

Public Utilities Commission—Continued

During the six-year period starting with 1951-52 and ending with 1956-57, revenues and expenditures for this fund were approximately equal each year, leaving a surplus in the fund at the end of each year of between \$450,000 and \$600,000.

During 1957-58, however, expenditures exceeded revenues by about \$500,000, which reduced the surplus at the end of the year to \$100,000, while during 1958-59 it is estimated that expenditures will exceed revenues by \$300,000, which will leave a deficit in the fund at June 30, 1959, of \$200,000, as indicated in the foregoing table.

The table also indicates that revenue will increase by \$675,000, during 1959-60 which will leave the fund with a small surplus at June 30, 1960. This increase is predicated on the assumption that the current session of the Legislature will enact legislation raising the fees sufficiently to provide the needed additional revenue. If the Legislature should fail to take action, the deficit in the fund will probably approximate \$450,000 at June 30, 1960, unless the proposed expenditure program for that year is drastically curtailed.

Chapter 9, Statutes of 1958, Regular Session, in effect April 4, 1958, raised certain of the fees payable into the Transportation Rate Fund, but the additional revenue provided by these increases has not been sufficient to prevent a deficit in the fund of \$200,000, at the end of the current year. The increases provided are effective only until the ninety-first day after final adjournment of the 1959 Regular Session of the Legislature.

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DEPARTMENT OF SOCIAL WELFARE

ITEM 250-of the Budget Bill

Budget page 561

FOR SUPPORT OF STATE DEPARTMENT OF SOCIAL WELFARE
FROM THE GENERAL FUND

Amount requested	\$3,116,544
Estimated to be expended in 1958-59 Fiscal Year	2,864,367
Increase (8.8 percent)	\$252,177

TOTAL RECOMMENDED REDUCTION	\$32,964
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GENERAL SUMMARY

The various public welfare programs in California provide for over 500,000 recipients at a cost of over 500 million dollars to federal, state and county government. The principal legal basis for these programs is found in the Welfare and Institutions Code. This code places about 97 percent of the 200 million dollars state welfare cost outside of legislative budget control and review by making them "continuous" appropriations. The 3 percent remaining to annual legislative budget review is influenced by the "continuous" appropriations.

Supervision and policy making of all welfare programs is delegated to the State Department of Social Welfare which is guided by the policy decisions of its Social Welfare Board. The direct operation is by

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the 58 county welfare departments in all but parts of three programs. The various welfare programs are as follows:

1. Old Age Security.
2. Aid to Needy Children in families.
3. Aid to Needy Children in foster homes.
4. Aid to Needy Blind.
5. Aid to Partially Self-supporting Blind.
6. Aid to Totally Disabled.
7. Medical Care.
8. Adoptions (partly state-operated).
9. Licensing (partly state-operated).
10. Prevention of Blindness (state-operated with county assistance).
11. Child Welfare Services.

In addition, the counties operate general relief programs, public health programs, and county hospitals, some of which receive subventions from other state agencies.

The State Department of Social Welfare is composed of the Social Welfare Board, the central office and three area offices. It is the budget bill item for this agency which is before the Legislature for review, together with two local assistance subvention items for county administrative expense for adoptions and licensing.

Summary of Aid Costs

The categorical aid programs are nonbudget items without annual legislative review and control. The following table¹ indicates recent cost and caseload trends.

Table I—Summary of Aid Costs

Program	Actual 1947-48		Actual 1956-57		Revised budget estimate 1958-59		Budget estimate 1959-60	
	Cost	Caseload	Cost	Caseload	Cost	Caseload	Cost	Caseload
<i>(Cost in millions of dollars)</i>								
Old Age Security	\$123.9	183,380	\$218.8	264,191	\$248.6	265,420	\$246.4	265,500
Aid to Needy Blind -----	5.4	6,555	12.1	12,884	16.3	13,790	16.8	14,260
Aid to Partially Self-support- ing Blind ---	.4	439	.3	352	.4	322	.4	320
Aid to Needy Children ----	19.4	50,000 (Est.)	89.0	187,730	133.9	263,150	141.7	270,595
Family groups (17.3)			(81.9)	(177,971)	(124.6)	(251,445)	(131.5)	(257,880)
Foster care -- (7.1)			(7.2)	(9,759)	(9.3)	(11,705)	(110.2)	(12,715)
Aid to Totally Disabled ----					5.3	5,280	9.8	9,080
Medical Care ² --					(31.7)		(32.1)	
	\$149.1	240,374	\$320.2	465,157	\$404.5	546,962	\$415.1	559,755

¹ Costs shown are total costs state, county and federal.

² Included with aid costs for 1958-59 for aged, blind children, and all aids for 1959-60.

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As Table I shows, costs have increased 29.6 percent or 94.9 million dollars between 1956-57 and 1959-60, a period of three years. This has resulted largely from Aid to Needy Children caseload increases and the addition of Medical Care.

The 1959-60 estimates are shown in the Governor's Budget under local assistance. Counties share all program costs to some degree except medical care, the Federal Government shares program costs for four of the six programs (Old Age Security, Aid to Needy Blind, Aid to Needy Children family groups and Aid to Totally Disabled), with each formula being different.

There are numerous problems in both the fiscal and policy aspects of these programs. For example, Aid to Needy Children programs have had substantial increases in the last two years. The number of recipients has increased from 187,730 in 1956-57 to 263,150 in 1958-59, which is a 40 percent increase. Many of these problems result from lack of budgetary control over the program costs and the State Department of Social Welfare by the Legislature and the Department of Finance. These problems are described briefly in the "Legislative Section" of this publication.

Problem Areas

There are four major problem areas in these aid costs which should be brought to the attention of the Legislature: (1) the impact on California of the 1958 federal changes in the Social Security Act; (2) the budgeting for Aid to Totally Disabled Medical Care, a new program proposed by the Governor; (3) the substantial increases in Aid to Needy Children caseload and the estimates contained in the Governor's Budget; (4) unbudgeted increases in aged and blind aid.

Federal 1958 Social Security Act Amendments. The 1958 amendments to the Federal Social Security Act made some major changes in the federal grant-in-aid formula for welfare. The separate medical care formula was abolished and the recipients' grants were affected. Aged and disabled grants were increased \$1 although blind aid and children's aid remained the same. Reimbursement from the Federal Government is based on a share of statewide average grants instead of a share of each grant. This results in California obtaining maximum federal aid because the California average grants are much higher than the federal participating maximum. The state law was not written to account for this major federal change and the Legislature has not reviewed it. The application of the federal change results from administrative policy based on an Attorney General's opinion. Since the wording in the Welfare and Institutions Code sections providing for aid and aid payment methods are ambiguous and the 1958 change is of major importance, the Legislature should review all categorical aid code provisions to provide a clear statement of present legislative intent. The federal changes and their administrative interpretation are taking control of welfare still further away from the Legislature.

Budgeting for Aid to Totally Disabled. Medical Care for the Disabled is one of the current proposals for legislation. It establishes a medical fund of \$6 per month per recipient for disabled similar to the

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medical care features of the other aid programs. It is shown under the Aid to Totally Disabled local assistance item in the budget (page 907).

The federal reimbursement formula, due to the 1958 changes, makes only one sum available for aid grants and medical care for all programs. Distribution of the federal money between aid grants and medical care is left to the discretion of State Government. In California, the aged, blind and children's programs allocate a portion of federal money to medical care (\$3 per month per adult and \$1.50 per month per child). The budget indicates that no federal funds are being allocated for disabled medical care. Aid to Disabled should be treated consistently with the other welfare categorical aid programs. As budgeted, no federal and no county funds share the cost. The State is budgeted for the entire cost. Thus the state costs are increased by this inconsistency. *Therefore, we recommend federal funds be allocated to disabled Medical Care consistent with the Aged and other aid programs. In addition, we recommend that the Legislature request an opinion from the Legislative Counsel on the proper allocation of federal money for disabled Medical Care by the State of California.*

Aid to Needy Children Increases and Budget Estimates. The Aid to Needy Children program has experienced a substantial caseload and cost increase in the last two years. The revised caseload estimates for the current 1958-59 Fiscal Year are 23 percent above last year's budget estimate for the same 1958-59 year and the cost is \$28.2 million higher (budget pages 905, 906). A rapid increase was evident even before the adoption of the 1958 Budget Act.

The estimate for the budget year 1959-60 shows a declining caseload over the revised estimates for the 1958-59 year. This is based on an optimistic economic prediction and a substantial increase in employment resulting in the rehiring of these largely unskilled parents of the needy children. Only a rapid increase in nonseasonal employment of the type of marginal workers involved would reduce caseloads. As a result, the budgeted estimates for this nonbudget act continuous appropriation may prove to be unrealistic. The rapid caseload rise in the last two years of 13 and 20 percent and budget estimates showing less than 3 percent increase for 1959-60 warrant the special attention of the Legislature, since the final total state budget balances are effected by accurate estimates in these nonbudget programs.

Aged and Blind Aid. The Social Welfare Board has established a new major policy which will shift substantial costs from the Medical Care Fund to the recipients' aid grants which is financed by a continuous open-end appropriation, thereby increasing the aid costs in order to offset overexpenditures in Medical Care funds. The estimates of these changes are not available in time to print. These multi-million dollar changes are not accounted for in the Governor's Budget, since the action occurred after budget printing and because there is no closed-end Budget Act item to limit their cost increases. If available, the information will be submitted before committee.

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Lack of Co-ordination of State Agencies With Similar Programs

The State sponsors a multitude of social programs in health, education, welfare, corrections and mental hygiene. These programs should be co-ordinated to avoid duplication and to achieve a concerted state effort on its welfare goals. A prime example is the function of personal medical care. The State Department of Social Welfare has three medical programs: (1) medical care for aid recipients; (2) prevention of blindness; and (3) maternity care for unwed mothers considering adoption. All three are operated by different divisions, by different methods of financing. Medical care is a continuous appropriation, prevention of blindness is a part of the Budget Act and the maternity care is supported by adoption fees. In establishing medical policies, the department does not take into account results on other programs (particularly in fee schedules shown as a separate problem below). We recommend that the Legislature direct the department to consult with other state agencies with similar programs, particularly medical care, in order to avoid adverse results or conflicting effort.

Medical Fee Schedules. There are 10 state agencies with over 20 different medical care programs. Each program and/or agency establishes its own schedule for paying for medical care (service, drugs, hospital). In the three Department of Social Welfare programs supplying medical care, there is no uniformity of method or criteria in establishing fees. Since only Prevention of Blindness is a General Fund Budget Act item, our specific recommendation for legislative budget action concerns it. However, the same principle of uniform criteria for setting fees should apply to special fund medical care for aid recipients and special fund maternity care for unwed mothers.

The need for uniformity arises because medical care vendor groups generally take the position that the highest state fee schedule should apply to all state programs. In 1957, when the State Department of Social Welfare negotiated fee schedules with the various vendors of medical care (doctors, druggists, etc.), it was in many instances higher than the other state programs such as Vocational Rehabilitation and Crippled Children's Services. As a result, budget requests from these programs included increases for fees for those fee items which were lower than the Department of Social Welfare. On the other hand they did not reduce the few fees which were higher than in the welfare schedule.

Since there was no uniformity and no criteria for judging these schedules, when the 1958-59 Budget was reviewed by the Legislature, the Legislative Analyst recommended a "freeze" on fees at 1957 levels until such uniformity and appropriate criteria were established. The Legislature adopted the recommendation and directed the Department of Finance to report to the Legislature the results of the study by the Interdepartmental Fee Committee. Although this committee on fees has held meetings throughout the year, no official results have been published. *Consequently, we again recommend no increases in medical fees until uniformity of fees is established, based on criteria on which a*

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justification can be made. Our specific recommendation on the reduction in Prevention of Blindness is covered in the "Analysis" section below.

ANALYSIS

Summary of Reductions

	Amount	Budget	
		Page	Line
Medical fees, Prevention of Blindness-----	\$28,608	563	70
Associate administrative analyst -----	4,356	565	57
Total recommended reduction-----	\$32,964		

The analysis of the State Department of Social Welfare administrative expense Budget Act item contains the following points:

1. Medical fee increases (operating expense).
2. New positions resulting from the problem of state-county administration (salaries and wages).
3. New positions resulting from increased work load (salaries and wages).
4. New specialized training (operating expense).

The following is a summary of the proposed new positions with our analysis and recommendations. The detailed analysis follows this summary.

Subject	Proposed Cost	Analysis		Recommendation	
		New	Workload	Approve	Delete
Prevention of blindness -----	\$84,649	\$28,608	\$56,041	\$56,041	\$28,608
Division of Child Welfare -----	10,128	---	10,128	10,128	---
Division of Administrative Service	15,818	9,458	6,360	8,462	7,356 ¹
Area operations -----	94,661	---	94,661	94,661	---
	\$205,256	\$38,066	\$167,190	\$169,292	\$35,964 ¹
				—3,000 Fed.	
					\$32,964

¹Approximately \$3,000 Federal share.

The recommended budget deletions consist of a medical fee increase and one position of associate administrative analyst. The total increases of the agency result primarily from cost increases, workload increases and transfers of existing functions.

Division for the Blind

The prevention of blindness program is operated by the Division for the Blind. There is a substantial increase in the proposed budget's operating expense amounting to \$84,649 or a 64 percent increase. Of this amount, \$56,041 is for a caseload increase and \$28,608 for a medical fee increase. This provision for a fee increase is the point at issue and is part of the entire state medical fee problem involving 10 State agencies and many millions of dollars, as stated in the general summary of this analysis. (See also analysis of Crippled Children's Services in the Department of Public Health and Vocational Rehabilitation in the Department of Education.)

This issue of medical fees was raised in 1958 and the Department of Finance directed to report to the 1959 Legislature on the findings of

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the Interdepartmental Fee Committee. Until those findings are presented and a state policy established on medical fees as to their uniformity and criteria of justification, we recommend that all fee schedules remain at 1957-58 levels. This is particularly important since the medical care program for aid recipients is a \$31,000,000 program not within the budget control of the Legislature. The State Department of Social Welfare should be directed to comply with the recommendations of the Interdepartmental Fee Committee by resolution or amendment to the code.

Until such a medical care fee policy is established with sufficient criteria for justification, we recommend no medical care fees (services, drugs, hospital, etc.) increases be approved by the Legislature. Therefore, we recommend deletion of \$28,608 of surgical operating expense in the prevention of blindness program (budget page 563, line 69).

Division of Child Welfare Services

The Bureau of Child Welfare Services is requesting one position of Child Welfare Specialist III and the Bureau of Adoptions is requesting one clerk.

The child welfare specialist III position request is based on workload. The present bureau consists of one child welfare specialist. The principal duties are to disburse federal funds for child welfare work. Federal funds will finance this position. Workload data justifies approval.

The intermediate typist-clerk position request is based on workload.

We recommend approval of the child welfare specialist III and the intermediate typist-clerk for this divisions (budget page 364, lines 40 and 42).

Division of Administrative Services

The new positions requested are for the Bureau of Personnel and the Bureau of Management Analysis. In addition, 14 positions for welfare field auditing are being transferred from the controller to this department in order to obtain federal reimbursement. Most of the operating expenses for the entire department are shown under this division with the exception of Prevention of Blindness and Federal Child Welfare Services.

Bureau of Personnel. One assistant personnel analyst is requested for one year to complete a two-year project of classification surveys of merit system counties. This position was allowed in the current year on condition that a progress report would be available to the Legislature. We have reviewed this report and in our opinion, accomplishments to date warrants completion of this two-year survey. During the past year, a management study of this bureau was accomplished and changes made. We recommend approval of this assistant personnel analyst to June 30, 1960 (budget page 565, line 55).

Bureau of Management Analysis. This bureau is requesting a position of associate administrative analyst. The bureau itself was created as a result of a Senate Interim Committee management study. It was pro-

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posed as a central bureau to provide management analysis to the State Department and to county welfare departments.

Currently, the bureau is staffed with five analysts and the area offices have three analysts, for a department total of eight. This request is for a ninth administrative analyst.

The addition of management analysis to the department has been worth while and productive. However, there are at least two questions involved in considering any additions to the current staff:

1. Why is the management analysis function in the State Department of Social Welfare decentralized?

2. What is the extent of state responsibility for county management?

Of the eight analysts now in the department, approximately six are concerned with county administration and two with the state administration. Centralized control permits flexibility in handling county and state work and allows effort on a statewide priority basis. No other state agency has such decentralization of management analysis.

In a letter to our office dated December 22, 1958, from the State Welfare Director in answer to our letter of inquiry, the department's policy of supervision of counties is stated in part as follows:

"Our concept is that the basic responsibility for administration rests with the counties. The extent to which a given county is able to effectively discharge that responsibility affects the extent to which the State must exercise supervision."

The extent of state responsibility for county welfare management must be defined in more precise terms than the existence of inadequacies in a given county because inadequacies in county welfare management are sufficient to make this an open end all-purpose justification for state staff expansion. Sections 103.5, 103.6, and 103.7 of the Welfare and Institutions Code give the State Department full power to supervise every phase of administration. The extent to which it is actually necessary to do specific management functions for the counties with state staff must be defined in greater detail. Until these questions of decentralization of departmental management analysts and extent of state staff performance of county functions are answered, we cannot recommend additions for this function. *Therefore, we recommend that the associate administrative analyst position be deleted (budget page 565, line 58).*

Operating Expenses. Specialized training is a new item. The \$2,102 is for six weeks special training of 3 of the 10 district representatives. The training is to take place at the University of Southern California in public administration. The cost is composed of \$1,700 travel and \$402 tuition and other costs. There is the additional cost of salary amounting to approximately \$2,700 since the three people selected will not be fulfilling the normal duty assignments.

This type of training budget is the result of 1957 legislation, Chapter 1965, Statutes of 1957, adding Sections 19450-1 to the Government Code. It appears to be in line with legislative intent and we recommend approval.

General Summary—Continued

Area Operations

The three area offices, San Francisco, Sacramento, and Los Angeles, carry on most of the field work in supervising counties and the direct operations of certain licensing and adoptions. The addition of the Medical Care and Aid to Totally Disabled programs in 1957 has created additional organization and procedure problems.

The positions up for approval are all staffing yardstick positions except the three medical social work consultants and two intermediate stenographer-clerks. A staffing yardstick is the result of a management study that has indicated the amount of time which should be devoted to a function, and the application of such time allotment to estimated caseload or workunit results in the number of positions budgeted. The agency and the Department of Finance do not fill budgeted positions until workload warrants it and, on the rare occasions of reduction in workload, have abolished positions. All yardsticks are of recent origin except for supervision of public and private child welfare services. This is to be studied by the department in the coming year.

The clerical yardstick is a new one up for adoption for the budget year. Experience and further refinement will come in the next two years. Very few state agencies have developed clerical management procedures to this extent and the department should be commended for this work.

Medical Social Work Consultant II. The three medical social work consultant II positions shown in the budget as new positions are actually current positions with terminal dates for June 30, 1959. The budget proposes to extend these one year. One of these positions is located in each area office. They are the supervisory positions for the other social workers and disability review team doctors. We recommend approval of these positions for 1959-60.

Intermediate Stenographer-Clerks. These two clerical positions are based on workload increases for Aid to Totally Disabled units. One clerk is allocated per unit. We recommend approval.

Yardstick Positions. The following positions shown in the budget are based on established and accepted staffing yardsticks and we recommend approval.

<i>Title</i>	<i>Number</i>
Child welfare specialist II -----	4
Medical social work consultant I -----	2
Child welfare specialist I -----	4
Public assistance -----	1
Intermediate Typist-clerk -----	4

Summary. We recommend approval of all proposed new Area Office positions listed on budget page 566, lines 68 to 77.

246 **CITIZENS' ADVISORY COMMITTEE ON AGING**
 ITEM 251 of the Budget Bill Budget page 569

**FOR SUPPORT OF CITIZENS' ADVISORY COMMITTEE ON AGING
 FROM THE GENERAL FUND**

Amount requested	\$35,537
Estimated to be expended in 1958-59 Fiscal Year	34,353

Increase (3.4 percent)	\$1,184
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

An Interdepartmental Co-ordinating Committee on Aging was established by the Governor in 1951. In 1953, an executive secretary position was established on a full-time basis and supported by the participating departmental budgets. In 1955, a Citizens' Advisory Committee on Aging was established and in 1956 participation of legislators on this committee was provided by Chapter 59, First Extraordinary Session, Statutes of 1956. The interdepartmental committee has continued as a co-ordinating body for state agencies.

The statute provides that the Citizens' Advisory Committee is solely advisory in character and is to advise the Governor on the needs and problems of the aging. The committee and staff's stated objectives include: (1) studying all aspects of aging and reporting to the Governor; (2) maintaining an information center and publishing a quarterly newsletter; and (3) assisting in establishing and informing local community groups in order to utilize and develop local resources to cope with the local problems. The committee feels that it is desirable to devote time to local groups on aging because it is thought that they are effective in solving local problems.

ANALYSIS

The budget of this agency represents the same level of service. Cost increases result from salary and other recognized increases and amount to 3.3 percent. The amount estimated to be expended for the current year is \$346 more than approved by the Legislature in 1958. Since the Legislature has approved this agency's program, and the level of service remains the same, we recommend approval, although this represents the type of state advisory activity which should not, we believe, be provided on a continuing basis and could well be eliminated.

247 **DEPARTMENT OF VETERANS AFFAIRS**
 ITEM 252 of the Budget Bill Budget page 570

**FOR SUPPORT OF DEPARTMENT OF VETERANS AFFAIRS
 FROM THE GENERAL FUND**

Amount requested	\$237,061
Estimated to be expended in 1958-59 Fiscal Year	315,100

Decrease (24.8 percent)	\$78,039
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TOTAL RECOMMENDED REDUCTION	\$9,852
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