all funds, proposed for expenditure in 1974-75 is \$373,756 more than the amount estimated to be expended during the current year. Expenditures from the General Fund are proposed to be reduced by \$278,996, or 3.6 percent, while expenditures of federal funds are proposed to be increased by \$652,-752, or 1.2 percent.

Analysis of proposed 1974-75 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

**DEPARTMENT OF REHABILITATION—Continued**

and total expenditures by program for the current year to those proposed for 1974-75.

**Table 1**  
**Man-Years and Gross Expenditures by Program**

	<i>Estimated man-years 1973-74</i>	<i>Proposed man-years 1974-75</i>	<i>Estimated expenditures 1973-74</i>	<i>Proposed expenditures 1974-75</i>
I. Rehabilitation of the disabled .....	1,804	1,804	\$59,672,068	\$64,178,872
II. Nonrehabilitative services .....	32.5	32.5	623,723	636,333
III. Development of private sector rehabilitation resources.....	27.5	27.5	2,572,835	2,589,802
IV. Disability determination <sup>a</sup> .....	—	—	3,622,906	—
V. Departmental administration Distributed to other programs ....	257.7	257.6	(4,684,035)	(4,688,707)
Total.....	2,121.7	2,121.6	\$66,491,532	\$67,405,007

<sup>a</sup> The disability determination program was transferred to the Department of Health on October 1, 1973.

**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.

**Table 2**  
**Rehabilitation of the Disabled Accomplishments and Costs  
1972-73 to 1974-75**

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Disabled persons rehabilitated.....	15,058	16,000	17,000
Estimated annual earnings of rehabilitants .....	\$87,510,020	\$92,800,000	\$98,600,000
Estimated annual benefits to government .....	16,580,098	18,575,000	20,047,000
Federal/state costs of program .....	49,950,300	58,828,000	63,321,578
Average cost per rehabilitation .....	3,317	3,677	3,725



The basic elements of this program are Basic Vocational Rehabilitation Services and Rehabilitation for Daily Living. Table 2 shows the basic accomplishments and expectations of this program since 1972-73.

#### **Basic Vocational Rehabilitation Services**

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 his ability to obtain or keep employment. Services are provided through a network of local offices throughout the state and through cooperative agreements with state and local agencies (correctional agencies, educational institutions, hospitals or mental health treatment facilities). Counselors are located in each local office and in 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 department estimates that 17,000 disabled persons will be rehabilitated during 1974-75, an increase of 1,000 rehabilitations over the number estimated to be rehabilitated during the current year. Total expenditures for this element are proposed to increase by \$4.5 million over the amount estimated to be expended during the current year. The department achieved 15,058 rehabilitations during 1972-73 which is 58 more than estimated when the 1973-74 Governor's Budget was presented, but 3,608 less than was originally estimated and budgeted for in the 1972-73 Governor's Budget. The 17,000 rehabilitations predicted for 1973-74 have now been reduced to an estimated 16,000.

#### **Need for Improved Program Management**

*We recommend that:*

*a. The department review its work production standards for counselor positions with the objective of establishing statewide standards and that it also review the present ratio of clerical staff to professional staff, and*

*b. The department conduct a systems management study with a goal of improving its processing procedures.*

The basic output of the Department of Rehabilitation is the number of disabled persons successfully rehabilitated during a year. In a recent federal Department of Health, Education, and Welfare (HEW) comparison of achievements of the 54 states and territories funded by the department to provide rehabilitative services, California ranked 53rd in terms of the number of persons rehabilitated per 100,000 population of the state. A second comparison was made as it relates to the number of rehabilitations per 10,000 disabled population. Because three territories do not have data relating to the amount of their total disabled population, there are 51 states and territories compared in this category and California ranks 51st of the

## DEPARTMENT OF REHABILITATION—Continued

51. Table 3 compares the productivity and ranking of the first six states in terms of total rehabilitations.

**Table 3**  
**Number of Persons Rehabilitated by Selected State Vocational Rehabilitation Agencies**

	<i>Total rehabilitations</i>		<i>Rehabilitations per 100,000 population</i>		<i>Rehabilitations per 10,000 disabled</i>	
	<i>Number</i>	<i>Rank</i>	<i>Rate</i>	<i>Rank</i>	<i>Rate</i>	<i>Rank</i>
Texas .....	29,009	1	249	14	441	10
Pennsylvania .....	22,364	2	188	24	340	25
Florida .....	16,395	3	226	17	349	21
New York .....	13,453	4	84	52	164	47
North Carolina .....	15,306	5	294	6	443	9
California .....	15,058	6	74	53	119	51
United States .....	360,726	—	171	—	296	—

The department explains that each state and territory has a different program which causes the variation in the number of reported rehabilitations per 100,000 population and per 10,000 disabled population to be a poor measurement of relative performance. Among factors cited by the department which would tend to leave California at the bottom of the rankings in the ratio of rehabilitations per 100,000 population is the fact that the federal allocation formula results in less federal appropriations per capita to the higher income states. For example, federal appropriations for vocational rehabilitation in California in 1972 amounted to \$2.18 per capita of the state's total population, less than two-thirds of the national average of \$3.33 per capita. The uneven allocation formula is based on the premise that those states with relatively high per capita incomes will use their own unmatched funds to increase the program levels. This has not been the case in California where we have appropriated the minimum General Fund amount necessary to match the federal dollars.

Another difference between state rehabilitation agencies cited by the department as an explanation of California's low ranking is that other states have more medically oriented programs, dentalwork programs and homemaker programs which require little or no vocational training. Such rehabilitations are achieved quickly and can be handled in larger volumes than the more difficult cases handled in California.

The department also points out that California ranks first nationally among rehabilitations of welfare recipients, and that this category of rehabilitation requires a high degree of counselor skill and time. While these explanations do appear to have merit, a question remains as to whether new standards for job performance would help improve the California record.

Rehabilitations of California's disabled persons depend primarily on the job performance of the vocational rehabilitation counselors, counselor associates and vocational rehabilitation assistant II's employed by the department. In recent years, there has been a steady growth in the number of counselors in the department due primarily to the expansion of the

program for rehabilitating Social Security Disability Insurance (SSDI) beneficiaries and the Welfare Recipients Program (WREP), a program financed by a three-year grant designed to locate and serve welfare recipients who can benefit from rehabilitation services. Title XVI of the Social Security Act, which established the new Supplemental Security Income Program (SSI) to replace the state welfare programs for aid to the blind, aged, and totally disabled, mandates states to provide vocational rehabilitation services to the potentially rehabilitatable blind and disabled beneficiaries of the SSI Program. All of the above programs have resulted in the establishment of 114 new counselor positions during the current fiscal year.

#### **Uniform Job Performance Standards**

During the current fiscal year, we visited some of the department's regional and district offices and have concluded there is no uniform statewide staffing standard applied as to the caseload size or production standards for each counselor. The department has stated that it has a goal of an average of 30 rehabilitations per year to be accomplished by an experienced counselor assigned to an established caseload. In practice, district administrators set their own goals and make adjustments for counselors handling special caseloads based on what each administrator feels is realistic in consultation with the counselors and their supervisors. Because of the absence of uniform standards, it is difficult for supervisors to set realistic goals to evaluate job performances. There is a need for standards establishing realistic production achievement goals for individual case-carrying workers.

The department expects rehabilitations per man-year to decrease in the near future because the Rehabilitation Act of 1973 directs the department to shift its emphasis to the more severely disabled individuals. There is also the previously mentioned expansion of services to the more difficult to rehabilitate SSDI and SSI recipients. Under these conditions, many counselors and administrators feel that it will be difficult if not impossible to achieve a statewide average of 30 rehabilitations per year. The department could benefit greatly by reviewing and evaluating current experience and adopting new explicit statewide standards for job performance. Such standards, to be helpful, must take into account the issue of weighting of cases in terms of the relative difficulty of achieving a rehabilitation.

#### **Clerical Support**

At the present time, clerical support for professional positions is budgeted on a ratio of a 0.66 clerk position for every weighted professional position. Each counselor, vocational psychologist, medical consultant, placement representative or administrative and supervisory staff person, constitutes one weighted professional. Workers on the career ladder, counselor teachers, psychiatric technicians, and professional interns constitute one-half of a weighted professional position. In our recent review of the district offices, one of the major concerns of counselors and supervisors was the inadequacy of clerical support. Considering the increasing referral flow, which results in considerable paperwork activity, it is essential that steps be taken to design and test new systems to enable the

**DEPARTMENT OF REHABILITATION—Continued**

counselors to do a more effective job in meeting rehabilitation needs of the disabled in California rather than handling paperwork that can better be handled by less costly positions. Therefore, we also recommend that the current clerical staffing standard be reviewed when the counselor work production standard is being reviewed.

**Need for Systems Management Study**

Since 1966 the department has received 100 percent federal funding from the Social Security Administration Trust Fund for the purpose of providing vocational rehabilitation services to beneficiaries of SSDI. Further expansion of the program was provided through the Rehabilitation Act of 1973. Public Law 92-603 (HR 1) authorized 100 percent federal funding to the states for purposes of providing vocational rehabilitation services to the blind and disabled recipients of SSI. These two factors will increase the volume of referrals significantly.

For the 1972-73 fiscal year there were 106,514 referrals which was an increase of 15,688, or 17 percent, over the 1971-72 fiscal year. Almost 75 percent of the referrals result in what the department calls "preacceptance closures." These are cases where the individual does not wish any service or where an early determination is made by the department that the individual does not need or cannot benefit from the department's services. Thus no formal case is opened. The SSDI and the SSI Programs will lead to further substantial increases in referrals and preacceptance closures because of the requirement to refer from these two programs all recipients who are potentially rehabilitatable. The department estimates that there will be 12,000 new referrals per year from the SSI Program alone.

Much of the growing workload requires the handling of a large volume of paperwork because the majority of new referrals will be closed prior to acceptance into the program. The large volume of paperwork, the expansion of work force and the changing complexion of clients referred requires new systems. The nature of the department mission places major emphasis on the independent functioning of the professional personnel. New methods are needed to systematize work flow and eliminate wasted motion while preserving the freedom of the counselor to be innovative in serving his clients. We believe that this can best be accomplished by a systematic overview of functions, work stations and work flow.

**Lack of Uniform Physician Reimbursements**

*We recommend that the Health and Welfare Agency review the problem of the lack of uniform physician reimbursements paid by departments within the agency and submit a report to the Legislature by September 1, 1974.*

The rehabilitation program provides for a wide variety of medical and medically related services which are purchased through the program. Both the Department of Rehabilitation and the Department of Health's Crippled Children's Services Program are required by the rates and fees section of the Department of Health to use the medical schedule of maximum allowances for purchased physician services. This method of reim-

bursement establishes dollar coefficients for each county in California. These coefficients are then applied to the unit values for medical procedures contained in the 1964 California Medical Association Relative Value Study. A maximum of \$666.25 is allowed for any one procedure. Except for a 2.5 percent increase in November 1972, the dollar coefficients have remained unchanged since 1968.

In contrast, the California Medical Assistance Program (Medi-Cal) has established a profile system of payment that provides for differential payment levels based on the usual and customary charges of physicians within geographical areas. Thus, it is possible for the same physician providing identical medical procedures to two different patients, one covered under the Medi-Cal Program and the other reimbursable from the Department of Rehabilitation, to be paid two different rates. The rate paid by the Department of Rehabilitation is generally the lower. As a result of this situation, many physicians are refusing to provide services to Department of Rehabilitation clients under the existing reimbursement structure while physicians who have provided service in the past are increasingly reluctant to continue. We, therefore, recommend that a more equitable reimbursement schedule be established to assure adequate medical care availability to persons served through the Department of Rehabilitation.

## **II. NONREHABILITATIVE SERVICES**

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, snackbars, and cafeterias in public and private buildings.

For 1974-75, the budget proposes total expenditures of \$636,333 to support this program. Of this amount, \$509,066 is from federal funds while \$127,267 is from the General Fund. The 1974-75 amount represents an increase of \$12,610 from the amount estimated to be expended during the current year. The budget proposes no major changes for this program.

## **III. DEVELOPMENT OF PRIVATE SECTOR REHABILITATION RESOURCES**

This program is carried out in an attempt to develop and maintain adequate facilities and services in the community so that the department may have available, those services for clients which it does not supply directly. Examples of purchased services include medical facilities, physician services, private and public training facilities and rehabilitation facilities. This program has three basic elements: (1) technical consultation to rehabilitation facilities, (2) grant administration, and (3) vocational training facilities development.

The budget proposes total expenditures of \$2,589,802 to support this program during 1974-75. Of this amount, \$110,119 is from the General Fund. The total proposed to be expended in 1974-75 represents an increase of \$16,967 from the amount estimated to be expended in the current year. All three elements of this program are primarily intended to insure the continued development and availability of rehabilitation resources in the community, together with the supervision of grant-supported projects under various sections of the Rehabilitation Act of 1973.

**DEPARTMENT OF REHABILITATION—Continued****IV. DISABILITY DETERMINATION**

Under contract with the federal government, the Department of Rehabilitation has conducted a program to determine whether or not persons are disabled and eligible to receive payments under the provisions of the Social Security Act. The law provides that payments can be made if the worker is unable to perform substantial, gainful activity because of physical or mental disabilities. In addition, each disabled applicant is also considered for vocational rehabilitation referral. Support for the disability determination program is entirely from federal funds.

Passage of Public Law 92-603 (HR 1) requires that the disability determination program will also determine physical or mental disabilities of persons applying for the SSI Program under Title XVI of the Social Security Act. Chapter 1002, Statutes of 1973, transferred the disability determination program to the Department of Health in the Health and Welfare Agency.

During the current year, workload in this program will increase due to the addition of the SSI Program responsibilities. To handle this workload, an additional 175 positions have been administratively added to the program at a cost of \$2,213,870. The budget proposal for the continuation of these positions is carried in the Department of Health budget. With the addition of these 175 positions, 832 positions have been transferred to the Department of Health.

**V. DEPARTMENTAL ADMINISTRATION**

This program includes the office of the director, management services, and field support services. These activities provide executive direction, planning, policy determination and staff support for operation of all departmental programs.

The budget proposes the expenditure of \$4,688,707 to support this program in 1974-75, an increase of \$4,672 from the amount estimated to be expended in the current year. Under program budgeting concepts, the entire amount for support of this program is charged to other programs. No major changes are proposed for this program during 1974-75.

Chapter 1207, Statutes of 1973, mandated that the Director of the Employment Development Department (formerly HRD) and the Director of the Department of Rehabilitation develop a demonstration project to explore means of improving services leading to employment and self-support. The project is also to test the feasibility and effectiveness of consolidating and integrating manpower and vocational rehabilitation programs and delivery systems. For a further description of the project, see our analysis of the Employment Development Department, budget Items 301 through 305.

**SOCIAL WELFARE****GENERAL SUMMARY**

Proposed total program expenditures 1974-75 (all funds) . \$2,826,545,686  
 Estimated total program expenditures 1973-74 (all funds) .. 2,647,149,465  
 Actual total program expenditures 1972-73 (all funds) ..... 2,653,817,727

**Recommendation**

*AFDC Program—Withhold recommendation on expenditure levels in the Aid to Families with Dependent Children (AFDC) Program pending a review of the May caseload estimates.*

**Trends in Caseload and Average Grant**

The Governor's Budget estimates that average monthly caseloads will decline slightly in 1974-75 from the prior year average, with the exception of the caseload for the disabled which reflects the new more liberal federal eligibility criteria for the disabled. Table 1 shows the 1974-75 estimated caseload and change from 1973-74.

**Table 1**  
**1974-75 Estimated Welfare Caseload, Governor's Budget**

	<i>Estimated 1974-75 average monthly caseload (persons)</i>	<i>Change from 1973-74 average caseload</i>	<i>Percentage change from 1973-74</i>
AFDC—Family group .....	1,167,975	-7,581	-0.6
AFDC—Unemployed .....	141,113	-2,331	-1.6
Foster children (AFDC-BHI) .....	26,947	-1,444	-0.5
Aged—OAS .....	285,393	-665	-0.2
Blind—AB .....	13,353	-155	-1.1
Disabled—ATD .....	276,307	+38,771	+16.3

The department's caseload projection contains no adjustment for a possible economic slowdown resulting from the energy crisis. An economic slowdown has the potential for greatly increasing the AFDC-Unemployed caseload and thus significantly affecting state and county welfare costs. It appears highly unlikely that the caseload in either the AFDC-U or AFDC-FG Programs will decrease. The Department of Finance has projected an increase in unemployment in the state that will have a direct impact upon these caseloads. No action should be taken on the allocation of funds for the AFDC Program until the May caseload reestimate is completed.

The budget shows that the 1974-75 estimated average monthly grants will increase reflecting continued inflation.

	<i>Projected 1974-75 average monthly grant (per person)</i>	<i>Average monthly increase over 1973-74</i>	<i>Percentage increase</i>
AFDC—Family group .....	\$70.71	\$+5.31	+8.1
AFDC—Unemployed .....	65.05	+4.96	+8.2
Foster care (AFDC-BHI) .....	240.12	+21.96	+10.0

Inflation during the base period from which cost-of-living adjustments are calculated may be somewhat higher than estimated. If the average grants do increase more than currently projected, state and county costs will also increase. Each dollar added to the AFDC average per person

**SOCIAL WELFARE—Continued**

grants increases state General Fund costs by \$5.4 million and county costs by \$2.6 million.

Average grant costs for the aged, blind and disabled will not increase in fiscal year 1974-75 due to inflation, pursuant to the provisions of Chapter 1216, Statutes of 1973, (AB 134). However, beginning in fiscal year 1975-76 these recipients will receive automatic cost-of-living adjustments annually.

Nevertheless, average monthly grants have increased because Chapter 1216, Statutes of 1973, substantially raised grant levels for the aged, blind and disabled. The grant amounts shown below do not fully reflect the average grant increase provided by Chapter 1216, Statutes of 1973, (AB 134) because the 1973-74 average grants include six months of payments at the increased levels.

	<i>Projected 1974-75 average monthly grant (per person)</i>	<i>Average monthly grant increase over 1973-74</i>	<i>Percentage increase over 1973-74 average grant</i>
Aged.....	\$139.26	\$+8.80	+6.7
Blind.....	200.97	+14.91	+8.0
Disabled .....	188.05	+18.18	+10.7

As shown in Table 2, the Governor's Budget projects the following state General Fund cost in fiscal year 1974-75 based on the caseload and average cost figures discussed above. These figures exclude administrative costs, homemaker/chore and food stamp costs.

**Table 2**  
**General Fund Welfare Grant Costs**  
**1974-75**  
**(millions)**

	<i>State costs 1974-75 categorical aids</i>	<i>Estimated change from 1973-74</i>	<i>Percentage change</i>
AFDC—Family group .....	\$345.6	\$+24.0	+7.5
AFDC—Unemployed .....	42.3	+2.6	+6.5
Foster Care (BHI) .....	20.7	-0.9	-4.0
Adult Programs .....	456.2	+53.8	+13.4
Total .....	\$864.8	\$+79.5	+10.1

Table 3 presents the estimated county categorical aid costs, excluding administrative cost, social service costs, food stamp costs and general assistance costs.

**Table 3**  
**County Welfare Grant Costs**  
**1974-75**  
**(millions)**

	<i>County cost 1974-75 categorical aids</i>	<i>Estimated increase over 1973-74</i>	<i>Percentage increase</i>
AFDC—Family group .....	\$150.7	\$10.3	+7.0
AFDC—Unemployed .....	39.5	3.6	+10.0
Foster Care (BHI) .....	20.3	1.3	+7.0
Adult Programs .....	118.0	18.3	+18.0
Total .....	\$328.5	\$33.5	+11.0



**Health and Welfare Agency**  
**DEPARTMENT OF BENEFIT PAYMENTS**

Item 307 from the General  
Fund

Budget p. 179 Program p. II-190

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Requested 1974-75 .....	\$11,611,222 <sup>a</sup>
Estimated 1973-74.....	9,960,173
Actual 1972-73 .....	6,465,619
Requested increase \$1,651,049 (16.6 percent)	
Total recommended reduction .....	\$145,136

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<sup>a</sup>Includes \$2,055,814 of General Fund money formerly in Department of Health budget, henceforth to appear in the DBP budget.

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Reductions in Fair Hearings Staff. Recommend reduction of positions in the office of the chief referee and in the Business Services Bureau related to the reduction of fair hearings workload be made on the following basis: 678
  - (a) That by May 15, 1974, the Hearing Officer Budget Unit model be modified to reflect current costs properly prorated for each step in the fair hearings process;
  - (b) That by May 15, 1974, the department prepare updated intake workload estimates for fiscal year 1974-75; and
  - (c) That by May 15, 1974, the department review and certify the average number of intake units that can be processed per hearing officer. This review should reflect the loss the adult program workload will have on the average number of cases that can be processed per hearing officer per year.
2. Remaining Adult Program Staff. Withhold recommendation on Remaining Adult Program positions pending receipt of information about the overall functions and responsibilities of the adult program and the relationship of the 29 positions to those overall functions. 683
3. *Responsible Relative Collections Program. Reduce \$145,136.* Recommend five full-time, and two half-time positions be deleted and that contract funds be reduced for a total General Fund savings of \$145,136. 685
4. House Counsel. Withhold recommendation on 5.5 of the 6.5 additional house counsel positions being requested by the department. 687

**DEPARTMENT OF BENEFIT PAYMENTS—Continued****GENERAL PROGRAM STATEMENT**

The Department of Benefit Payments appears in the Governor's Budget for the first time this fiscal year. This department which will come into being on July 1, 1974, was created pursuant to Chapter 1212, Statutes of 1973, (AB 1950) and will be the successor to the State Department of Social Welfare. The department 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 as periodically required by the federal government and as needed for internal management purposes.

**Major Organizational Changes**

Two major organizational changes will affect the Department of Benefit Payments in fiscal year 1974-75. First, the department will acquire more than 1,400 positions and several important functions from the Departments of Health and Employment Development. Secondly, the department will phase out some positions as a result of federal administration of welfare programs for the aged, blind and disabled and will request new positions for bureaus whose programs are receiving special emphasis during the "second step of welfare reform."

Table 1 shows the number of positions that the Department of Social Welfare, which ceases to exist on June 30, 1974, and the Departments of Health and Employment Development will transfer to the new department as of July 1, 1974. The budget shows an additional 232.5 unspecified federally funded positions to be added for functions formerly conducted by the Employment Development Department. The Department of Labor has not yet approved those positions.

**Table 1**  
**Positions to Be Transferred to Department of Benefit Payments**

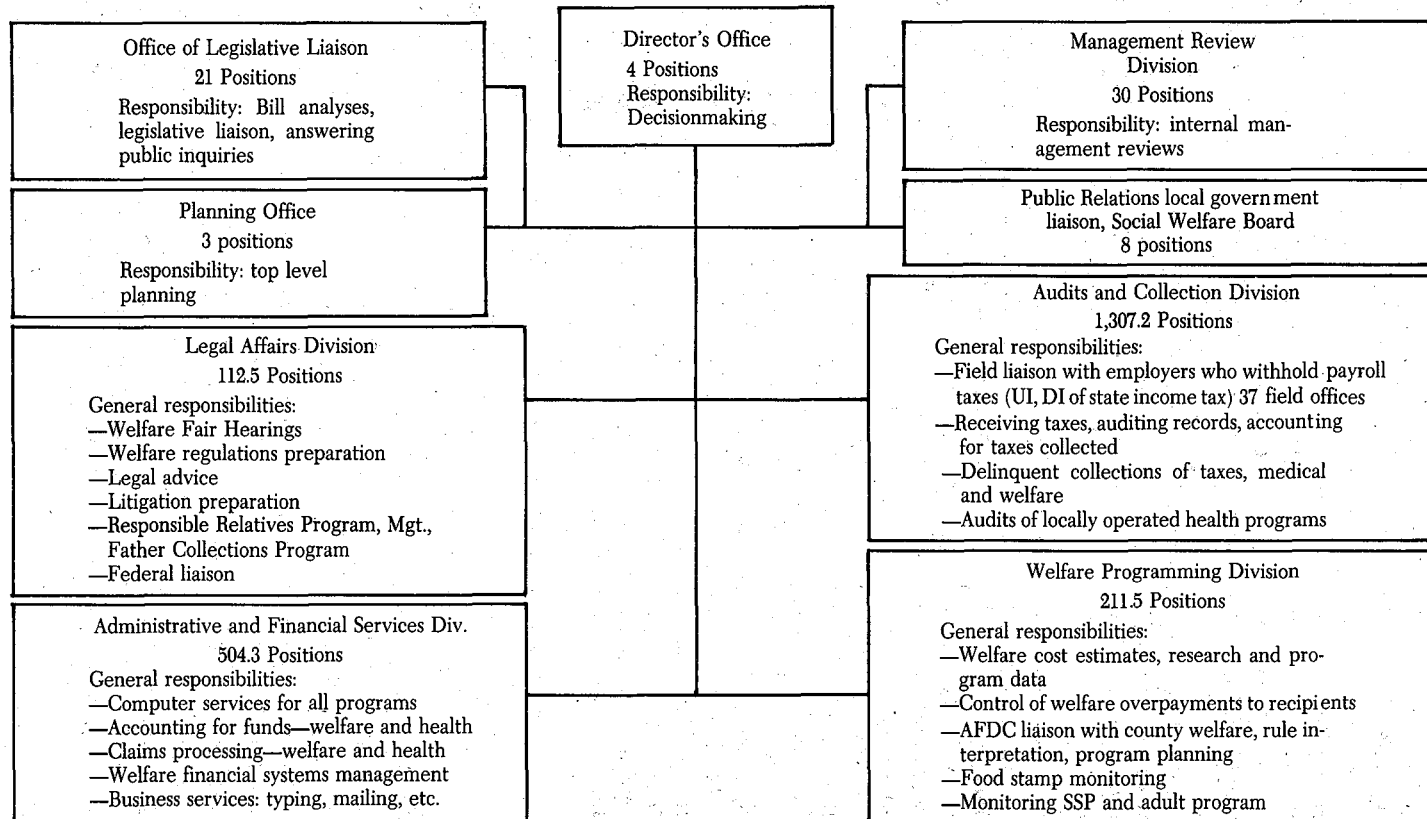
<i>Contributing departments</i>	<i>1974-75 Requested positions</i>
State Department of Social Welfare .....	786.6
State Employment Development Department .....	1,250.9
State Department of Health .....	164.0
Total to Department of Benefit Payments .....	2,201.5

Chart 1 shows the proposed organization of the Department of Benefit Payments.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$11,611,222 for the new Department of Benefit Payments for the 1974-75 fiscal year. This amount is \$1,651,049, or 16.6 percent, higher than is estimated to be expended during the current fiscal year. However, a true comparison cannot be made since

**Chart 1**  
**Proposed Organization of Department of Benefit Payments**



**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

the new department will have some functions and activities that are not presently in the Department of Social Welfare.

**Audit and Collections Division**

Almost all of the employees and positions transferred from the Department of Health and from the Employment Development Department (EDD) will be located in the newly created Audits and Collections Division. Employees in the other divisions and units of the Department of Benefit Payments, with the exception of 107.6 support positions being transferred from Health and EDD, worked on welfare matters before the reorganization and will continue to do so after July 1, 1974, when the new department officially comes into being. Even within the Audits and Collections Division there will be little integration of employees transferred in from Health or EDD. Only in two bureaus of the Audit and Collections Division will there initially be a substantial mixing of Health and EDD positions. These two bureaus are the Collections Bureau and the Audit Control and Appeals Bureau. Although July 1, 1974, is the official startup date of the Department of Benefit Payments, a gradual transfer of employees will take place prior to that time as is permitted by Section 28 of the Budget Act of 1973.

**Employment Development Department Functions Being Transferred to Department of Benefit Payments**

The following functions will be transferred to the Department of Benefit Payments from the Employment Development Department:

1. Liaison with Employers Paying Payroll Taxes

Most California employers must withhold payroll taxes for unemployment insurance, disability insurance and state personal income taxes. It is the function of the Field Operations Branch for Employment Tax to deal with employers located in California and for the Audit Control and Appeals Bureau to deal with out-of-state employers. Personnel within these units determine if an employer must register to withhold payroll taxes and if so what tax liability exists; they collect delinquent taxes, present the state's case at tax hearings and perform the other direct contact necessary with employers in order to assure payroll taxes are being properly paid. These activities are carried out through 37 field offices located throughout the state.

2. Collection of Delinquent Tax Debts

Collection of delinquent payroll tax debt involves locating debtors, recording and releasing liens, obtaining funds from escrow, corresponding in bankruptcy warrants, and writs of execution.

3. Receiving and Accounting for Payroll Taxes

The Employer and Insurance Accounting Bureau must monitor all registered employers to verify that they are submitting their wage reports and paying their payroll taxes. Records on individual employers must be maintained and reviewed, and monies deposited and accounted for. Table 3 shows the estimated revenue collected through these programs.

**Table 3**  
**Revenue Collected by State Payroll Taxes**

	<i>Tax Revenue in Millions</i>		
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Disability insurance .....	\$384	\$419	\$440
Unemployment insurance.....	735	805	846
Personal income taxes .....	1,394	1,500	1,600

#### 4. Managing the Classified School Employees Unemployment Insurance Trust Fund

The Classified School Employees Trust Fund Bureau manages the trust fund for unemployment insurance for classified school district employees. This involves prorating UI benefit costs to school districts, refunding monies to school districts, paying costs of operating the program and communicating with county assessors regarding tax rates to be levied for the fund.

#### 5. Management Review of the Payroll Tax System

The Coordination and Support Bureau will watch over the operation of the total system for collecting payroll taxes and will provide top management with analyses of program operations, and recommendations for legislative or organizational change. The bureau also provides liaison with the department, the agency and the federal government in regard to issues concerning the payroll taxation system.

#### **Department of Health Functions Being Transferred to Department of Benefit Payments**

A total of 164 positions are to be transferred from the Department of Health to the Department of Benefit Payments. The functions being transferred to the new department are as follows:

##### 1. Auditing of Local Health Program Expenditures

The Health Field Operations Branch audits the expenditures and program records of community mental health programs, hospital providers, public health programs and Medi-Cal fiscal intermediaries.

##### 2. Claims Payment for Health Programs

Claims submitted by the Medi-Cal fiscal intermediaries and by the local governmental health provider organizations are to be processed and audited.

##### 3. Collection of Health-Related Bills Owed State

The Collections Bureau with staff transferred in from the Department of Health will collect funds due from insurance companies and other third parties who have some obligation to pay all or part of Medi-Cal recipients' medical bills as first payors.

##### 4. Management Review of the Health Auditing, Payment and Collection System

The responsibility for evaluating the efficiency and effectiveness of auditing, claims paying and collecting systems as it relates to health programs will rest with the Payment Systems Evaluation Bureau which is part of the Management Review Unit of the new department.

## DEPARTMENT OF BENEFIT PAYMENTS—Continued

## Reductions in Fair Hearings Staff

*We recommend that the reduction of positions in the office of the chief referee and in the Business Services Bureau related to the reduction of fair hearings workload be made on the following basis:*

- (a) That by May 15, 1974, the Hearing Officer Budgeting Unit model be modified to reflect current costs properly prorated for each step in the fair hearings process;*
- (b) That by May 15, 1974, the department prepare updated intake workload estimates for fiscal year 1974-75; and*
- (c) That by May 15, 1974, the department review and certify the average number of intake units that can be processed per hearing officer. This review should reflect the effect the loss of the adult program workload will have on the average number of cases that can be processed annually per hearing officer.*

The department conducts administrative hearings to judge the fairness of decisions made by county welfare department personnel in handling welfare cases. Recipients of aid and applicants for aid have the right to appeal a decision made involving their case when they feel an error has been made which adversely affects their entitlements to assistance. When a request for a fair hearing is made, the department proceeds to schedule a hearing. Under the current operating procedure, the department both hires and contracts for attorneys to perform the hearings. In fiscal year 1974-75, there will be a reduced need for hearing officers and backup clerical positions because the federal government has assumed responsibility for fair hearings for aged, blind and disabled recipients.

Based on management studies of the fair hearings system, the department estimates that the average hearing officer can dispose either directly or indirectly of 690 intake hearing requests per year. For fiscal year 1974-75 the department anticipates more than 45,500 filings for AFDC cases, Medi-Cal cases, food stamp cases, and responsible relative cases. This anticipated workload, based on actual past filing experience projected into fiscal year 1974-75, will result in the need for approximately 65 full-time equivalent hearing officers. This fiscal year the department was operating with 104 hearing officer units, based on workload which included aged, blind and disabled cases.

Budgeting for fair hearings is on the basis of hearing officer units. For each hearing officer, the following support staff is added (the cost per unit is \$48,052 per year).

## Hearing Officer Budget Unit

<i>Classification</i>	<i>Man-years per unit</i>
Hearing officer .....	1.0
Review officer .....	0.2
Social services consultant .....	0.1
Senior clerk .....	0.2
Steno II .....	0.2
Clerk II .....	1.4
	<hr/> 3.1

Currently, the department is anticipating a total reduction of 39 hearing officer units.

The proposed reduction of 39 hearing officers and accompanying support staff will affect both the department and the contractors from which the department obtains additional hearing officers. The table below shows how the department now proposes to prorate the reductions.

#### Hearing Officer Units Needed

	1973-74	1974-75	Reduction
Department of Benefit Payments .....	51	38	-13
Office of Administrative Hearings .....	27	23	-4
McGeorge Law School .....	26	4	-22
	104	65	-39

The department will experience a 25-percent reduction, the Office of Administrative Hearings a 15-percent reduction and McGeorge Law School an 85-percent reduction since it was intended to handle the work overload.

The department intends to reduce the following fair hearing positions from the Department of Benefit Payments.

<i>Bureau</i>	<i>Positions</i>
Office of Chief Referee	13 Hearing Officer I
	1 Steno II
	3 Clerk II
Public inquiry and response	1 Social Service Consultant
Business Services Bureau	2 Sr. Clerk
	2 Steno II
	4.5 Clerk II
	9.5 Clerk I
	<u>36</u>

Many of the support activities which are not directly related to the hearing itself are not performed by the Office of Administrative Hearings or by McGeorge Law School. For example, receipt of hearing requests, scheduling of hearings, communications with county welfare departments and with applicants, gathering of papers for the case file, typing hearing decisions, review of decisions and followup on problem cases involving implementation of a decision are not handled by hearing officers. Because the department performs these functions, it keeps \$27,700 per hearing officer budget unit for the McGeorge contract. In this fiscal year, \$720,000 was retained to provide support services associated with the McGeorge contract for 26 hearing officer units. Since the McGeorge workload fluctuates according to need, the department hires only temporary support positions in relation to the McGeorge contract work. Therefore, no budgeted position reductions appear in relation to this activity. Although the department does perform support functions related to the Office of Administrative Hearings (OAH) contract, no support funds are withheld from the contract because they were built into the department's fair hearing budget. Therefore, it would appear some departmental support positions related to the reduction of the OAH contract may be in order.

**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

Our review of the fair hearings system leads us to believe that the Hearing Officer Budget Unit model needs to be updated to take into account changes in the system in the last two years, and to properly and clearly charge for each support and administrative activity. In addition, final decisions on staffing should be based on the latest available workload projections rather than estimates made in October 1973. Finally, the department should verify the number of intake cases that one hearing officer can dispose of in one year. Changes in the caseload due to the loss of the aged, blind and disabled applicants may change work output capabilities. Staffing needs and reductions for fiscal year 1974-75 should be reestimated, we believe, based on the updated information discussed and requested above.

**Quality Control**

*We recommend approval of the 18 proposed new Government Program Analyst positions for the Quality Control Bureau.*

**HEW's New Rules**

The federal Department of Health, Education, and Welfare (HEW) has initiated a major new program which is intended to reduce state and county errors in the administration of welfare. By June 30, 1975, not more than 5 percent of the children's (AFDC) cases can be given welfare checks in excess of the amount they are legally entitled to receive and by that date not more than 3 percent of the cases can be mistakenly classified as eligible and thus be paid welfare grants to which they are not entitled.

**Establishing the Error Rate**

Error rates are established by detailed examination of 1,200 cases selected on a random basis. Case files are pulled and eligibility and grant determinations are carefully recalculated by department analysts. Recipients and employers are interviewed and income is verified as is the number of eligible persons in the household. The base period survey, taken between April and September 1973, indicated that California has a 17.8 percent overpayment error rate and an 8.37 ineligible error rate. This information has been forwarded to the federal government for review and verification.

**Corrective Action Timetable**

HEW at first said that California must reduce its unacceptable error rate by one-third before June 30, 1974, by two-thirds before December 31, 1974, and by June 30, 1975, must be totally within acceptable levels. The state replied that corrective action could not be made within these tight time limits, and HEW has tentatively agreed to change its timetable. If the state fails to meet these goals then federal AFDC subventions will be reduced by the percentage error rate over the acceptable amount.

<i>Time period</i>	<i>Acceptable overpayment error rate</i>	<i>Acceptable ineligible error rate</i>
By end of January-June 1974 period .....	13.5%	6.6%
By end of July-December 1974 period .....	9.2	4.8
By end of January-June 1975 period .....	5.0	3.0



If California made no correction at all in its error rate, then the federal government could withhold the following funds in each of the six-month periods.

**Maximum amount withholdable**

January-June 1974.....	\$6.8 million
July-December 1974.....	13.6 million
January-June 1975.....	20.4 million

On the basis of information supplied by the department as many as 72,000 cases receive overpayments and 34,000 ineligible cases receive grants. If the state and counties are able to meet federal deadlines for reducing overpayments and eliminating ineligible cases, the following number of cases could be affected, assuming no new ineligible or overpayment cases were added in the interim. The average case contains 3.5 individuals.

<i>Target date</i>	<i>Number of overpayment cases to be reduced</i>	<i>Number of ineligible cases to be eliminated</i>
By June 30, 1974 .....	18,000	7,600
By December 31, 1974.....	36,000	15,000
By June 30, 1975 .....	54,000	23,000

If California reaches these goals in fiscal year 1974-75, total grant expenditures will be reduced by approximately \$80 million. The state's share of these savings would be \$28 million and the counties' share \$12 million. County savings could be reduced if a large number of the ineligible AFDC cases must be added to the county general assistance rolls since counties pay 100 percent of general assistance grants but only 16.25 percent of AFDC grants. The department estimates that few if any of the ineligible cases will be transferred to general assistance.

**Allocating the Claim Cuts**

If the state is unable to meet its established goals, then the federal government will reduce subventions to California. At this writing, it is the intention of the state to pass on 100 percent of any such claim cuts to the counties. This would be accomplished on the basis of statistically valid surveys to determine each county's error rates. The counties with error-rate problems would thus be the counties to bear the burden of the claim cuts.

The department is faced with two problems in its attempts to pass on claim cuts to the counties. First, the department is asking each county to voluntarily conduct a survey to determine what its error rate is. Each survey would be reviewed for validity by the state and claim cuts made on the basis of the results. The state is not willing at this time to mandate such surveys because, under the provisions of Chapter 1406, Statutes of 1972, (SB 90), it would be required to assume 100 percent of the cost of the new program. However, it is questionable that counties which suspect that they have high error rates will voluntarily cooperate in determining

**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

what penalty they would bear. The second problem the state faces in allocating claim cuts to the counties is a legal problem involving a court case currently on appeal. At this time, it is not clear that the state can claim cut counties on the basis of surveys nor is it clear that the state can withhold more money from the counties than the counties can recoup from recipients who were incorrectly paid.

**How the State Plans to Correct Error-Rate Problems**

The department is undertaking several steps to correct California's error-rate problems. These corrective steps are:

1. A new monthly income reporting form.
2. A computerized listing showing the recipients' name and amount of income from retirement, survivors' and disability insurance.
3. Training workshops on treatment of income.
4. Increased review of individual county error-rate problems and subsequent followup to see that corrective action is being taken at the county level.
5. New regulations concerning the treatment of income are being prepared with an aim toward clarifying and simplifying them.
6. The department is again considering the implementation of a standard deduction for work-related expenses.

**Staffing the Quality Control Unit**

In the middle of fiscal year 1973-74, the department transferred 18 government program analyst positions into the Quality Control Bureau as adult program activities were being phased down resulting from the federal assumption of welfare programs for the aged, blind and disabled. The full year 1974-75 salary cost of these 18 positions is \$246,780. This additional staff is to be used to conduct and review surveys which determine county error rates. The results of these surveys have two primary functions, to serve as a guide in helping a county correct its errors, and to serve as a device for claim-cutting a county. The department estimates that with the additional staff it will be able to review 480 cases per month, or 5,760 cases in fiscal year 1974-75.

At a minimum, the Quality Control Bureau must conduct the 2,400 case review required by the federal government annually. The additional 3,360 case review capacity represents the number of county conducted survey cases which the department must review in order for the department's error-rate findings for each county to be statistically valid, and thus usable in cases where claim cuts might be applied. If the department loses its appeal in court, and cannot apply claim cuts to the counties, then the rationale for the additional review capacity of 3,360 cases is somewhat weakened.

We have recommended the approval of the 18 additional government program analyst positions for the Quality Control Bureau for the following reasons. First, laws and regulations should be accurately and impartially implemented regardless of the program. Secondly, if the state does not act to control its welfare error-rate problem, then the state and/or the counties will probably receive substantial claim cuts from the federal govern-

ment. Finally, it appears that county welfare departments will cooperate with the state in an effort to reduce eligibility and grant determination errors, thus the work to be performed by these 18 additional analysts should be of practical value at the county welfare department level and result in substantial savings.

#### **Remaining Adult Program Staff**

*We withhold recommendation on the Remaining Adult Program positions pending receipt of information about the overall functions and responsibilities of the adult program and the relationship of the 29 positions to those overall functions.*

In October 1973, the State Department of Social Welfare conducted a survey to determine how many positions in the department were working on adult program-related activities. The survey was taken because it seemed probable that the federal government would assume responsibility for the programs for the aged, blind and disabled and that consequently some or all of the SDSW adult program positions would have to be abolished or transferred to other program activities. The survey revealed that only 82 of the 845 authorized department positions for fiscal year 1973-74 were engaged in adult program activities. An additional 53 positions were identified as contract positions involved with fair hearings.

Of the 82 identified adult positions in the department, 53 are to be abolished principally as a result of reductions in the fair hearings area. Actually 22 of the 53 abolished positions were transferred to other bureaus in the department and will reappear as part of the 47.5 new positions being requested. The 29 remaining positions identified below are to constitute the staff which is to be involved in activities relating to the aged, blind and disabled. These positions will be ineligible for federal matching in 1974-75 and will therefore be 100 percent supported by the General Fund.

#### **Remaining Adult Positions**

<i>Bureau</i>	<i>Number</i>
Public Inquiry and Response Bureau .....	1.0
Fiscal Planning Bureau .....	1.0
Computer Operations Bureau .....	1.0
Systems and Programming Bureau .....	1.0
Management Analysis Bureau .....	1.0
Personnel Bureau .....	1.0
Business Services Bureau .....	3.0
Regulations Bureau .....	2.0
House Counsel Bureau .....	1.0
Adult Program Management Bureau .....	10.0
Program Review Bureau .....	1.0
Quality Control Bureau .....	1.0
Estimates Bureau .....	5.0
Total .....	29.0

We have been supplied only limited information as to what the 29 remaining positions will be doing or what workload remains in the department with the transfer of the administration of the adult aid programs to the federal government.

**DEPARTMENT OF BENEFIT PAYMENTS—Continued****Food Stamp Management Program**

Five major changes have taken place in the food stamp program which will have an impact on the state General Fund in fiscal year 1974-75. First, Chapter 1216, Statutes of 1973, (AB 134) makes the state responsible for all county food stamp administrative costs above the amount the counties expended in calendar year 1973. Secondly, effective January 1, 1974, federal law substantially liberalizes the amount of monthly income a household may have and still be eligible to buy food stamps. This should have the effect of greatly increasing the number of nonpublic assistance households buying food stamps and thus increasing administrative costs. Thirdly, federal law requires all 58 counties to participate in the food stamp program by July 1, 1974. This will increase the overall county food stamp administrative cost since only 41 counties currently participate.

Chapter 1216, Statutes of 1973, requires all county welfare departments at the request of the recipient to withhold the amount necessary from the recipient's welfare check to pay for food stamps. It also requires counties to mail out food stamps directly to the recipient. These conveniences are to be available to the recipient, at the recipient's option, by July 1, 1975. The increased ease of purchasing food stamps should make the purchase of food stamps more attractive to a larger percentage of the welfare caseload. In September 1973, 54 percent of the persons receiving public assistance in California bought food stamps.

The department is estimating that in fiscal year 1974-75 the state will have to contribute \$11.5 million toward the cost of administering the food stamp program while the counties will have a fixed food stamp administrative cost of \$22.9 million.

**Position Request**

*We recommend approval of five positions requested for the Food Stamp Management Program.*

The administration of Department of Benefit Payments decided even before the passage of Chapter 1216, Statutes of 1973, to focus more attention on the food stamp program. Consequently, the Food Stamp Management Bureau is to receive one additional budgeted position in 1973-74 and in addition is operating with the help of three borrowed positions. These additional employees have increased the size of the bureau staff from 7 to 11 positions. In fiscal year 1974-75 the department is requesting five additional budgeted positions above the seven positions authorized for 1973-74.

We have recommended approval of these five new positions because the state now has a direct financial interest in the efficiency of food stamp programs operated by the counties. The complexity of the current stamp regulations and their divergence from the regulations governing the income maintenance aspects of public assistance means that the counties currently devote an inordinate amount of staff time to the food stamp program which as a result makes per-case administrative costs very high. The department estimates on the basis of fiscal reports submitted by the counties that it currently costs \$280 per case per year on a statewide

average to make food stamps available to recipients. These costs are administrative costs only and have no relationship at all to the cost of providing the bonus purchasing power of food stamps.

The federal government pays 100 percent of the bonus value of food stamps which is currently valued at approximately \$17,500,000 a month in California. Food stamp purchasers pay in another \$17,500,000 a month, making the market value of the food stamps \$35,000,000 per month in California.

#### **Responsible Relative Collections Program**

*We recommend that the following new positions associated with the proposed Responsible Relative Collections Program be denied: (1) 3 associate welfare payment systems analysts from the Responsible Relative Bureau; (2) 1 assistant operations security officer from the Operations Security Bureau; (3) 0.5 legal counsel and 0.5 senior legal steno from the office of the chief counsel; and (4) 1 clerk-typist II and 1 clerk II from the Business Services Bureau. We further recommend that \$107,800 in contract funds proposed for the investigation of persons who do not pay responsible relative contributions be reduced to \$50,000. The proposed reductions would result in savings of \$87,336 in salaries and wages and \$57,800 in contract funds for a total of \$145,136, General Fund.*

The Department of Benefit Payments is requesting 19 new positions plus contract funds with which to operate a new state level program to collect money from the adult children of aged (OAS), blind (AB) and disabled (ATD) recipients. Responsibility for the operation of this program was transferred from the county welfare departments to the state by Chapter 1216, Statutes of 1973, (AB 134). The cost of this program is estimated to be \$554,182, General Fund, in fiscal year 1974-75. Table 4 shows how the funds are proposed to be expended.

**Table 4**  
**Allocation of Funds for Responsible Relative Program**

<i>Expenditure item</i>	<i>Cost</i>
19 Department of Benefit Payment positions .....	\$294,383
Employment Development Department computer services .....	32,000
Attorney General's services .....	120,000
Investigations contracts .....	107,800
	<u>\$554,182</u>

The department has estimated that collections from responsible relatives will total \$3,500,000 in fiscal year 1974-75, all of which will be retained by the state. In addition to the collections generated, it is assumed that the Responsible Relative Collections Program will deter some persons from applying for assistance because they would rather not burden their children with mandatory contributions. This is especially true in cases entitled to small grants after their outside income is considered. In the past we have estimated that perhaps 10,000 eligibles will not apply, thus reducing state costs by \$2.2 million in grants per year.

The following eight-step process for collecting money from the responsible relatives has been proposed in the department's justification for funds requested.

**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

1. Counties will submit to the state the name, address, income and number of dependents for each responsible relative in county files as of January 1, 1974. This information will be fed into state computers.
2. The federal Social Security Administration will supply the names and addresses of all aged, blind and disabled recipients on computer tape.
3. The information from the federal government will be matched with information supplied by counties to identify recipients who may need to supply additional information about their adult children.
4. Recipients who may have liable adult children are sent a computerized letter requesting the names and addresses of the adult children.

The computer will automatically send out a series of followup letters designed to elicit the required information from recipients who are reluctant to respond to the first request for information.

5. Identified adult children are sent a form (AG 225) which contains questions which will solicit the information needed to determine the adult child's liability. If the adult child will not fill out the form and return it to the state, then the case will be turned over to the Attorney General for possible prosecution.
6. If the adult child responds to the form, the department computes the liability and sends out a monthly billing. (The department hopes to obtain Franchise Tax Board tax abstracts and EDD earnings records to verify income reported.)
7. A monthly billing is sent out to the liable adult child. If the adult child does not pay his billing within 60 days he will receive a series of notice letters.
8. If the notice letters do not extract a payment from the adult child then the case is turned over to the Attorney General for possible prosecution.

The department estimates it will require the following staff in the Computer Services Bureau to put the system described above into operation:

1.5 Programmer II

1 Associate data processing systems analyst

0.5 Key data operator

1 Clerk-typist II

To process the mail, handle the banking functions and account for funds collected the following positions are requested:

3 Clerk-typist (Business Service Bureau)

3 Clerk II (Business Services Bureau)

1 Accounting technician (Accounting Bureau)

In addition, the department maintains it requires five welfare payment systems analysts and one senior steno to develop legislation, request information from the Social Security Administration, develop a collection system, analyze program data and grant exceptions in hardship cases. This staff is to be housed in a new bureau to be known as the Responsible Relatives Bureau.

The department also maintains it requires one assistant operations security officer to contract with other government agencies or private investigating firms. Investigations of noncooperating adult children would be

required by the Attorney General in some cases before prosecution in court would be possible. \$107,800 for investigations was included in the proposal for this program.

Finally, the department is requesting 0.5 of a legal counsel and 0.5 of a senior legal steno. The attorney is to provide legal advice to the program, review legislation, and assist the Attorney General's office in preparing litigation for court trials. \$120,000 is proposed to be used to reimburse the Attorney General for the services he performs in processing responsible relative prosecutions.

The department is thus proposing a total of 19 positions for this function. We recognize the need for additional positions to administer the program. However, we have received no information justifying the staffing to the extent proposed. The heart of the program revolves around effective use of data processing equipment. Therefore, we have recommended approval of the four computer service positions.

On the basis of data supplied by the department, we estimate that 17,500 persons will be submitting money and/or information to the department. That number of transactions should require four clerical positions in the Business Services Bureau in lieu of six and the one proposed accounting technician in the Accounting Bureau to process, mail, make bank deposits and keep accounting records.

We cannot recommend the staffing of six positions in the new Responsible Relative Bureau and the proposed assistant operations security officer until the department has some experience administering the program. We are recommending the bureau be established with two analyst and one clerical positions in place of the six requested and we recommend the deletion of the security officer.

The budget proposes a total of \$120,000 in contract services for the Attorney General's office for relatives' responsibility activity, which will fund approximately four attorney positions. This increased capability would preclude the necessity to increase department house counsel in this area. Therefore, we are recommending the deletion of the 0.5 counsel and 0.5 senior legal steno positions.

We can find no basis for budgeting \$107,800 to contract with other agencies or private firms as proposed for investigations. We are recommending a funding level of \$50,000 until it can be shown that the workload is such that the proposed amount is inadequate.

We are thus recommending the reduction of six full-time positions, two half-time positions and contract funds for a total General Fund savings of \$145,136.

#### **House Counsel**

*We withhold recommendation on 5.5 of the 6.5 additional house counsel positions being requested by the department.*

The department is proposing to increase the House Counsel Unit from 6 to 12.5 positions. The following additional positions are being requested:

<i>New positions</i>	<i>Program associated with position</i>
1.5 Staff counsel I .....	Medi-Cal collection litigations
0.5 Legal counsel .....	Responsible Relatives Program

DEPARTMENT OF BENEFIT PAYMENTS—Continued

1.0 Legal typist .....	Medi-Cal collection litigations
0.5 Legal steno .....	Responsible Relatives Program
<i>Transfer positions</i>	
2.0 Staff counsel I .....	Legal activity re UI and DI tax collections
1.0 Steno II .....	Clerical support for EDD functions
6.5	

We have been informed that the Management Analysis Unit of the department is currently conducting a study of the functions of the House Counsel Unit. We are withholding a recommendation on the proposed positions until the study is completed and a report is submitted.

Health and Welfare Agency  
DEPARTMENT OF BENEFIT PAYMENTS—CONTRACT SERVICES

Item 308 From the General Fund	Budget p. 179	Program p. II-190
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Requested 1974-75 .....		\$1,075,329
Estimated 1973-74 .....		1,090,563
Actual 1972-73 .....		906,409
Requested decrease \$15,234 (1.4 percent)		
Total recommended reduction .....		Pending
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SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |  |                   |
|--|-------------------|
| 1. Contract Services. Recommend approval of the amounts proposed for the Controller's and Attorney General's contracts. Withhold recommendation on contract amount for Office of Administrative Hearing pending departmental review of the fair hearing budgeting procedure. | Analysis page 688 |
|--|-------------------|

GENERAL PROGRAM STATEMENT

Item 308 contains funds for ongoing service contracts which the Department of Benefit Payments has with the Controller's Office, the Attorney General's Office and the Office of Administrative Hearings.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an amount of \$1,075,329 for contract services with other state departments for the 1974-75 fiscal year which is \$15,234, or 1.4 percent, less than that which is estimated to be expended during the current fiscal year.

The proposed funds are for the following contracts:

- (a) Controller's Contract
- Recommend approval.

The proposed contract funds for fiscal year 1974-75 provide for the



ongoing audit of county welfare department programs. The General Fund increase of \$31,135 over last year's contract is due to price increases and actual costs. No increase in staff has been budgeted.

(b) Attorney General Contract

*Recommend approval.*

Funds for the special Attorney General's unit, located in the Department of Benefit Payment's House Counsel Section, is contained in Item 308(b). This unit composed of 10 attorneys plus clerical support is to continue at current levels. This unit helps prepare the state's case in matters going to trial and it also provides the department with legal advice. These contract funds will continue this staff at the current level.

(c) Office of Administrative Hearings Contract

*Withhold recommendation.*

The Office of Administrative Hearings provides the Department of Benefit Payments with attorneys and some clerical help for the fair hearings functions. The proposed contract funds would reduce the number of attorneys being used from 27 to 23 in fiscal year 1974-75. (See page 678 to 680 in this Analysis for a detailed discussion of staff reductions in fair hearings.)

### Health and Welfare Agency

#### DEPARTMENT OF BENEFIT PAYMENTS—STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED

Item 309 from the General

Fund

Budget p. 179 Program p. II-190

Requested 1974-75 .....	\$446,434,000
Estimated 1973-74 .....	400,918,700
Actual 1972-73 .....	305,969,621
Requested increase \$45,515,300 (10.1 percent)	
Total recommended reduction .....	Pending

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Caseload Estimates. Withhold a final dollar recommendation pending receipt and review of the department's May caseload estimates.

690

#### GENERAL PROGRAM STATEMENT

On January 1, 1974, the new federal Supplementary Security Income (SSI) Program became effective. As a result of the enactment of Public Law 92-603 (HR 1) the federal government assumed the administration of aid programs for the aged, blind and disabled which had been administered by the 58 county welfare departments in the State of California. Chapter 1216, Statutes of 1973, (AB 134) was enacted and provided for supplementation payments, called the State Supplementary Payment

**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

(SSP) above the \$140 per month maximum in federal law.

Under the combined SSI and SSP Program, most recipients will receive larger grants and no recipient will receive less than he formerly received. Under the prior program, the average grant for the aged, blind and disabled was \$212 a month minus countable outside income.

Table 1 shows the new grant schedule in the Adult Aid Program. Under the provisions of Chapter 1216, aged or disabled individuals will receive \$235 a month minus countable outside income while blind individuals will receive \$265. Recipients forced by circumstance to live in nonmedical boarding facilities will receive more money for personal and incidental expenses, increased from \$15 to \$33 a month. The first \$140 of a recipient's grant is paid entirely from federal funds. The balance of the grant amount is paid with a mixture of state, county and federal funds.

**Table 1**  
**New Grant Schedule**  
**Adult Aid Program**

<i>Category</i>	<i>Individuals</i>	<i>Couples</i>
Blind .....	\$265	\$530
Aged and disabled .....	235	440
Out-of-home care.....	283	N/A

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation pending the receipt and review of the May caseload estimates.*

The budget proposes an expenditure of \$446,434,000 for the State General Fund share of the State Supplemental Payment to the Supplemental Security Income Program. This amount is \$45,515,300, or 10.1 percent, more than is estimated to be expended during the current fiscal year for the aged, blind and disabled.

State costs in future years will grow as the aged, blind and disabled caseload grows and as all of the cost provisions of Chapter 1216, especially the automatic cost-of-living provision, become operative. It is anticipated that the caseloads for the blind and aged will grow only slightly in California in the next several years. However, it is expected that the disabled caseload will grow by 38,000 in fiscal year 1974-75 over what it was in the prior fiscal year.

Table 2 shows the estimated caseload for the four adult categories within the SSI-SSP Program.

**Table 2**  
**1974-75 Estimated Adult Caseload**

Aged .....	285,393
Blind.....	13,353
Disabled.....	276,307
Potential self-supporting blind .....	270
Total .....	575,323

**County Costs**

County welfare costs in fiscal year 1974-75 will be less than they would have been under the former program for two reasons. First, counties will experience savings in their children's welfare programs (AFDC) and in county general assistance (GA) programs because the new federal standards defining disability are more liberal than California's former standards. Thus, many of these cases will transfer to the program for the disabled. The State Department of Social Welfare has estimated that \$118 million annual county cost mandated by Chapter 1216 will be offset by \$8.6 million in county AFDC savings during the budget year.

**Health and Welfare Agency****DEPARTMENT OF BENEFIT PAYMENTS—COST OF SPECIAL CIRCUMSTANCES**

Item 310 from the General  
Fund.

Budget p. 179 Program p. II-190

Requested 1974-75 .....	\$9,065,700
Estimated 1973-74.....	N/A
Actual 1972-73 .....	N/A
Total recommended reduction .....	Pending

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Caseload Estimates. Withhold recommendation pending receipt and review of the department's May caseload estimates. 691

**GENERAL PROGRAM STATEMENT**

Chapter 1216, Statutes of 1973, (AB 134) provides a new special needs program for aged, blind and disabled welfare recipients. Under the new program relatively few special need items will continue to be paid because most special needs have been averaged into the new higher grant, consistent with the federal flat-grant approach. Those continuing special needs allowances which are available will be paid for from the State General Fund and will be administered by the county welfare departments, not by the federal Social Security Administration. If there had been no change in the special needs program for the aged, blind and disabled, the state would have spent approximately \$32.3 million instead of the \$9,065,700 requested for fiscal year 1974-75 for special needs.

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation pending receipt and review of the May caseload estimates.*

**DEPARTMENT OF BENEFIT PAYMENTS—Continued**

The 1974-75 Budget Bill divides Item 310 into three parts:

(a) Special circumstances .....	\$7,752,200
(b) Special benefits .....	384,700
(c) Attendant care providers .....	928,800
	<hr/>
	\$9,065,700

**Special Circumstances: Item 310(a)**

Section 12550 of the Welfare and Institutions Code provides for a special circumstances program to be administered by the county welfare departments. This program is to provide payments to aged, blind and disabled recipients to meet nonrecurring special needs which include: replacement of essential household furniture and equipment or clothing when lost, damaged or destroyed by a catastrophe; necessary moving expenses; required housing repairs; and unmet shelter needs. The State Department of Social Welfare has estimated that these special circumstance allowances, payable with 100 percent State General Fund money, will cost \$7,752,200 in fiscal year 1974-75 including unmet shelter needs.

Section 12551 of the Welfare and Institutions code provides that all aged, blind and disabled elderly homeowner recipients will be entitled to a special needs allowance for property taxes until July 1, 1974, when these recipients become eligible for the Senior Citizens' Property Tax Assistance Program administered by the State Franchise Tax Board. Allowances are intended to cover that portion of the annual property tax bill over \$180. The maximum annual allowance is \$500 per household.

**Special Benefits: Item 310(b)**

Section 12152 of the Welfare and Institutions Code provides that if an aged, blind or disabled person is ineligible for a cash grant solely because he owns a home in excess of \$25,000, he shall be entitled to the relevant total benefit. It provides, further, the state will bear the full costs of payments and administration of this program. The Department of Finance has estimated that this will cost the State General Fund \$384,700 in fiscal year 1974-75.

**Attendant Care: Item 310(c)**

Section 12304 of the Welfare and Institutions Code provides that "severely impaired" aged, blind and disabled recipients, as determined by the county welfare department, may hire their own personal attendants, rather than those hired by the county, as part of the Homemaker/Chore Program. The maximum amount payable to such recipients for their attendants is \$450 per month. The intent of the section is that the first \$350 of such allowances be paid through the funding mechanism established to pay for the Homemaker/Chore Program and the additional \$100 if needed would be funded through this item. The State Department of Social Welfare has estimated \$928,800 will be needed in fiscal year 1974-75 for the purpose of paying the additional allowance of up to \$100 per month for attendant care.

### Health and Welfare Agency

## DEPARTMENT OF BENEFIT PAYMENTS—DEMONSTRATION PROGRAMS

Item 311 from the General

Fund

Budget p. 179 Program p. II 190

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Requested 1974-75 .....	\$191,937
Estimated 1973-74.....	184,555
Actual 1972-73 .....	161,176
Requested increase \$7,382 (4 percent)	
Total recommended reduction .....	Pending

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis**page*

1. Demonstration Projects. Withhold recommendation pending receipt of information as to how the funds are to be used. 693

### GENERAL PROGRAM STATEMENT

The federal government provides funds to states to conduct projects which are designed to demonstrate and test innovative programs in public assistance areas. The federal funds are to be matched by state funds for 1974-75 on the basis of 70 percent federal money and 30 percent state money.

### ANALYSIS AND RECOMMENDATIONS

*We withhold recommendation pending receipt of information as to how the funds are to be used.*

The budget proposes a General Fund amount of \$191,937 for the 1974-75 fiscal year which is \$7,382, or 4 percent, above that which is estimated to be expended during the current fiscal year. The state funds will be matched by \$463,106 in federal funds. This item also contains language authorizing the expenditure of \$14,663,000 in federal money for the Cuban Refugee Program which is 100 percent federally funded.

We have not been provided adequate information regarding the proposed demonstration projects upon which we can make a recommendation. Therefore, we are withholding recommendation.

**Health and Welfare Agency**  
**DEPARTMENT OF BENEFIT PAYMENTS**

Item 312 from the General

Fund

Budget p. 179 Program p. II 190

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Requested 1974-75 .....	\$48,702,000
Estimated 1973-74 .....	N/A
Actual 1972-73 .....	N/A
Total recommended reduction .....	Pending

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis*  
*page*

1. Caseload Estimates. Withhold recommendation on the General Fund appropriations pending receipt and review of the department's May caseload estimates. 694

**GENERAL PROGRAM STATEMENT**

Item 312 of the 1974-75 Budget Bill provides appropriations for the state's share of the operating costs of the county welfare departments for the AFDC Program, as provided by Section 42.5 of Chapter 578, Statutes of 1971, and for the remainder of the adult programs and for the Food Stamp Program as provided by Chapter 1216, Statutes of 1973 (AB 134). In addition, funds are appropriated for emergency loans to which recipients are entitled under the provisions of Chapter 1216. Comparison with last year's expenditures is not applicable due to the addition and deletion of the programs discussed below.

**ANALYSIS AND RECOMMENDATIONS**

*We withhold final recommendation pending receipt and review of the department's May caseload estimates.*

By May the department will have more refined data about the changes in caseload, which will be particularly important in regard to the Food Stamp Program administrative costs and to administrative costs relating to the aged, blind and disabled.

**Aid to Families with Dependent Children (AFDC) and**  
**Aid to Partially Self-Supporting Blind (APSB): Item 312 (a) and (b)**

The state bears 50 percent of the nonfederal costs incurred by county welfare departments for administration of the AFDC and APSB Programs. This fiscal year the department estimates it will expend \$34,371,100 for administration of county AFDC and APSB income maintenance programs. In fiscal year 1974-75 an increase of \$71,300 is anticipated. This is an ongoing expenditure which has not been affected by recent legislative changes.

**Administration of SSP Programs: Item 312 (c)**

Chapter 1216, Statutes of 1973 (AB 134), Section 12600 provides that the state shall bear 100 percent of the county welfare department administrative cost of making special allowances for property taxes, meal allowance

eligibility determinations and emergency circumstance allowances available to aged, blind and disabled recipients. The State Department of Social Welfare estimated that \$2,563,600 in General Fund money will be needed for this purpose in fiscal year 1974-75. This represents a reduction of approximately \$16.5 million in costs that the state would have to pay for the administration of the adult programs if the federal government had not assumed responsibility for operating these programs. This estimate is predicated, however, on the assumption that only those recipients without cooking facilities will have to be processed for meal allowances by the county welfare departments.

**Emergency Loans Provided: Item 312 (d)**

Section 12525 of the Welfare and Institutions Code provides for a new program of emergency loans of up to \$200 to be made to aged, blind or disabled recipients if the recipient's check from the Social Security Administration does not arrive within four days of the scheduled date of receipt. This provision is meant to guarantee that recipients will have some income if the federal system should experience difficulty in operation. An appropriation of \$1.5 million, General Fund, was made for fiscal year 1973-74 to repay the counties for uncollected loans and for the administrative costs of making such loans. The budget for 1974-75 proposes only \$171,000 plus a carryover of funds from the current year. Experience in administering the program by May will indicate if adequate funds are budgeted.

**Food Stamp Cost: Item 312 (e)**

Under the provisions of Chapter 1216, Statutes of 1973, the state will absorb all county costs for the administration of the Food Stamp Program which are in excess of the amount the counties spent during calendar year 1973. Prior to the passage of Chapter 1216, Statutes of 1973, the state did not share in the cost of administering the Food Stamp Program. The State Department of Social Welfare estimates this expenditure item will cost the state \$11.5 million in fiscal year 1974-75, and that county costs will be frozen at approximately \$22.9 million.

## DEPARTMENT OF CORRECTIONS

Items 313 to 316 from the General Fund

Budget p. 181 Program p. II-219

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Requested 1974-75 .....	\$157,494,978
Estimated 1973-74.....	147,005,756
Actual 1972-73 .....	126,918,709
Requested increase \$10,489,222 (7.1 percent)	
Total recommended reduction .....	None

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## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Canteen Operations. Recommend men's advisory councils be advised of the reasons for limitation on canteen operating hours and product variety. 708
2. Inmate Welfare Fund. Recommend institutions post data relative to canteen and Inmate Welfare Fund receipts and expenditures at locations readily available to the inmates. 708

## 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, 18 conservation camps, four community correctional centers and 60 parole offices. By the department's estimates these facilities and services will be used by approximately 24,105 adult felons and nonfelon drug addicts and 19,577 parolees in 1974-75.

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 313 .....	\$155,543,326
2. Transportation of prisoners, Item 314 .....	200,000
3. Returning fugitives from out-of-state, Item 315.....	700,000
4. Court costs, Item 316 .....	1,051,652
Total .....	\$157,494,978

The \$157,494,978 General Fund request (Items 313-316) for operation of this department in fiscal year 1974-75 represents an increase of \$10,489,222 or 7.1 percent above current-year estimated expenditures of \$147,005,756. The major factors contributing to this cost increase are price increases, merit salary adjustments, increased institution population requiring reactivation of previously closed housing units, workload increases related to the *Gagnon* decision (discussed later) and other workload adjustments.

In addition, the correctional industries operations will utilize \$15,079,900 and inmate welfare programs will expend \$4,446,443 of special revolving funds established for and supported by these separate operations. Added to the above amounts are reimbursements of \$2,633,196, thus producing a total proposed departmental expenditure program of \$179,654,517, which is \$13,078,831 or 7.9 percent above current-year estimated expenditures of \$166,575,686.

The total operation of this department is distributed into six programs in the 1974-75 program budget as reflected in Table 2.

## DEPARTMENT OF CORRECTIONS—Continued

**Table 2**  
**Summary of Program Requirements**

<i>Program</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Increase Over 1973-74</i>	
				<i>Amount</i>	<i>Percent</i>
I. Reception and Diagnosis Program .....	\$1,428,730	\$1,957,258	\$1,947,028	\$-10,230	-0.5%
II. Institution Program .....	118,644,403	137,087,401	148,592,167	11,504,766	8.4
III. Releasing authorities .....	1,123,231	1,824,332	1,908,394	84,062	4.6
IV. Community Correctional Program.....	18,499,730	18,796,851	19,801,710	1,004,859	5.3
V. Administration—undistributed .....	5,549,098	5,123,533	5,453,566	330,033	6.4
VI. Special items of expense .....	1,785,196	1,786,311	1,951,652	165,341	9.3
Totals, Programs .....	\$147,030,388	\$166,575,686	\$179,654,517	\$13,078,831	7.9
<i>Reimbursements:</i>					
<i>Federal</i> .....	-202,794	-41,063	-41,063	—	—
<i>Other</i> .....	-6,813,940	-2,436,551	-2,592,133	-155,582	6.4
Net Totals, Programs .....	\$140,013,654	\$164,098,072	\$177,021,321	\$12,923,249	7.9
<i>General Fund</i> .....	126,918,709	147,005,756	157,494,978	10,489,222	7.1
<i>Correctional Industries Revolving Fund</i> ....	9,422,448	12,949,903	15,079,900	2,129,997	16.4
<i>Inmate Welfare Fund</i> .....	3,672,497	4,142,413	4,446,443	304,030	7.3
Personnel man-years.....	7,386.9	7,825.3	7,886.3	61	0.8%

### Proposed New Positions

Exclusive of the Inmate Welfare Fund and the Correctional Industries Revolving Fund, the department is requesting a total of 462 new positions, including 46.1 positions which were abolished under the nine-month vacancy limitation prescribed by Section 20 of the 1973 Budget Act and administratively reestablished during the current year. Many of them represent a budgeting mechanism for funding overtime employment of regular staff and thus are not intended to be filled on a permanent basis.

We will discuss these 46.1 positions in the analysis of each program and element along with the remaining 415.9 new positions, consisting of 286.4 for reactivation of existing facilities, 58 for parole caseload increases and 71.5 miscellaneous positions.

### I. RECEPTION AND DIAGNOSIS PROGRAM

The Reception and Diagnosis Program processes three classes of persons: those committed to the department for diagnostic study prior to sentencing by the superior courts, those sentenced to the department for incarceration for a term of years, and those being returned to the department because of parole violation.

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.

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, while parole violators are processed at special units at San Quentin and the Institution for Men. The evaluations become a part of the inmate's record and are utilized throughout the institutional stay for rehabilitation program as well as parole-planning purposes.

Table 3 shows the reception and diagnostic workload by number and types of commitments. There are significant increases in the current and budget years in the number of felon cases and nonfelon addicts, but an even greater increase in the number of parole violators processed.

**Table 3**  
**Reception and Diagnosis Program, Workload Data**

<i>Persons processed</i>	<i>Fiscal Year</i>		
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Felons.....	3,210	3,625	3,800
Nonfelon addicts.....	4,250	4,400	4,625
Parole violators.....	2,550	3,675	3,900
County diagnostic cases.....	4,260	4,100	4,700

**DEPARTMENT OF CORRECTIONS—Continued**

The workload for this program includes cases referred to it for diagnosis by the participating counties. These totaled 4,260 in 1972-73 and are estimated to total 4,100 in the current and 4,700 in the budget year. Of the 4,260 cases diagnosed in 1972-73, only 1,640 were subsequently sentenced to the department, and of the 4,700 to be diagnosed in 1974-75 it is expected that 1,875 will be returned as felon commitments.

**Population Trend Up**

Institution average daily population reached a peak of 28,485 in the 1968-69 fiscal year. Due to a combination of factors, such as reduced commitments from the courts caused by the probation subsidy program, increased use of plea bargaining, which reduced many felonies to misdemeanors (thus avoiding state incarceration), and an increase in prison releases due to a liberalization of sentencing and paroling practices of the parole boards, prison average daily population declined to 20,045 in the 1972-73 fiscal year. This downward trend in average daily institution population reversed itself in the first half of the 1972-73 fiscal year, resulting in the current-year estimated average daily population of 22,545 increasing to an estimated 24,105 in the budget year.

Last year the Governor's Budget estimated that 1,980 parole violators would be returned for processing in the current fiscal year. This estimate has been revised in the 1974-75 Governor's Budget to 3,675 parole violators in 1973-74 and 3,900 in 1974-75. This increase in parole revocations reflecting a more rigid policy of the paroling authorities relative to parole violations, coupled with increased commitments from the courts and a lengthening of the average term served in prison, results in a substantial increase in prison population in 1973-74 which is projected to continue in the budget year.

As shown in Table 3 there were 3,210 new felony commitments processed in 1972-73. The department estimates it will receive 3,625 in the current year (340 more than estimated for the current year in the 1973-74 Governor's Budget) and 3,800 in the budget year. Thus, the increase in prison population is due both to increased parole violations and growth in new felony commitments.

**Budget Request**

The department is requesting \$1,947,028 for this program in 1974-75, which represents a decrease of \$10,230 or 0.5 percent under the current-year expenditures. The reduction is primarily attributable to program changes in the location of the reception processing. The department was budgeted during the current year for the operation of an additional Chino reception guidance center which was to be established in a former Youth Authority facility (the never-occupied Older Boys Reception Center) adjacent to the Institution for Men at Chino. Following legislative approval of this proposal last year, the department decided that there was greater need to utilize the new facility for the increasing population of female

felons and female nonfelon addicts at California Institution for Women (CIW). This institution, which has a rated capacity of 820, will have a projected average daily population of 1,195 inmates in the budget year. Therefore, the new facility will be utilized for housing female inmates, commencing in the current year, to relieve the population pressure on CIW.

The reception-processing caseload which would have gone into the new facility will now be handled in two ways. A portion of the caseload will be processed in a section of the Institution for Men which formerly housed the Southern Conservation Center. This section was closed during the decline in overall institution population. The remainder of the caseload, consisting of parole violators, will be processed in the expanded Institution for Men complex and in a special unit at San Quentin State Prison at less cost than opening the new facility for this purpose.

While parole violators require less reception processing than new commitments, they do necessitate a more extensive parole violation hearing before the parole boards than was required prior to the *Morrissey* and *Gagnon* decisions of the U.S. Supreme Court. These decisions declare that due process provisions relative to notice of hearing and the opportunity to be heard and to be represented by counsel apply to parole revocation hearings. The necessity to provide such hearings will extend the length of stay in the reception centers beyond the time normally required for reception processing alone.

## II. INSTITUTION PROGRAM

Under the state Penal Code, persons convicted of certain 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 two medical-psychiatric institutions 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 industrial 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 18 camps housing an estimated 1,251 inmates during the budget year. These camp inmates perform various forest con-

**DEPARTMENT OF CORRECTIONS—Continued**

servation, 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 subsequent analyses of each program element.

**Expansion of Institutional Capacity**

Because of the increase in inmate population discussed previously the department, in addition to converting the former Older Boys' Reception Center at Chino into a branch facility of the Institution for Women and expanding reception processing into other existing facilities, will also open during the current year (1) the Correctional Training Facility—South with a capacity of 400 medium security beds; (2) one 80-bed dormitory at the Institution for Men, (3) an additional 128 beds at San Quentin, and (4) four 60-bed dormitories for male nonfelon addicts at the California Rehabilitation Center. This added inmate capacity will be continued in the budget year and, in addition, the department proposes to reopen the second half of the California Conservation Center at Susanville to add an additional 548 institutional capacity. To staff this additional capacity requires 286.4 new positions at a salary cost of \$3,384,158 in 1974-75 (including positions administratively established during the current year and proposed as new positions in the budget year). We have reviewed the need for these positions with the department, and as they conform to normal staffing standards we recommend them for approval as budgeted.

**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 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 in 12 institutions and 18 conservation camps housing approximately 24,105 persons. Program resources devoted to this function in the budget year are 3,775 personnel man-years and \$56,113,799. This represents a reduction of 51 man-years, but an increase of \$2,127,222 over the current year. The man-year reduction represents (1) a change from the originally contemplated full-staffing formula for a new 400-bed male reception center to a lower staffing level resulting from only 50 percent occupancy of that facility by female inmates and (2) an increase in estimated salary savings reflecting delay in hiring new positions related to opening new facilities. The cost increase includes merit salary adjustments, full year costs of positions authorized on a part-year basis in the current year and other price and cost increases.

There are 226.3 proposed new security positions in the current and budget years related to reestablishment of positions deleted under Section

20, Budget Act of 1973, and for reactivation of institution capacity to provide space for the increasing inmate population. These positions conform to normal staffing patterns and we recommend their approval as budgeted.

## **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 \$31,518,256 and 884.6 man-years were devoted to this program element for an average daily population of 20,045 inmates in 1972-73. To provide an improved program level in 1974-75 for an estimated average daily inmate population of 24,105, the department is requesting 1,019 man-years and \$41,517,841. The budget-year request represents an increase of 32 man-years and \$4,745,851 or 12.9 percent over the current-year expenditures, compared to a 6.9 percent increase in inmates housed.

A total of 60.2 proposed new positions are requested for this institution program element for 1974-75. These positions are all justified on a workload basis (1) because of population increase and (2) to overcome staffing deficiencies noted by the State Department of Health in its recent survey of institution hospitals. The Department of Public Health identified staffing deficiencies at four institution hospitals, and to overcome those deficiencies the department is requesting 12.2 medical technical assistants at a salary cost of \$147,704 per annum. The hospitals involved are located at Deuel Vocational Institution (1.6 positions), California Medical Facility (2.6 positions), Correctional Training Facility (3.2 positions) and the Institution for Men (4.8 positions). We recommend approval of these 60.2 new positions to overcome staff deficiencies and handle workload increases resulting from the opening of additional housing units.

## **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 964 man-years and expenditures of \$19,630,771. This represents an increase of 24 man-years and \$1,484,128 in expenditures above the current year. Significant changes in the treatment program are discussed in relation to the analysis of each program element.

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,

**DEPARTMENT OF CORRECTIONS—Continued**

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 various 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 \$3,601,217 and 170 man-years for the budget year, which represents an increase of \$437,420 and 20 man-years over the 1972-73 actual expenditures. The 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 request includes 7.1 proposed new positions which were previously approved workload positions abolished under the provisions of Section 20 of the 1973 Budget Act. This program component is especially susceptible to loss of positions under Section 20 because recruitment problems relating to psychiatrists result in many of these positions being held vacant so that the funds can be used to contract for psychiatric services.

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 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 5,000 inmates will be involved in group counseling in the budget year compared to 4,067 in 1972-73 and 4,800 in the current year.

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 \$6,698,505, which is an increase of \$442,961 or 7.1 percent above current-year expenditures.



The department is requesting 36.4 new positions for this program element which represent reestablishment of positions abolished under Section 20 provisions and workload increases related to population growth. We recommend approval of these positions on a workload basis.

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 need is 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. Academic funds are provided on a formula basis determined by the total inmate population. This program component also includes library services, individual study and correspondence courses and physical education services.

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 6,288 in the budget year and will result in the awarding of 800 elementary and 1,111 high school diplomas, 15 associate in arts degrees, and completion of 1,205 college-level courses. The academic enrollment of 6,288 inmates reflects an increase of 324 inmates above the 1973-74 program level.

The department is requesting \$3,950,618 and 92 man-years for this activity in the budget year, which is an increase of \$538,378 and 10 man-years over the current year. The increase reflects the population growth and the reactivation of additional institutional capacity.

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 49 trade areas to approximately 3,000 training stations.

To provide the proposed level of training will require 170 man-years and \$4,127,307 in the budget year. The amount requested is an increase of \$314,946, which is due to price increases, merit salary adjustments and four proposed new instructor positions. We recommend approval of these positions on a workload basis.

e. *Leisure-Time Activities.* This program element provides meaningful activities during periods when inmates are not engaged in other treatment programs. 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 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 man-years and \$530,046 in the current year as compared to the budget-year request of \$546,996 and 24 man-years.

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

**DEPARTMENT OF CORRECTIONS—Continued**

others.

The department is requesting 32 man-years and \$706,128 to continue the previously approved level of service for this program element. The budget request represents an increase of \$26,060 above the current-year expenditure level due to population increases and reactivation of existing facilities.

**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 2,400 inmates or 10 percent of the 1974-75 inmate population. This constitutes an increase of 200 inmates above the 1973-74 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 \$15,079,900. The industrial program will utilize 248.3 man-years of civil service employees to 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 17 forestry and one road camp with an average population of 1,251 inmates assigned to tasks relating to forestry conservation, fire prevention and suppression. The proposed 1974-75 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 placement.

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 estimated for the current fiscal year. The proposed expenditure of \$2,840,573 represents an increase of \$168,622 or 6.3 percent over the current year due largely to merit salary adjustments

and price increases.

### **Work Assignments**

Work assignments by inmates relate to the various functions necessary to the operation and maintenance of the institutions. A total of 12,000 inmates will be employed in these functions in 1973-74 and 1974-75, according to the Governor's Budget. The 1974-75 figures are incorrectly stated and should have been 12,537 total inmates employed and 6,241 paid inmate positions. Work assignments provide job training in functions such as food service, laundry, housekeeping, plant maintenance, fire suppression, grounds care and similar tasks. Of the 12,537 work assignments in the budget year, 6,241 are positions for which a small wage is paid as an incentive to the inmate employee. Total expenditures of \$712,905 for 1974-75 represents an increase of \$61,334 or 9.4 percent above the 1973-74 expenditure level. The increase reflects the addition of 537 paid inmate positions related to the opening of the second half of the California Conservation Center and the Correctional Training Facility—South. We recommend approval as budgeted.

### **5. 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 \$4,506,857 and expend \$4,446,443.

The fund operates the inmate canteens as self-supporting enterprises and is used to purchase recreational and leisure materials for the inmates' use. Such purchases totaling \$357,326 in the budget year, include movies, recreational games and equipment, television sets and fiction library books.

During the past interim between legislative sessions, we have reviewed the operations of this fund pursuant to a request of the 1973 Legislature. As the fiscal operations of the fund were being audited by other state agencies, we did not duplicate that effort but concentrated on operating policies and practices and the relationship of the inmate body to such operations.

The major source of revenue to the fund is derived from the profits from inmate canteen operations which are established at all correctional institutions for the sale of various food items such as cakes, cookies, candies, ice cream, soft drinks, etc., as well as personal care and toilet articles, cigarettes and tobacco and various other products. These canteens are self-supporting and must purchase all stock in trade and pay the salaries of the canteen managers and inmate clerks.

In addition, the General Fund provides one position at the departmental administration level responsible for overall supervision and review of canteen operations and pricing practices. Prior to the establishment of this responsibility at the headquarters level, canteen purchases of stock in

**DEPARTMENT OF CORRECTIONS—Continued**

trade were made at the local level. At the present, some items, such as tobacco products, are being purchased from jobbers on a statewide or regional basis. This permits larger orders which can be purchased at discounts below prevailing local prices for small-lot purchases. The department is continuing its efforts to expand this more advantageous purchasing practice to other canteen items which will result in lower product prices to the inmate.

We have reviewed canteen and Inmate Welfare Fund operations with the men's advisory councils at several penal institutions. These councils consist of inmate representatives selected by the inmate population to provide a direct communication link between the inmate body and the institution administration. Our review reveals that the major complaints of the inmates concern canteen prices, product selection, disposition of gross receipts from canteen sales, and the expenditure of profits for inmate welfare.

The inmates generally believe canteen prices are too high in relation to prices charged in the outside community. A departmental comparison of canteen prices with those charged in local markets in northern California revealed that the canteen prices were comparable to those of small markets but above those of high-volume and discount stores. The department found that part of the inmates' concern over canteen pricing policies resulted from comparing canteen prices to "loss leaders" and other special sales prices offered in the outside community. Such price comparisons are unrealistic.

Another factor affecting canteen prices is the need to make a profit from canteen sales in order to finance the purchase of fiction books, recreational equipment and games, provide family visitation facilities, pay movie rental charges and purchase television sets for inmate use. These recreational functions have traditionally been supported by the Inmate Welfare Fund.

The fact that the gross sales volume in the canteen does not represent a substantial profit is not generally understood by the inmates. While the institutions annually post data relative to Inmate Welfare Fund receipts and expenditures, this does not appear to be sufficient to allay suspicions of the inmates.

The canteen hours are limited because of the necessity to make frequent inventories to reduce pilferage, etc., and because other institution programs restrict the periods during which inmates are free to make purchases. The range of products available for sale is restricted because of space limitations.

*In order to improve communications between penal administration and the inmates, we recommend:*

- 1. That the men's advisory councils be advised periodically as to the reasons for limitations on canteen hours of operation and product variety.*
- 2. That the institutions post quarterly at locations readily available to the inmate population information relative to canteen and Inmate Welfare Fund receipts and expenditures.*

It should be noted that while some inmate councils are instrumental in

decisions relating to major expenditures of Inmate Welfare Funds, the councils generally lack an awareness of their influence in these matters because of inadequate communication between departmental staff and the councils. This lack of communication is frustrating to the councils which are subject to inmate criticism for an assumed lack of effectiveness. The department and its component units should improve communications with the men's advisory councils in order to minimize problems of communication with the inmate body.

The councils also complain of a lack of opportunity for inmate input into the selection of fiction books and movies as well as other expenditure priorities from the Inmate Welfare Fund. Because these recreational items are funded by the Inmate Welfare Fund, the department should insure the maximum feasible participation by the inmate councils in the selection of recreational items and other expenditures for the benefit of inmates from the fund. Institutional administrations report varying degrees of inmate input into movie and fiction-book selection.

#### **6. Short-Term Treatment**

This activity provides additional short-term institutional treatment for parolees exhibiting difficulty adjusting to parole. Such parolees can be returned to these units within the penal institutions for an average of four to six months of additional treatment instead of requiring parole revocation, which carries an average institutional stay of 15 to 18 months before subsequent parole.

An average daily population of 425 parolees will be cared for in this program activity at a total cost of \$146,939 in 1974-75. The amount requested provides for continuation of the existing staffing level of nine man-years.

While average daily population is relatively small, an estimated 900 parolees will be processed through this program and released during the budget year. 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.

#### **7. Institution Operations—Administration**

The administrative services required at each institution constitute a total of 325 man-years and \$8,102,996 in the budget year, which represents an increase of three man-years and \$478,525 over current levels.

The department is also requesting reauthorization of 7.9 positions for this program element which were abolished under the Section 20 provisions and reestablished administratively during the current year. We recommend approval of these positions as budgeted.

### **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 author-

**DEPARTMENT OF CORRECTIONS—Continued**

ized 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 1974-75 totals \$1,908,394 and 63 man-years compared to \$1,824,332 and 61 man-years in the current year. The increase of \$84,062 reflects the ongoing costs, adjusted for salary savings, of 10.3 new positions added administratively in the current year on a workload basis. The salary cost for these 10.3 positions totals \$202,952, exclusive of staff benefits. Included in the total request are four additional board members which must be authorized by separate legislative enactment, two board representatives, an associate management analyst and a stenographer II for the Adult Authority and a board representative, a stenographer II and 0.3 position of temporary help for the Women's Board of Terms and Paroles. These positions are needed to handle workload resulting from the more extensive parole violation hearings mandated by the U.S. Supreme Court. The U.S. Supreme Court in the case of *Morrissey vs. Brewer* of July 29, 1972, provided that paroling authorities must follow specified minimum due process and procedural requirements when ordering parole revocations. Included in these minimum requirements are 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 hearing is 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. On May 14, 1973, the Supreme Court in *Gagnon vs. Scarpelli* also mandated that paroling authorities returning technical parole violators provide counsel for indigent parolees upon request.

The extension of counsel for indigent parolees will undoubtedly increase the length and complexity of parole revocation hearings. It may also result in fewer parole revocations, although this is not evident from the experience to date. Table 4 contains workload data for the various paroling authorities.

**IV. COMMUNITY CORRECTIONAL PROGRAM**

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

The total program is budgeted for 939 man-years and \$19,801,710 for 1974-75 including \$19,006,593 from the General Fund and \$795,117 in reimbursements from federal funds. This program is under the direction of the parole division, which is subdivided into five regions and 60 parole unit offices, two psychiatric outpatient clinics and branches, four community correctional centers and an anti-narcotic testing center in Los Ange-

**Table 4**  
**Releasing Authorities Workload**

	1972-73	1973-74	1974-75
<b>Adult Authority:</b>			
Institution cases heard .....	28,678	31,003	32,599
Revocation hearings .....	(3,409)	(3,685)	(3,875)
Releases granted .....	(4,941)	(5,342)	(5,617)
Parole and community services cases heard .....	15,951	15,088	16,258
Paroles suspended .....	6,001	5,676	6,116
Reinstatements .....	1,049	992	1,069
Prerevocation hearings .....	492	465	501
Other (mandatory review cases, reaffirmed actions, NTCU releases or placements ordered, parole continuations advances) .....	8,409	7,955	8,572
<b>Women's Board of Terms and Parole:</b>			
Institutions cases heard .....	1,649	1,855	1,968
Releases granted .....	430	440	530
Parole and community services cases heard .....	2,222	2,089	2,197
Paroles suspended .....	408	450	470
Prerevocation and revocation hearings .....	273	298	323
Reinstatements .....	170	190	200
Other (2943 P.C. reviews; progress reports; case discussions; routine discharges) .....	1,054	991	1,046
<b>Narcotic Addict Evaluation Authority:</b>			
Institution cases heard .....	4,355	4,661	5,095
Outpatient revocation cases heard .....	9,676	9,513	9,812
Final discharge hearings .....	418	432	446

les. 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. Variations from the norm may be required due to workload requirements.

#### **Conventional Parole Supervision**

The objectives of conventional parole supervision are to assist 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 7,720 in 1974-75, an increase of 150 parolees over the current-year average.

The proposed budget contains a request for \$3,056,184 and 137 man-years for this program element, which is an increase of \$232,349 or 8.2 percent above current-year expenditures.

The department is requesting 28 new parole agent I positions for the budget year, based on an approved workload formula of 59 parolees per agent. The number of parole agents required is based on the projected increase in the year-end caseload totals of the budget year over the current year. The positions are established throughout the year as the caseload increases. Therefore, the total request for new positions includes a number of part-year positions and the funds requested in the budget are computed accordingly.

The projected caseload on June 30, 1974, is 7,385, which will require 125 parole positions by the end of the current year or 13 more than the 112

**DEPARTMENT OF CORRECTIONS—Continued**

positions which were approved for conventional supervision in the 1973-74 fiscal year budget. These 13 positions will be administratively established in the current year as required.

The department projects that the parole caseload will total 8,255 parolees by June 30, 1975. This total caseload will require 140 parole agent positions or 28 more than currently authorized. The 28 parole agent positions consist of the 13 to be established during the current year and 15 more for the budget year.

**Work Unit Parole**

Work unit parole supervision is an experimental, low caseload parole management project 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 33.3 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 year. Total cost of this program element in 1974-75 is estimated to be \$3,555,628, an increase of \$104,920 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 (59 cases per agent) plus federal funds sufficient to provide additional agents to reduce the caseload to 33.3 cases per agent.

We have been increasingly critical of this program because of its inability to demonstrate a significant improvement in parole performance as related to recidivism. A departmental report on the program's accomplishments (one of a number of such reports prepared in recent years) is expected to be available in February 1974. Review of that report may warrant revision and/or termination of this program.

**Work-Furlough Parole**

The work-furlough parole permits the release of inmates during the normal workday for employment or training in the community and return to the institution at night. Selected inmates are assigned to this program during the latter portion of their institutional stay, and are charged a nominal amount to help defray the cost of 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. Payments to the state are sufficient to reimburse 50 percent of the program costs for administration, supervision, and operating expenses.



The average work furlougher spends 55 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 furlougher spends less time in prison.

The department is requesting \$256,914 for this activity in 1974-75, which represents an increase of \$11,990 or 4.9 percent over the 1973-74 expenditures of \$244,924. The increase is primarily due to price increases and merit salary adjustments.

#### **Nonfelon Addict Parole**

A third distinct type of parole supervision is provided for nonfelon addicts who are 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 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 support in 1974-75 includes 194 man-years and \$4,376,480 to continue the currently authorized level of service. The average daily parole population for this program element is estimated to total 6,399 cases in the budget year, an increase of 282 cases or 4.6 percent over the current-year total. Total personnel effort which is projected to increase by six man-years in 1974-75, reflects a request for six parole agent I positions based on approved workload formulas.

#### **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 proposes continuation of its authorized staff of eight man-years for a budget year cost of \$122,887 compared to \$120,016 in the current year. The increase represents price increases and merit salary adjustments.

#### **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 five regional administrators, 17 district administrators and 60 field unit supervisors. This program unit also contains all the technical records staff and other clerical support.

The department proposes utilization of 317 man-years and \$4,843,834 in this function, which is an increase of 14 man-years and \$199,416 above the

**DEPARTMENT OF CORRECTIONS—Continued**

current-year estimated expenditures.

The staffing increase reflects 24 proposed new parole agent and stenographer positions, adjusted for salary savings. Four of the parole agents and the 10 stenographers are based on approved staffing formulas and projected workload increase. The remaining 10 parole agents are needed for workload increases related to parole pre-revocation and revocation hearings as required by the *Morrissey* and *Gagnon* decisions.

**Community Correctional Centers**

The department operates four community correctional centers with a total average daily population of 185 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 1,574 and departure of 1,575 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 1974-75 budget proposes total expenditures of \$941,042 and 38 man-years for these four centers to continue the existing program level, which represents a reduced expenditure level of \$19,618 due to increased reimbursements.

**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 provide emergency psychiatric evaluation 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 under a mandatory order for psychiatric attention during their parole.

The department proposes total expenditures of 31 man-years and \$733,660 in the budget year, an increase of \$13,634 due to the merit salary adjustments and price increases. Table 5 contains workload data for this program.

**Table 5**  
**Psychiatric Outpatient Clinic Workload**

	1971-72	1973-74	1974-75
Number of patients beginning of fiscal year .....	1,340	1,400	1,500
Number of parolees admitted to clinics .....	1,090	1,098	1,150
Number of parolees terminated from program.....	1,030	998	1,050
Number of patients end of fiscal year .....	1,400	1,500	1,600

**Special Narcotic Services**

This program element includes the nalline and urinalysis testing of parolees having a history of narcotic usage to detect reuse and also the methadone treatment activity. Routine testing of an estimated 9,275 addicts under parole supervision in 1974-75 will involve 4,022 nalline tests and 145,000 urinalyses. Based on prior experience, the department estimates positive test results reflecting reuse of opiate drugs in 262 of the nalline tests and 18,237 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 man-years of effort and \$870,775 in the budget year, which represents an increase of \$205,381 over the current year. This increase reflects a larger number of addicts under supervision and an increase in the number of urinalyses performed.

The department recently began a research program providing methadone treatment to approximately 200 parolees in the Los Angeles area and an additional 150 parolees in programs supported by federal funds. This program is of too recent origin to provide definitive information at this time. Approximately 600 additional parolees are participating in methadone maintenance programs conducted by organizations outside 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 man-years and \$1,044,306 for this program element in 1974-75 to maintain the program level currently authorized.

**VI. 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 outside the state, and court costs 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 6.

**Table 6**  
**Special Items of Expense**

	1972-73	1973-74	1974-75
Transportation of prisoners and parole violators, Item 314	\$171,168	\$171,211	\$200,000
Returning fugitives, Item 315	562,376	563,448	700,000
Court costs, Item 316	1,051,652	1,051,652	1,051,652
Totals	\$1,785,196	\$1,786,311	\$1,951,652

**Special Projects**

In addition to the special items of expense listed in Table 6, the department is engaged in a number of special projects which are not included in the department's expenditure totals. These projects are funded by reimbursements from other governmental agencies, principally with fed-

**DEPARTMENT OF CORRECTIONS—Continued**

eral funds from the California Council on Criminal Justice. These contractual funds, totaling \$1,280,937 in 1972-73, will increase to an estimated \$3,279,960 in 1973-74 and a projected \$3,201,975 in 1974-75 as shown in Table 7.

**Table 7**  
**Special Projects**

	1972-73	1973-74	1974-75
Correctional Training Program .....	—	\$375,000	\$448,342
M-2 job therapy for offenders .....	—	500,000	526,426
Project Resource (Job Match) .....	\$81,491	73,195	—
Private Halfway House Subsidy Program .....	66,000	110,000	105,000
Improved processing of technical parole violators .....	308,577	302,344	400,000
Sacramento Valley Community Correctional Center .....	112,750	216,834	280,000
Improved level of parole supervision .....	410,000	591,559	—
Design Department of Corrections decision information system, emphasizing Adult Authority actions .....	—	225,000	400,000
Project community support .....	—	—	42,000
Conflict resolution training .....	9,970	20,547	50,000
Architectural review of detention facilities .....	—	11,592	—
Statewide evaluation project:			
Department of Corrections component .....	—	280,445	300,000
Development of an orderly grant management process .....	—	9,408	—
Manpower Development and Training Act .....	292,149	410,847	465,000
Cost benefit study of California Rehabilitation Center, California Department of Corrections .....	—	—	50,000
Elementary and Secondary Education Act .....	—	20,207	20,207
Project MAP .....	—	39,712	—
Drug Abuse Services Demonstration and Research Project .....	—	88,270	100,000
Sublibrary Educational Services Project .....	—	5,000	15,000
Totals, grants and reimbursement services projects ..	\$1,280,937	\$3,279,960	\$3,201,975

**V. 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. 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 5 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 support requirements for administration not prorated to other programs are estimated at 231 man-years and \$5,453,566 for the budget year.

The department is requesting 26.5 new positions at a first-year salary cost of \$399,366. Included are eight positions for a personnel training academy previously established with a combination of federal funds, an augmentation to the 1973 Budget Act and separate legislation authorizing establishment of the academy and providing a General Fund appropriation. These positions have been administratively established and funded by the foregoing combination of federal grants and state funds. This funding pattern will continue in the budget year.

Another six positions are requested to provide management and evaluation of federal grant projects. Their salary cost of \$85,416 will be paid from federal funds.

The remaining 12.5 proposed new positions include one associate management analyst and 0.5 stenographer II which were abolished under the provisions of Section 20, Budget Act of 1973, and are presently required on a workload basis. Also included are one deputy director for communications (salary \$28,548) and one assistant director (salary \$19,332), both of which are proposed for this budget item but will be utilized on the staff of the Health and Welfare Agency Administrator. This budget item will be reimbursed from the Health and Welfare Agency, Item 30. We have recommended approval of these positions in our analysis of Item 30.

Of the remaining nine positions, eight are requested on the basis of workload increases. The final position would be employed at the deputy director level to function as an inspector general who would be responsible for all inspection programs within the department to ensure that regulations, directives and policies are being complied with and to recommend measures and actions to correct deficiencies noted. He would provide the director with inspection reports, including findings, conclusions and recommendations for improvements in departmental programs and operating policies. Because of the many problems relating to the operation of a major correctional program and the need to provide the director with an independent means of investigating complaints from inmates, other governmental bodies and the public, we believe this position is justified.

#### DEPARTMENT OF THE YOUTH AUTHORITY

Items 317-324 from the General

Fund

Budget p. 186 Program p. II-273

Requested 1974-75 .....	\$91,979,822
Estimated 1973-74.....	89,961,002
Actual 1972-73 .....	81,478,164
Requested increase \$2,018,820 (2.3 percent)	
Total recommended reduction .....	\$200,000

## DEPARTMENT OF THE YOUTH AUTHORITY—Continued

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Construction Subsidy. Reduce Item 320 by \$200,000.* Recommend assistance to counties for construction of juvenile homes, ranches and camps be reduced to a funding level of \$400,000 for a savings to the General Fund of \$200,000. 725

## 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 \$27,837,428 in the proposed budget for 1974-75.

The state-operated program consists of eight institutions, three reception centers, and five forestry camps that will house an estimated average daily population of 4,587 wards, plus a community parole caseload program involving 8,679 wards for a projected daily average population of 13,266 wards in fiscal year 1974-75. The department estimates it will handle a daily average of 61 additional institutional wards but 1,159 fewer parolees in 1974-75 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 (36 percent welfare, 64 percent self-supporting families), from broken homes (66 percent) and from homes of low educational attainment (neither parent had completed high school in 58 percent of the cases). However, fathers or father substitutes for 74 percent of the wards had no criminal records. The wards generally have a negative or indifferent attitude toward school (70 percent), are at the senior high school level (75 percent), of low-normal IQ, have no serious psychological disorders (71 percent), and generally had delinquently oriented associates (83 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 (56 percent).

The Youth Authority program for these wards includes initial diagnosis 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 317—Department support.....	\$64,142,394
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#### **Local Assistance**

Item 318—Transportation of persons committed .....	43,540
Item 319—Maintenance and operation of county juvenile homes and camps .....	3,224,280
Item 320—Construction of county juvenile homes and camps .....	600,000
Item 321—State's share—control of juveniles at the inter- national border .....	144,308
Item 322—County delinquency prevention commissions— administrative expenses .....	33,300
Item 323—County delinquency prevention commissions— research and training grants.....	200,000
Item 324—Assistance to county special probation supervi- sion programs .....	23,592,000
	<u>\$91,979,822</u>

## DEPARTMENT OF THE YOUTH AUTHORITY—Continued

## ANALYSIS AND RECOMMENDATIONS

The departmental programs, as proposed in the Governor's Budget represent a net General Fund cost of \$91,979,822 and 3,668.3 man-years of effort. However, the department anticipates budget-year reimbursements totaling \$7,764,784 from fees charged to counties for ward care and diagnosis and federal grants totaling \$859,885 for a total expenditure program of \$100,604,491.

Table 1 shows that while the total number of employees will decrease by a net 19.6 man-years, the General Fund cost will increase by a net amount of \$2,018,820 or 2.3 percent over estimated current-year expenditures. The staffing decline primarily reflects man-year reductions in the Research and Rehabilitation Program areas, discussed later in the analysis.

The General Fund increase primarily reflects cost increases in the Rehabilitation Services Program, which have been partially offset by cost reductions in the Community Services and Research programs (resulting from a declining parole population) and reductions totaling \$918,624 in federally funded research projects and other reimbursements. The department anticipates a \$46,500 federal contract to provide care for 50 young federal offenders in Youth Authority facilities.

Table 1  
Youth Authority Staffing and Expenditures

Program	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Increase 1974-75 over 1973-74	
				Amount	Percent
I. Community Services					
Man-years .....	47.7	85.3	89.3	4	4.8
Expenditures .....	\$25,357,042	\$30,471,197	\$30,051,369	\$-419,828	-1.4
II. Rehabilitation					
Man-years .....	3,396	3,327.3	3,316.8	-10.5	-0.3
Expenditures .....	59,842,917	63,070,660	64,720,764	1,650,104	2.6
III. Research					
Man-years .....	69.9	83.2	72.2	-11	-12.0
Expenditures .....	1,251,090	1,631,691	1,222,414	-409,277	-32.7
IV. Youth Authority Board					
Man-years .....	18.5	32.4	32.4	—	—
Expenditures .....	473,675	1,036,135	1,043,117	6,982	0.7
V. Administration					
Undistributed					
to other					
Programs					
Man-years .....	130.7	159.7	157.6	-2.1	-1.3
Expenditures .....	2,654,429	3,545,235	3,566,827	21,592	0.6
Program totals					
Man-years .....	3,662.8	3,687.9	3,668.3	-19.6	-0.53
Expenditures .....	\$89,579,153	\$99,754,918	\$100,604,491	\$849,573	0.85
Less reimbursements					
(Federal and Other) .....	\$7,572,452	\$8,869,408	\$7,997,284	\$-872,124	-9.8
Net program totals .....	\$82,006,701	\$90,885,510	\$92,607,207	\$1,721,697	1.9
General Fund .....	\$81,478,164	\$89,961,002	\$91,979,822	\$2,018,820	2.3
Federal funds .....	\$528,537	\$924,508	\$627,385	\$-297,123	-32.0



The major General Fund increases consist of (1) \$690,501 for merit salary adjustments and staff benefits, (2) \$312,872 in net price increases for operating expenses and equipment, (3) \$115,000 in capital outlay costs for opening an additional 50-bed unit at DeWitt Nelson School to accommodate recent increases in ward population (with related equipment costs), and (4) \$131,200 in assistance to counties for maintenance and operation of juvenile facilities. Various fiscal and staffing adjustments proposed in the 1974-75 budget will be discussed more fully in the analysis of each separate program.

#### **Development of Identifiable Objectives**

In accordance with a recommendation by the 1973 Legislature, the department is working with the Department of Finance Program Measurement Task Force to develop objectives and program structures which are specific, quantifiable and conducive to reliable evaluation, for inclusion each fiscal year in the Youth Authority budget. These objectives will be structured to meet the needs of the overall juvenile corrections system. The department plans to have quantifiable program statements conducive to evaluation by the end of September 1975 for inclusion in the Governor's 1975-76 Budget. As we pointed out in our 1973-74 Analysis, identification of specific objectives as they relate to the actual Youth Authority program structure will help in the evaluation of the department's programs.

### **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 assumed full support in the current year.

During the last two months of the budget year, the department proposes to assume the full cost of a project entitled "Model Volunteer Program." The project is currently supported by California Council on Criminal Justice funds and is scheduled for funding through April 1975. The department estimates a General Fund cost of \$36,460 for staff (6.5 man-years) and operating expenses to maintain the project during the final two months of the budget year. The 6.5 man-years proposed for this program are distributed to three program elements as noted later in this analysis. Plans are to continue the project in subsequent fiscal years. The

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

program's current objective is to identify ways and means by which volunteer groups can contribute more effectively to the development and implementation of programs designed to reduce juvenile delinquency and rehabilitate young offenders.

As shown in Table 2, the community services program reflects a proposed increase of four man-years, while total expenditures (including reimbursements and federal funds) are expected to drop by a net amount of \$419,828 because of cancellation of two federally funded community projects: The Sugar Ray Foundation (\$325,000) and the Community Crime Abatement Program (\$166,909). The staff increase is primarily a result of the addition of 6.5 proposed new positions for the model volunteer program, which represents a net increase of four man-years because of workload adjustments involving reduction of 2.5 man-years from the Toliver Community Treatment Center Program (discussed later in the analysis).

The General Fund decrease of \$117,980 for the community services program reflects a lower level of funding for the "services to public and private agencies" element. This decrease is primarily because of reductions in the aforementioned federally funded projects and other smaller federal projects amounting to a total of \$565,349. The reduction has been partly offset by a proposed increase of \$131,200 for maintenance of juvenile homes, ranches and camps, a reduction in reimbursements totaling \$269,646 necessitating higher state funding, and cost increases for staff benefits of \$14,321.

**Table 2**  
**Community Services Program**

Category	Fiscal year			Increase 1974-75 over 1973-74	
	1972-73	1973-74	1974-75	Amount	Percent
Personnel man-years.....	47.7	85.3	89.3	+4	4.7%
Expenditures.....	\$25,357,042	\$30,471,197	\$30,051,369	\$-419,828	-1.4
General Fund.....	24,913,964	29,139,830	29,021,850	-117,980	-0.4
Federal funds.....	29,029	243,451	211,249	-32,202	-13.2
Reimbursements.....	414,039	1,087,916	818,270	-269,646	-24.8

**Services to Public and Private Agencies**

Probation services are provided to approximately 198,000 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 to approximately 18,000 probationers 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 64.5 man-years and \$1,578,042 for these services in the budget year compared to 62.2 man-years and \$2,176,794 in the current year. The proposed 2.3 net man-year increase for this element reflects addition of staff to the model volunteer program noted earlier. (Of the four man-year increase discussed earlier, 1.7 man-years of effort are assigned to the two other elements of the community services program.) The \$598,752 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. Current-year staff was increased by 31.9 man-years resulting from transfer of the Toliver Community Parole Center from the Rehabilitation Services Program to the Community Services Program.

#### **Financial Assistance**

The state, under the administration of this department, provides subsidies to local government for construction, maintenance 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 18 man-years to these subsidy programs during 1974-75, which is 1.2 man-years higher than the current level, and to expend \$28,292,188 or \$158,207 more than in the current year. The increased staffing is for the model volunteer program discussed earlier. Staffing for this element was increased by 4.1 man-years in the current year because of the transfer of the Toliver Community Center to the Community Services Program. The net expenditure increase 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 of the financial assistance element are discussed in the sections that follow.

1. *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

## DEPARTMENT OF THE YOUTH AUTHORITY—Continued

**Table 3**  
**State Financial Assistance to Locally Operated Programs**

<i>Activity subsidized</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Increase 1974-75 over 1973-74</i>	
				<i>Amount</i>	<i>Percent</i>
Transportation of wards.....	-	\$43,540	\$43,540	-	-
Construction of juvenile homes, etc. ....	\$95,500	\$600,000	\$600,000	-	-
Maintenance of juvenile homes, etc. ....	2,980,052	3,093,080	3,224,280	131,200	4.2
Border check station.....	143,646	144,308	144,308	-	-
Delinquency prevention .....	233,300	233,300	233,300	-	-
Special probation supervision .....	20,783,422	23,592,000	23,592,000	-	-
Total subsidies .....	\$24,235,920	\$27,706,228	\$27,837,428	\$131,200	0.5
General Fund .....	24,235,920	27,706,228	27,837,428	131,200	0.5
Departmental staff and operating cost allocation .....	295,699	427,753	454,760	27,007	6.3
Total financial assistance .....	\$24,531,619	\$28,133,981	\$28,292,188	\$158,207	0.6

experience of counties not being able to fund construction programs as planned. The amount requested, as discussed below, appears excessive because a review of past expenditure levels shows that counties often fail to fund planned construction programs.

This subsidy program, authorized in 1957 and commenced 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 79 facilities (the current-year estimate shows 72 facilities) with a capacity for 4,429 juveniles in 1974-75. The state benefits from the 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 department states that other related benefits of the construction subsidy program were demonstrated by a California Bureau of Criminal Statistics study of 4,765 local camp releasees over an 18-month period. Results showed that 66.6 percent of the local camp releasees studied were not involved in any serious crimes during the 18-month period following their release. Furthermore, 77.4 percent of youth successfully completing camp programs did not get involved in further serious law violations.

#### **Reduction of Construction Subsidy**

*We recommend a reduction of \$200,000 in the construction subsidy to counties (Item 320).*

We note that of the \$600,000 budgeted for construction subsidy in fiscal year 1972-73 only \$95,500 was actually expended. The department expects a higher level of expenditure in the budget year (again proposing \$600,000 for this purpose), stating that counties postponed construction projects in the 1972-73 fiscal year pending legislative action on Senate Bill 391, which would terminate the entire subsidy program as presently constituted. Our review of past years' expenditures shows this item consistently has been overbudgeted. For example, between fiscal years 1969-70 and 1972-73, the average expenditure amounted to \$221,375. Expenditures for each of the past four fiscal years are as follows: (1) 1969-70 total \$84,000, (2) 1970-71 total \$414,000, (3) 1971-72 total \$292,000, and (3) 1972-73 total \$95,500. The grand total expenditure is \$885,500, which represents an annual average of \$221,375. In view of the expenditure record for this item, we recommend a reduction of \$200,000 in the construction subsidy program (Item 320).

The maintenance subsidy (Item 2 in Table 3) was established to encourage development of local treatment programs in preference to state institutional incarceration. According to law, 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 \$131,200 or 4.2 percent reflects increased population projections, on which subsidy payments are based, by participating counties.

2. *Probation Subsidy.* The probation subsidy program was established

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

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 \$4,371) 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 \$23,592,000 in the budget year, an expenditure level equal to the current-year estimate. No increase is projected because the department expects, based on a review of the last eight months of current-year subsidy expenditures, county earnings and commitment rates to stabilize during the current and budget years. Chapter 830, Statutes of 1971, (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, increased subsidy costs 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 current fiscal year, by an amount equal to the percentage of increase in the consumer price index.

The \$23,592,000 requested for the probation subsidy program is the estimated amount needed to pay county claims for the last quarter of 1973-74 and the first three quarters of 1974-75. It is based on departmental projections that there will be 5,800 fewer persons (3,600 juveniles and 2,200 adults) committed to state-operated adult and juvenile institutions in 1974-75 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 25,900 juvenile and adult commitments to state institutions below county base commitment rates. Currently, 197,800 persons are on probation, 18,000 or 9.1 percent of whom receive the special supervision provided by the state subsidy.

3. *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. In each of the current and budget years, an estimated 26,000 juveniles will be interviewed at the border 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 1974-75 is the same as the current-year level of expenditure and will maintain the station at its current workload level. Proposed budget-year staff increases represent 1.2 man-years of effort attributable to staff requirements for the model volunteer project discussed earlier.

4. *Delinquency Prevention Subsidy.* Table 3 also shows funding for the delinquency prevention subsidy which includes 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 of \$233,300 in the budget year (\$33,300 for county commissions and \$200,000 for research and training grants).

#### **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 \$181,139 and 6.8 man-years for this activity in 1974-75, which is \$20,717 and 0.5 man-years above the current-year level of \$160,422 and 6.3 man-years. The increase in expenditures reflects higher costs for operating expenses and merit salary adjustments.

## **II. REHABILITATION SERVICES**

The rehabilitation services program includes those functions that directly affect the projected 4,587 wards in state-operated institutions for delinquent juveniles and 8,679 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 3,000 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 13,266 juveniles (down from the 14,364 projected for 1973-74) estimated to be in

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

state juvenile correctional institutions and on parole in 1974-75 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 organizational structure is established as a means of providing a coordinated continuum of treatment and reducing 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 past and current budget years, several significant changes occurred in the Rehabilitation Services program as summarized below.

1. *Institution Closures.* Due to overall population decline, the department closed Los Guilucos School, located near Santa Rosa, in June, 1973. Los Guilucos, which has a capacity of 243, served as a training school for both boys and girls. To accommodate the remaining population at Los Guilucos, living units were opened at the Ventura School (a coeducational institution), O. H. Close, and Preston.

Paso Robles School was closed in June 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) were to 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). However, the recent reversal in ward population decline, reflecting increases in length of stay and fewer paroles issued by the Youth Authority Board, has resulted in postponement of the decision to dispose of the Paso Robles and Los Guilucos facilities as discussed below.

Subsequent to the closing of the above schools, the department experienced an increase in male population, caused in part by the Youth Authority Board increasing the length of stay from an average 9.3 months in 1961 to 11.6 for calendar year 1973, and by the fact that the courts are giving youths lengthier sentences. Average daily population is expected to rise to 4,526 during the current year (up 11.5 percent from 4,061 during



the 1972-73 fiscal year) and, as discussed earlier, to 4,587 for the budget year (another increase of 1.4 percent). Actual Youth Authority population reached 4,243 as of December 1, 1973, up 6.7 percent from a year ago.

In order to accommodate these actual and projected increases, the Youth Authority (1) activated a 40-bed male living unit at Fred C. Nelles School and a 50-bed unit at the Youth Training School in the spring of 1973, (2) opened a 50-bed unit at Ventura School in October 1973, and plans to open a similar unit at DeWitt Nelson Training Center in July 1974, for which it is requesting an additional 16 positions to provide the full complement of treatment, care and control and diagnostic services. The department also proposes to retain the Paso Robles School through fiscal year 1974-75 and the Los Guilucos School tentatively through the current fiscal year on a minimal standby basis. Capacity for the two schools is 685, and will provide the department with ample bed space should the population trend continue upward through the budget year. Activation of these institutions combined with the opening of the units described above will provide a total capacity of approximately 5,272 wards.

In accordance with our recommendation in the 1973-74 Analysis, the Youth Authority is conducting a midyear revision of its population projection, which will provide a more current picture of population trends and enable the department to evaluate more accurately the appropriate course of action.

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 utilize 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 has implemented (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, facilitate utilization of community treatment resources, and provide evaluation of the community drug programs.

Federal funding for another drug program which the Youth Authority is conducting at the Preston School of Industry will expire in the current year. 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, is continuing with state funding.

In accordance with our recommendation discussed in the 1973-74 Analysis, the department is working on an overall drug treatment program the components of which will be designed to meet the needs of particular wards whether they be in institutions or parole units. The review of current drug programs is being done with the idea that such programs should be based on an orderly, statewide plan for the rehabilitation of wards with histories of drug involvement. Results of this study were to have been submitted to the Legislature and the Department of Finance no later than

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

January 1, 1974. However, the department is not satisfied with results of its review to date, and will need until March 1, 1974, to submit the report. A cost-accounting system relating to the drug programs is also being developed from the review.

3. *Youth Services.* Over the next three or four years the department, with federal funds and the assistance of various federal, state and local agencies, will be involved in the development of three prototypes for the comprehensive delivery of youth services at the community level. The first of these model programs, Toliver Community Parole Center in Oakland, commenced July 1, 1972. The second prototype, La Colonia Youth Service Project, began operation September 1, 1973, in Oxnard. Currently, the department is gathering data for the site of a third program. These programs are designed to meet the needs of youth at the local community level by providing individual counseling, family counseling, health care services, recreation activities and a 24-hour crisis switchboard, all designed to help such youths avoid trouble with the law. These programs utilize staff and local volunteers in a community self-help effort. In order to encourage local participation, the department has a joint powers agreement with the two participating counties through a Joint Delinquency Prevention Board. The first-year objective of these youth service programs is a 5-percent reduction in crime and delinquency in the target areas, with 10, 15, 20 and 25 percent reductions in the four successive years. For organizational reasons, these programs were transferred to the Community Services program in calendar year 1973.

4. *Added Due Process Requirements.* In the *Morrissey vs. Brewer* decision, the United States Supreme Court required that new due process procedures be established for parolees facing revocation of parole. In a subsequent decision, *Gagnon vs. Scarpelli* (July 1973), the court established a ward's right to counsel during a parole revocation hearing should legal advice be requested or needed. The standards prescribed by the court will increase the length of hearings held in local detention facilities and state institutions. The Youth Authority advises that investigating, documenting, and presenting alleged violations in these hearings has resulted in a workload increase for the Youth Authority Board and parole and institution staff necessitating a staff increase to the board of 13.9 positions during the current year as discussed later in the analysis.

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 50 young adult federal offenders in Youth Authority facilities during the budget year.

6. *Ward Pay.* The Youth Authority expanded institutional work programs for wards in the current year by initiating a system of paying wards who are on various work assignments such as plant maintenance, food service, janitorial work, and certain educational aid positions. The sum of \$95,040 was budgeted in the current year for this program, and the same funding level is proposed for the budget year. The jobs for which pay is provided 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 paid jobs, covering nine different job classifications, will have a sliding pay scale of 4 cents to 12 cents per hour, with an average rate of 8 cents per hour. The Department of Corrections has paid inmates on work assignments for several years. Prior to the current year, the paid jobs in the Youth Authority have been in the four youth conservation camps where wards are paid at the rate of 75 cents per eight-hour day, or 9.4 cents per hour for forestry work.

7. *Population Projections.* As we have pointed out in prior analyses, the department has overestimated its average daily population projection in past years largely because its projection is made more than six months prior to the presentation of the budget. Such overestimations have resulted in corresponding budget reductions. As a result, our 1973-74 Analysis recommended a mid-year population projection in January of each year.

We note that the 1974-75 budget document reflects an actual average daily population for 1972-73 of 4,061, while projections for 1973-74 show 4,526 and 4,587 for 1974-75. Statistics for the first five months of fiscal year 1973-74 reveal that the average daily population had risen to 4,203. While the latter figure represents a significant increase over the actual average daily population for 1972-73, it is still 323 below the current-year projection of 4,526. It is recognized that the department expects ward population trends to continue upward because the Youth Authority Board is granting fewer paroles, and courts are referring older youths with longer lengths of stay. However, there remains a significant gap between actual and projected population levels. These statistics reaffirm the need for a mid-year population projection to give the department six more months of experience upon which to base its average daily ward population, and submit a revised total for its support budget. Consequently, the department will submit each January, beginning in the current year, a revised population estimate to the Legislature and the Department of Finance so

Table 4  
Rehabilitation Services Program  
Department of the Youth Authority

Program element	1972-73	1973-74	1974-75	Increase 1974-75 over 1973-74	
				Amount	Percent
Diagnosis					
Personnel .....	257.8	258.1	255.5	-2.6	-1.0%
Expenditures .....	\$4,241,945	\$4,590,199	\$4,639,653	\$49,454	1.1
Care and control					
Personnel .....	2,137.9	2,113	2,110.7	-2.3	-0.1
Expenditures .....	38,246,259	40,883,639	42,305,820	1,422,181	3.5
Treatment					
Personnel .....	1,000.3	956.2	950.6	-5.6	-0.6
Expenditures .....	17,354,713	17,596,822	17,775,291	178,469	1.0
Totals					
Personnel .....	3,396	3,327.3	3,316.8	-10.5	-0.3
Expenditures .....	59,842,917	63,070,660	64,720,764	1,650,104	2.6
Funding sources					
General Fund .....	53,077,448	56,213,951	58,112,022	1,898,071	3.4
Federal funds .....	297,000	487,691	369,580	-118,111	-24.2
Reimbursements .....	6,468,469	6,369,018	6,239,162	-129,856	-2.0

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

that the revised population figures and concomitant revision in costs may be incorporated, during the budget hearing process, into the fiscal-year support budget.

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 shows that the General Fund cost of the rehabilitation program is projected to increase by \$1,898,071 or 3.4 percent in the budget year, and staffing is estimated to decrease by 10.5 positions or 0.3 percent. The major portion of the higher cost consists of (1) a \$607,719 increase for merit salary adjustments, (2) a \$1,044,504 increase for price adjustments, which includes costs for a projected average daily population increase of 61 wards over the 1973-74 total estimate of 4,526, (3) a \$460,238 increase for a new unit and program expansion at DeWitt Nelson School (including 16 new positions mentioned earlier and minor capital outlay), (4) a \$125,030 increase for the full-year cost of 16.6 PEP (Public Employment Program from the federal Emergency Employment Act of 1971) security positions to reduce the incidence of aggressive behavior by the wards, and (5) \$36,539 representing funding for two months for Preston Drug Program, which is federally funded for the first 10 months of the budget year but will become a state responsibility thereafter.

Partially offsetting the above increases are (1) a parole caseload reduction of \$335,959 involving the proposed elimination of 39.5 parole agents and 5 support staff because of the declining parole population, and (2) a \$40,000 reduction for the final phaseout of Los Guilucos School schedule (if the population trend permits) for the end of the current year.

The major portion of the \$118,111 decrease in federal funds shown in Table 4 is attributable to the department's anticipated loss of (1) the teacher corps project of \$89,000 and (2) the family life planning project of \$9,600. The net decrease of \$129,856 in reimbursements for 1974-75 shown in Table 4 reflects (1) termination of the PEP Program (\$137,970) involving the reduction of 43.9 security positions temporarily funded for the 1972-73 fiscal year, (2) completion of the contract for the Preston Drug Program (\$51,447), (3) completion of the treatment team effectiveness contract (\$32,700), and (4) completion of a contract to implement a ward grievance procedure (\$25,000). These reductions are partially offset by increases of (1) \$70,700 for a community centered drug program contract, and (2) \$46,500 for the federal offender contract under which the department houses and treats 50 federal wards.

The net staff reduction of 10.5 man-years shown in Table 4 reflects the declining ward population on parole and results from the elimination of (1) 39.5 parole agents and five related clerical positions, and (2) 5.2 maintenance staff positions from Los Guilucos School, partially offset by the addition of (1) 16.0 positions to staff the new living unit at DeWitt Nelson School, (2) 5.6 man-years to implement a food cost-accounting system for various institutions, and (3) various blanket position adjustments involving five man-years for clerical and temporary help.

The fiscal and staffing adjustments shown in Table 4 will be discussed

in the analysis of each separate element of the rehabilitation program.

In the current year, the Rehabilitation Services Program experienced a staff augmentation (due to workload and administrative adjustments) of 118.3 man-years. Table 5 shows the programs to which these positions were assigned.

**Table 5**  
**Rehabilitation Services Program**  
**Current-Year Staff Adjustments and Proposed Budget-Year Retentions**

<i>Program</i>	<i>Man-years</i>	<i>Comments</i>
New living units .....	36.0	Nelles, YTS, Ventura
Med. psych. unit (reimbursable) .....	31.2	Funded by L. A. County
Security positions .....	18.2	Preston and Oak Glen Camp
Paso Robles maintenance .....	5.5	To maintain standby
Los Guilucos maintenance .....	5.2	Phased out before end of budget year
Maintenance reorganization, YTS .....	5.0	To improve school maintenance
Canteen operation YTS (Reimbursable) .....	3.4	Self-sustaining
<i>Gagnon vs. Scarpelli</i> .....	13.0	Parole hearings workload increase
Special project activities .....	12.1	Foster Grandparents Program
Parole caseload drop (Parole Agents) ....	23.0	To be phased out in current year due to parole population decline
Misc. and blanket adjustments .....	11.7	Temporary help, 3.9 of which to be phased out in the budget year
Total adjustments 1973-74 .....	118.3	

The department proposes to retain 86.2 of the above positions to supply adequate rehabilitation, parole and care and control services to a ward population which (as discussed earlier) has increased by 182 wards in average daily population, from 4,061 during fiscal year 1972-73, to 4,203 as of November 30, 1973.

### 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 it will expend \$4,639,653 and 255.5 man-years on the diagnosis element in the budget year. The expenditure increase of \$49,454 above the current year is attributable to increased staff benefits and operations costs. The staffing level, representing a reduction of 5.7 man-years, is attributable to reduced parole population.

### 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.

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

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

50-boy capacity open dormitories, but individual rooms are provided at the Youth Training School and at Preston. More secure units for short-term disciplinary use and limited longer-term housing for the more serious behavior problems are also provided. Five-post coverage is provided for living units at all institutions, which means at least two control staff members are on duty at all times to work with 50 wards during waking hours.

Feeding facilities are either centralized messhalls 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 \$42,305,820 on this element in 1974-75, an increase of \$1,422,181 or 3.5 percent from the 1973-74 level. The man-year level will decrease from 2,113 in 1973-74 to 2,110.7 in the budget year, a net decline of 2.3 man-years representing the elimination of maintenance staff following the closing of Los Guilucos School. Increases in expenditures for the budget year reflect merit salary adjustments and higher operating and equipment costs due to the opening of the 50-bed living unit at Dewitt Nelson Training Center mentioned earlier.

Workload adjustments during 1973-74 increased man-years for the care and control element by 68.6 man-years at a cost of \$806,848. These positions were dispersed among the programs shown in Table 5.

**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 950.6 man-years of effort and \$17,775,291 in 1974-75 compared to 956.2 man-years and \$17,596,822 in 1973-74. This is a decrease of 5.6 man-years or 0.6 percent. The \$178,469 or 1.01-percent increase in costs in the budget year reflects department projections for a daily average increase of 61 wards for the budget year over the current year.

### 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) creation and implementation of a coordinated system for long-range program planning and development, (b) operation of the departmental information system, and (c) research and evaluation services to ongoing programs to determine how well the department's objectives are being met. The program planning and development responsibilities were formally added to the division by transfer from the director's office early in 1971. Manpower and monetary expenditures by program elements are set forth in Table 6.

**Table 6**  
**Research Personnel Man-Years and Expenditure Data**  
**Department of the Youth Authority**

<i>Program requirements</i>	<i>Fiscal year</i>			<i>Increase in 1974-75 over 1973-74</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Information systems					
Personnel .....	29.6	35.3	30.7	-4.6	-13.0%
Expenditures .....	\$552,769	\$734,289	\$510,584	\$-223,705	-30.5
Research and evaluation					
Personnel .....	40.3	47.9	41.5	-6.4	-13.4
Expenditures .....	698,321	897,402	711,830	-185,572	-20.7
Totals					
Personnel .....	69.9	83.2	72.2	-11.0	-13.2
Expenditures .....	1,251,090	1,631,691	1,222,414	-409,277	-25.1
Funding sources					
General Fund .....	676,218	732,137	814,272	82,135	11.2
Federal fund .....	202,498	193,366	46,556	-146,810	-75.9
Reimbursements .....	372,374	706,188	361,586	-344,602	-48.8

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

Table 6 shows that the research program will be reduced by 11 man-years and \$409,277 in total funding while state costs will increase by \$82,135 or 11.2 percent during the budget year. The staff reductions result from the termination of two federally funded programs: (1) the Human Learning Systems project (9.1 man-years) and (2) the Training the Trainers project (2.2 man-years).

The increase to the General Fund is the result of merit salary and operating cost increases. The \$491,412 reduction in reimbursements and federal funds is a result of shifting federal funds to other program areas such as the Comprehensive Youth Development and Delinquency Prevention Project at La Colonia in Oxnard, and the termination of the above-named federally funded programs.

**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 1974-75, the board will conduct approximately 36,000 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 because of its separate and distinct decisionmaking responsibilities within the Youth Authority organization. Table 7 shows staffing and expenditure data for the Youth Authority Board program. The requested increase of \$6,982, primarily due to price and wage increases, will bring the expenditure level for the board to \$1,043,117.

As discussed earlier in the analysis, the *Morrissey vs. Brewer* and *Gagnon vs. Scarpelli* decisions have resulted in workload increases for the board. As a consequence, 13.9 man-years were added during the current year which the department proposes to retain in the budget year. (Although Table 5 shows 13.0 man-years for *Gagnon vs. Scarpelli*, 0.9 man-year is reflected in the temporary help category.) This staff assists the board by investigating, documenting and presenting alleged violations of due process rights (as established by the above court decisions) relative to parole revocation hearings. We note that while the department projects 36,000 parole case hearings for the budget year compared to the 37,000 projected for the current year, the length of such hearings and volume of associated work has increased markedly since *Morrissey vs. Brewer* and *Gagnon vs. Scarpelli*. Because of these factors, there is overall growth but a lower level of case hearings.

**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 8. The department advises that the



2.1 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 and merit salary adjustments which will increase budget-year General Fund expenditures from \$2,838,949 to \$2,988,561, an increase of \$149,612 or 5.3 percent.

The administration program, through administrative adjustments, received an augmentation of 18.1 man-years in the current year to process invoices and other related fiscal documents required for prerevocation and regular revocation hearings, resulting from the *Morrissey-Brewer* and *Gagnon-Scarpelli* decisions. In addition, 5.6 proposed new man-years are requested in the budget year to implement a department-wide food accounting system to promote a coordinated, more centralized cost-accounting of food purchases by Youth Authority institutions. The department states that such a system will enable quarterly food purchasing on the basis of actual ward population rather than the budgeted or projected population. The expected result is a yet undetermined savings in food costs.

**Table 7**  
**Youth Authority Board Support Data**

Program requirements	Fiscal year			Increase in 1974-75 over 1973-74	
	1972-73	1973-74	1974-75	Amount	Percent
Personnel man-years .....	18.5	32.4	32.4	—	—
Expenditures .....	\$473,675	\$1,036,135	\$1,043,117	\$6,982	0.7%
Funding sources					
General Fund .....	473,675	1,036,135	1,043,117	6,982	0.7

The department is also requesting four systems analysts to implement and maintain the Youth Authority offender data file system and electronic data processing system. Currently, the department is using 8 data programmers and systems analysts to convert the EDP system from a card to a tape system. These positions are funded by a federal grant (CCCJ) which expires in the middle of the budget year. In order to carry on the work of converting and implementing the programming of the tape system, the department proposes to retain the four associate data processing analysts (systems analysts) at a budget-year salary cost of \$54,900 to the state. These analysts will program the tapes for both Youth Authority and Department of Corrections data processing. They will maintain the system up-to-date, speed up the processing of youth and adult offender data, process information for departmental statistical reports and maintain the population accounting statistics. The use of the tape system will also facilitate development of the mid-year average daily population projections from which to make necessary revisions in the support budget, and assist staff in making decisions about ward treatment and support needs. We support the request.

The department is making the conversion of its EDP system from cards to tapes in accordance with a recommendation from the 1973 Legislature. A program report on this conversion was submitted to the Joint Legislative Budget Committee in December 1973. Table 8 shows personnel and ex-

**DEPARTMENT OF THE YOUTH AUTHORITY—Continued**

penditure for the administration program.

**Table 8**  
**Administration, Department of the Youth Authority**

<i>Program requirements</i>	<i>Fiscal year</i>			<i>Increase in 1974-75 over 1973-74</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Executive					
Personnel .....	12.0	18.5	18.5	—	—
Cost .....	\$251,708	\$408,335	\$411,642	\$3,307	0.8%
Support services					
Personnel .....	118.7	141.2	139.1	-2.1	-1.5
Cost .....	2,402,721	3,136,900	3,155,185	18,285	0.6
Total					
Personnel .....	130.7	159.7	157.6	-2.1	-1.3
Cost .....	2,654,429	3,545,235	3,566,827	21,592	0.6
Reimbursements .....	317,570	706,286	578,266	-128,020	-18.1
General Fund .....	2,336,859	2,838,949	2,988,561	149,612	5.3%

**CALIFORNIA HOSPITAL COMMISSION**

Items 325 and 326 from the Cal-

ifornia Hospital Commission

Fund and the General Fund

Budget p. 191

Program p. II-302

California Hospital Commission Fund ..... \$651,163

General Fund ..... 25,000

Requested 1974-75 ..... \$676,163

Estimated 1973-74 ..... 684,255

Actual 1972-73 ..... 283,928

Requested decrease \$8,092 (1.2 percent)

Total recommended reduction ..... None

**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. This function has been continued through phase III and phase IV of the President's Economic Stabilization Program. Phase IV is scheduled to terminate April 30, 1974.

In addition, as a secondary objective for the uniform hospital accounting and reporting program, Chapter 1072, Statutes of 1973, requires the commission to prepare and submit a proposal for a state hospital economic stabilization program to the Legislature before July 1, 1975. This program is intended to replace the federal program.

Therefore, the California Hospital Commission is responsible for three functions: (1) developing and administering a uniform hospital accounting and reporting system, (2) reviewing exception requests to federal price increase limitations, and (3) preparing a hospital economic stabilization program to replace the federal program after its termination.

### ANALYSIS AND RECOMMENDATIONS

The Budget Act proposes appropriations of \$651,163 from the California Hospital Commission Fund and \$25,000 from the General Fund for support of the California Hospital Commission during the 1974-75 fiscal year. The total amount of \$676,163 is \$8,092, or 1.2 percent, below that which is estimated to be expended during the current fiscal year.

Of the two major programs administered by the commission, the uniform hospital accounting and reporting program is by far the larger, and was the basic reason for establishing the commission in 1971. The second program, review of exception requests to federal price increase limitations, resulted from the federal government request to provide a service to the government without federal funding. Table 1 shows the support for each program by a source of funds.

**Table 1**  
**Programs Administered by California Hospital Commission**

<i>Program</i>	<i>Source of funds</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Uniform hospital accounting and reporting.....	Hospital Commission Fund	\$244,883	\$629,972	\$619,821
Review of exception requests to federal price limitations ..	Hospital Commission Fund	29,045	44,283	31,342
	General Fund	10,000	10,000	25,000
Totals .....		\$283,928	\$684,255	\$676,163

### Uniform Hospital Accounting and Reporting Program

*We recommend approval of the \$619,821 requested for the uniform hospital accounting and reporting program.*

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 commission contracted with a private account-

**CALIFORNIA HOSPITAL COMMISSION—Continued**

ing firm for development of an accounting and reporting manual during the current fiscal year. Public hearings on the manual were held in late October and early November 1973, and the manual was officially adopted by the commission November 14, 1973. Copies are being distributed to all hospitals and upon completion of fiscal years on or after June 30, 1975, all hospitals are required to submit prescribed reports to the commission. The law allows hospitals 15 months to change to the new accounting and reporting system after promulgation of the rules and regulations.

The revenue which supports the California Hospital Commission Fund comes from a fee charged each hospital in the state, of not more than 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 the basic uniform accounting and reporting program are supposed to be self-supporting. A review of the "fund condition" of the California Hospital Commission Fund on page 305 of the program budget shows that proposed fund expenditures for the budget year will exceed revenues from fees and income from investments by approximately \$33,000. However, it is estimated that there will be a surplus of approximately \$190,000 for the current year which will more than offset this deficit. A surplus of approximately \$142,000 is projected at the end of the budget year. We, therefore, recommend approval of the budget for the uniform accounting and reporting program.

**Review of Exception Requests to Federal Price Limitations**

*We recommend approval of the \$31,342 requested from the California Hospital Commission Fund for the review of exception requests to federal price limitations.*

Since being designated by the Governor as the State Advisory Board, the state commission is required to make recommendations to the Cost of Living Council on all requests from hospitals and nursing homes for exceptions to federal price limitations. The commission estimates that 200 requests will be reviewed and 40 recommendations to the Cost of Living Council will be prepared during the budget year. Costs related to hospital requests are paid from the California Hospital Commission Fund and are estimated to be \$31,342. Sufficient funds will exist to defray those costs.

**General Fund Support**

*We recommend the approval of Item 326 which appropriates \$25,000 from the General Fund to the commission for costs related to the review of exception requests for nursing homes.*

During consideration of the 1973 Budget Bill, the Legislature agreed to the administration proposal of General Fund support for review of nursing home exception requests in the absence of federal funding for such review. Federal funds are still not available for this purpose. However, the commission has been informed that federal funding may become available after April 30, 1974, the termination date of phase IV of the President's Economic Stabilization Program.

Because of the uncertainty for federal funding of this program during the budget year, we are recommending approval of the proposed appro-

priation of \$25,000 from the General Fund. However, we emphasize that these funds should only be transferred to the commission in accordance with actual costs related to the review of nursing home exception requests reviewed during the budget year.

**Position Changes**

*We recommend approval for changes in authorized positions.*

During the current year, the commission eliminated two professional positions and one clerical position in accordance with Section 20 of the 1973 Budget Act and one professional position was administratively created to evaluate alternative data processing systems. For the budget year two additional professional positions are proposed. They will prepare the state's proposed hospital economic stabilization program. We believe the request is based on justifiable workload changes.