

### III CONTINUING APPROPRIATIONS—MAJOR FISCAL PROBLEMS OF EDUCATION AND SOCIAL WELFARE

#### APPORTIONMENTS FOR PUBLIC SCHOOLS

In 1960-61 total state expenditures for the support of the public schools were \$680.3 million. The budget document provides for \$721.7 million for this purpose for 1961-62; however, the appropriation will appear as the "Apportionment Bill" rather than a part of the "Budget Bill." The \$41.4 million increase consists almost entirely of normal average daily attendance (ADA) growth; i.e., 190,089 additional ADA @ \$201.10 per ADA as prescribed by Chapter 1251, Statutes 1959, plus growth in other items outside the allowance, notably automobile driver training.

In addition to this growth, it is anticipated that the Department of Education, with the approval of the State Board of Education, will request an additional \$61 million in new services for 1961-62.

In the face of the rapid increase in school enrollments and the anticipated decline in state revenues, it is essential at this session of the Legislature that every dollar expended for the public schools be placed on a priority basis reflecting distribution where the need is greatest, and that increasing emphasis be given to improving the fiscal management of the State School Fund. To accomplish this, we recommend a seven point program covering the following:

#### Improved Fiscal Policy and Management

- I. The Handling of Surpluses and Deficits in the State School Fund
- II. A Plan for California School Finance Using a County-wide Tax Base

#### Emphasis on Fundamental Needs

- III. Basic Aid and Equalization Aid
- IV. Minimum Adequate Foundation Program
- V. Teaching Personnel and Administrative Personnel
- VI. County School Service Fund
- VII. Allowance for Transportation

#### I. The Handling of Surpluses and Deficits in the State School Fund

##### A. Constitutional Requirement

The State School Fund contains school apportionment funds for all purposes which are computed by multiplying by \$201.10, the units of ADA during the previous year. However, allowances for driver training and project connected pupils represent exact amounts based upon actual need. The Constitution provides that all of the State School Fund be apportioned each fiscal year and that no more than its total may be apportioned.

##### B. Current Practice

The allowances from the State School Fund to each district are computed using formulas contained in the law, the values of the factors of which (such as ADA, assessed valuation, or expenses of the district) are not then known. Thus, at the time the formula "funds" are established, there is no assurance that the right amount of money has been

## Apportionments for Public Schools—Continued

provided in each of the "funds" to meet the limits of support established by the formulas. If a computation for a particular purpose is made and the requirements of the computation are greater than the "fund" established for that purpose, a "deficit" is said to exist and a "deficit" factor is applied to the apportionment to keep it within the appropriation. However, if the requirements of the computation are less than the "fund," a "surplus" is said to exist, and the amount of the surplus is available for added apportionment. The surpluses are distributed to meet the requirements of any purpose in which a deficit occurred and are applied to those purposes for the following seven areas in the order listed:

1. Deficits in equalization aid at three levels (Principal Apportionment).
2. Deficits in First Period Apportionment for Growth.
3. Deficits in Second Period Apportionment for Growth.
4. Deficits in apportionments for transportation of physically handicapped and severely mentally retarded; excess expense allowances for mentally retarded; and excess expense allowances for severely mentally retarded (Special Purpose Apportionment).
5. Deficits in apportionments for transportation aid (Special Purpose Apportionment).
6. Additional state aid to all school districts not to exceed \$5 per unit of ADA.
7. Additional equalization aid to school districts receiving equalization aid in the Principal Apportionment.

The surpluses and deficits of the past six years are shown in Table I.

Table I—Deficits and Surpluses, State School Fund

Year	State School Fund allowance	Surplus	Deficit	Percent of surplus or deficit
1959-60	\$637,949,938	—	\$11,414,924	—1.78
1958-59	574,946,207	\$10,422,578	—	+1.81
1957-58	534,251,328	—	2,230,144	— .42
1956-57	460,995,369	3,513,429	—	+ .76
1955-56	429,727,134	—	2,158,698	— .50
1954-55	398,210,950	—	2,007,726	— .50
Total for 6 years	\$3,036,080,926	—	—\$3,875,485*	— .13

\* Total deficit less surplus. A relatively small amount involved in county school service funds was not analyzed.

## C. Department of Education Proposal

The Department of Education is proposing that an amount of not more than one percent of the closed-end portion of the State School Fund be added to such closed-end appropriation, as needed, to more nearly assure that school districts will receive the amounts intended in the distribution formulas. This would require in 1961-62 that an additional \$7.6 million be made available to the State School Fund for use if needed.

## D. Recommendation

Although we agree that there is need for revision of the law to permit more efficient handling of the so called "surpluses" and "deficits," it appears that the proposal of the Department of Education open-ends

**Apportionments for Public Schools—Continued**

the State-School Fund by guaranteeing more than is in the fund. The effect of this provision would be to guarantee the distribution formulas and nullify the derivation formulas, i.e., the method by which the amount in the State School Fund is computed. Rather than this approach, we believe surpluses should be retained instead of applied as windfalls, and made available to meet any deficits in subsequent years.

At the present time, the constitutional requirement that all moneys appropriated into the State School Fund must be distributed makes it impossible for the General Fund to retain sums in the State School Fund which are surplus of needs as represented by the difference between computed allowances provided by law and actual apportionments made for the public school system in any fiscal year.

We recommend that legislation be enacted to appropriate into the State School Fund only that amount which is required to be appropriated by the Constitution, i.e., \$180 per ADA, with such additional amounts as are made available by the Legislature authorized for expenditure only as required to meet computed allowances. Both the amount appropriated into the State School Fund and that amount appropriated directly from the General Fund under the closed-end appropriation, currently established by the Legislature at \$201.10 per ADA, would be distributed as required in accordance with the various computational allowances. Thus, requirements under the computational allowances would be met first out of the State School Fund and the equivalent of any surplus, after meeting specific deficits in any of the computation allowances, would remain in the General Fund.

We also recommend that legislation be enacted which will provide that not to exceed 1 percent of the prior year's total apportionments, or an amount not greater than the equivalent of a balance of accumulated surpluses derived in previous years after any previously accrued deficits have been met according to the formula, whichever is the lesser, shall be appropriated as required to meet any remaining deficits between computed allowances and actual apportionments.

This recommendation in effect will eliminate surpluses for redistribution beyond formula requirements, will account for accumulated surpluses and make them available for deficits, while limiting in any one year the additional reimbursement to 1 percent of the prior year's apportionment. It will permit the most efficient allocation of the full amount appropriated by the Legislature without creating an open-end appropriation.

**II. A Plan for California School Finance Using a County-wide Tax Base****A. Study of the County-wide Tax Base**

Extensive studies on a plan for California school finance using a county-wide tax base have been conducted by the State Department of Education with the assistance of the "Technical Advisory Committee on Study of Public School Support," composed of school administrators and organizations and a broad strata of nonschool organization representatives and government agencies. This plan will be presented

**Apportionments for Public Schools—Continued**

to the Legislature in detail, with supporting data and material which will show the effect it has upon state support of schools, equalization aid, and tax rates county by county and district by district for the entire State.

**B. The Problem**

The artificial boundaries resulting from the 1,686 separate school districts in California have created islands of relative wealth and poverty in practically all areas of the State. Past attempts to correct this have been opposed because the plans advanced have upset the long established and reaffirmed principle of local control of the California public school system.

The plan under consideration attempts to accomplish intracounty equalization of school tax resources, and at the same time, it accomplishes intercounty equalization of such resources without taking state funds from any district. Further, it does not affect local control, but separates the fiscal aspects from those of an organizational nature without altering the local prerogatives. This point will be discussed further in this report.

These disparities in the wealth of the various districts are most evident when, for example, it is considered that an elementary student in Del Paso Heights (Sacramento County) has \$2,142 assessed valuation behind him, while an elementary student in Indian Springs (Shasta County) has \$803,840 assessed valuation for support. The ratio of low wealth to the high wealth would be 1:375. If the wealth within each county were equalized, but still retained within that particular county, the assessed valuation behind the Del Paso Heights student would be increased to \$5,566 and the wealth for the Indian Springs elementary student would be spread among other Shasta County elementary students so that each one in the county would represent an assessed valuation of \$10,360. The above low to high wealth ratio of 1:375 therefore would be reduced to 1:2.

**C. The Plan in Summary**

1. School taxes currently are levied on a school district basis and the qualifying tax rate used in computation of equalization aid is 60 cents on each \$100 of assessed valuation at the elementary level and 50 cents on each \$100 of assessed valuation at the high school level.

2. The tax that would be levied under the county-wide tax base plan would be a mandatory tax rate of 60 cents on each \$100 of assessed valuation for elementary school districts and a rate of 50 cents on each \$100 of assessed valuation for high school districts.

3. The maximum statutory or voted tax rates would be reduced by the rate of the county-wide tax levied. However, when the amount of county tax allocated to a district is less than the amount that the applicable rate (the 60-cent tax and 50-cent tax) would raise in the district, the maximum statutory or voted tax rate limit could be reduced by the tax rate that would raise the amount of the allocation.

## Apportionments for Public Schools—Continued

4. The county funds would be allocated in equal amounts for each weighted<sup>1</sup> unit of ADA to the school district of the county.

5. There would be a county-wide foundation program which would consist of the sum of the regular foundation programs of all the districts of the county.

6. County-wide aid to support the county-wide foundation program would be an amount equal to that which could be raised by levying a tax on 100 percent of the assessed valuation of the county during the preceding year, if the tax levied were 60 cents for elementary purposes and 50 cents for high school purposes.

7. The difference between the county-wide foundation program and the sum of basic aid (\$125 per ADA) plus county-wide aid would be known as "State equalization aid."

8. "Additional equalization aid" would be allocated to each district eligible therefor so that the total of equalization aid allocated would not be less than would have been allocated on the basis of the alternate foundation program and computational tax rates applied to the assessed valuation of the district.

## D. Graphic Example

A graphic example of the difference between the operation of the existing school apportionment foundation programs under: (A) the current program and (B) the proposed county-wide tax base plan is shown on Chart I for the three segments of elementary schools with 901 ADA and over: (1) a low wealth district on the alternate program, (2) a middle wealth district on the regular program, and (3) a high wealth district which would receive only basic aid.

The heart of the difference between the current program in No. A1 and the county-wide tax base plan is shown in the example of No. B1 (a low wealth district of \$4,000 AV/ADA on the alternate program which is located in an equalization county of \$14,000 AV/ADA). In No. B1 the district receives: \$125 in state basic aid; \$84 in county aid [ $\$14,000 \times .0060$ ]; \$25 in state equalization aid for the county [ $\$234 - (\$125 + \$84)$ ]; \$45 in additional state equalization aid to bring the district up to the district's alternate foundation program level of \$309, if \$30 in district aid which may be raised by the level of 75 cents above the 60-cent county-wide tax is levied.

It is significant to note that although the \$20,000 high wealth district (No. B3) would receive equalization under the proposed plan because it is in an equalization county, it is one of the districts which, because of its high wealth, is actually contributing proportionately more to the poor districts within the county, such as district No. B1 which has the low wealth of \$4,000 assessed valuation per average daily attendance. In this example, a \$20,000 AV/ADA high wealth district under No. B3 would raise \$120 with the 60-cent county-wide tax but would receive

<sup>1</sup> "Weighted average daily attendance" means weighing the average daily attendance for necessary small schools, elementary schools with an average daily attendance of less than 901 ADA, and high schools with less than 301 ADA, so that the weighted average daily attendance multiplied by the regular foundation program for larger districts is equal to the foundation program specified for the small district. This procedure is the same as is currently followed.

## Subventions

## Continuing Appropriations

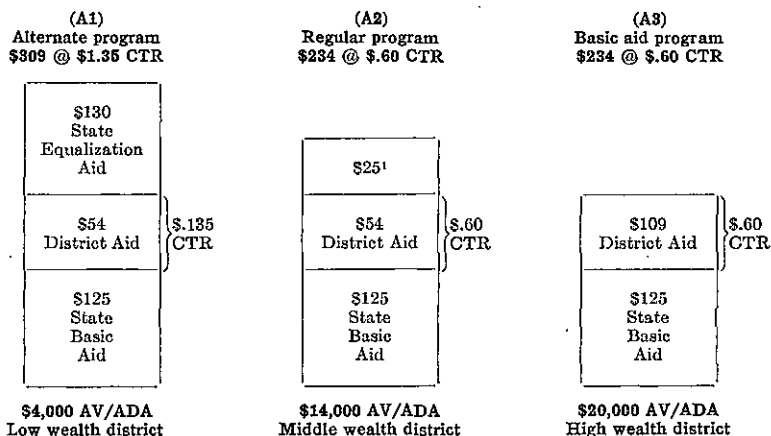
### Apportionments for Public Schools—Continued

only \$84 back in county aid which is a loss of \$36. Since it would receive \$25 in state equalization aid, the net loss to the district would be \$11. It is this \$11 which would be used for county aid in the poor districts within the county such as B1.

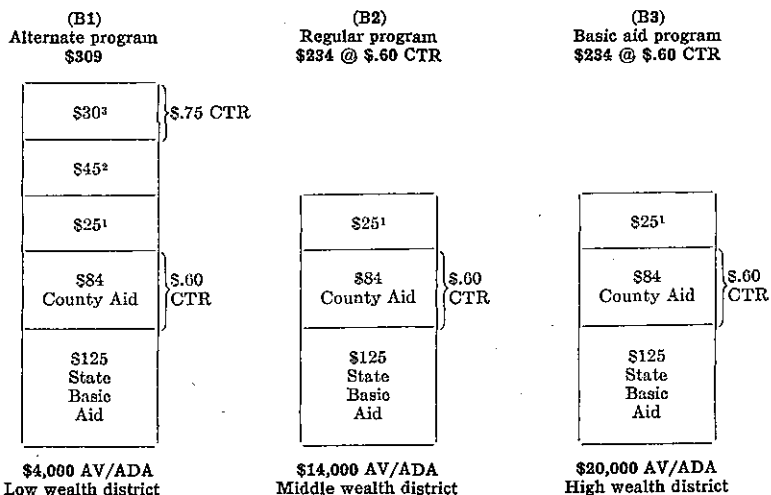
**Chart I—Composition of the Foundation Programs and Effect of County-wide Tax Base Plan**

(Elementary Schools of 901 and Over ADA)

#### A. CURRENT PROGRAM



#### B. PROGRAM USING THE COUNTY-WIDE TAX BASE (Example of an Equalization County with \$14,000 AV/ADA)



AV=Assessed valuation

ADA=Average daily attendance

CTR=Computational tax rate

<sup>1</sup> State Equalization Aid

<sup>2</sup> Additional State Equalization Aid

<sup>3</sup> District Aid

## Apportionments for Public Schools—Continued

## E. Department of Education Proposal

It has been proposed that this freed equalization aid be used to augment the foundation program at each level, and it is estimated that approximately \$5 could be added to the elementary foundation program and \$16 to the high school foundation program at no additional cost to the State.

As shown in Table II below, the number of districts at the elementary level that would benefit would be increased by 21 (representing 10,008 ADA); and at the high school level, 17 additional districts (representing 45,387 ADA) would benefit. In terms of ADA, the percentage benefited would be increased from 90.3 percent to 90.9 percent at the elementary level and from 62.6 percent to 68.9 percent at the high school level. Not only is the increase in the number of equalization districts desirable, but it should be pointed out that, in addition, 90.9 percent of the State's elementary ADA and 68.9 percent of the State's high school ADA would be directly benefited by this plan.

Table II—Effect of the County-wide Tax Base Plan on Equalization Aid Districts and Basic Aid Districts

	<i>Districts on equalization aid</i>		<i>Districts on basic aid</i>	
	<i>County-wide</i>	<i>plan</i>	<i>County-wide</i>	<i>plan</i>
	<i>Currently</i>		<i>Currently</i>	
<i>Elementary</i>				
Number of districts -----	1,060	1,081	437	416
Number of ADA -----	2,030,278	2,040,286	214,964	204,956
Percent of ADA -----	90.3%	90.9%	9.7%	9.1%
<i>High School</i>				
Number of districts -----	245	262	87	70
Number of ADA -----	447,471	492,858	267,533	222,146
Percent of ADA -----	62.6%	68.9%	37.4%	31.1%

Although a vast majority of the ADA in the State benefit from this proposal, it should be pointed out that the total ADA of the State will not directly benefit from it. The utilization of all the tax resources on the county-wide tax base plan places many wealthy basic aid districts in a less favorable position; in these cases, which represent a small proportion of the total number of districts, it would be necessary for the districts receiving only basic aid to increase taxes above present levels to maintain the same program.<sup>1</sup> Table II shows there are 437 such basic aid districts at the elementary level; however, this represents only 9.7 percent of the total elementary ADA. There are 87 such basic aid districts at the high school level which represent 37.4 percent of the total high school ADA.

In order to take advantage of the benefits of the "pockets of wealth" in some districts, which free the \$21 million in equalization funds, and in turn expand the percentage of the total school fund going to equalization and the percentage of the total ADA receiving equalization aid, the State Department of Education has seen fit to request an increase in the total foundation program. They are also requesting the increase on the basis of increased school costs. These two elements will

<sup>1</sup> An existing county-wide district such as San Francisco would not be required to increase taxes.

## Subventions

## Continuing Appropriations

### Apportionments for Public Schools—Continued

be submitted as a package request. This additional request would have the effect of minimizing the losses to the basic aid districts and should make the plan more acceptable to all districts. Assessment of what should be the appropriate level for the total request is not within the scope of this report; however, the total request is mentioned here so as to make it clear that the proposal before the Legislature will be presented as a package as shown in Table III.

Table III—Equalization Aid Freed by the County-wide Tax Base Plan and Additional Request for Raise in Foundation Program

	<i>Regular Foundation Program</i>	<i>Alternate Foundation Program</i>
Elementary ----- (901 ADA and over)		(901 ADA and over)
Present Foundation Program -----	\$234	\$309
Equalization Freed -----	5	5
Total Foundation Program		
with County-wide Tax Base -----	239	314
Additional Request -----	10	10
Proposed Total Foundation Program -----	249	324
High School ----- (301 ADA and over)		(301 ADA and over)
Present Foundation Program -----	324	404
Equalization Freed -----	16	16
Total Foundation Program		
with County-wide Tax Base -----	340	420
Additional Request -----	10	10
Proposed Total Foundation Program -----	350	430

### F. Recommendation

The plan for California school finance using a county-wide tax base does not affect the existing organizational structure of California schools nor the local control exercised at the district level. Instead, the plan deals only with the financial aspects of securing better equalization; first, within counties, and second, within the entire state structure. In this respect it reduces the importance of financial considerations as one of the elements of district reorganization so that those decisions can be made largely on the basis of curricula, geography and local desires.

The funds secured by a more uniform use of tax resources within a county would not leave that county but would be distributed within the county. This in turn would release state equalization money in nearly all counties to be redistributed in each county according to need. Approximately \$21 million of equalization aid would have been freed in this manner in 1959-60 to be made available for distribution to the appropriate districts at the level secured; i.e., \$11,415,434 at the elementary level and \$9,504,762 at the high school level. It is estimated that approximately the same amount would be freed in 1960-61.

We recommend that the Legislature examine this plan closely and consider it on the merits of both an improved educational program and a more equitable employment of existing unused taxable wealth.

## Apportionments for Public Schools—Continued

## III. Basic Aid and Equalization Aid

## A. Wide Range of Costs

The Constitution guarantees a flat grant of \$120 per unit of ADA regardless of the wealth of the district. If a primary objective of state public school support is greater equalization, then it appears that the amount of basic aid should be kept at a minimum allowing greater amounts for equalization. It seems that this objective is disregarded when one considers that in the principal apportionment for 1960-61 a total of \$419,276,750 (61.7 percent) went for basic aid, and only \$161,856,458 (23.8 percent) went for equalization. The remaining 14.5 percent was used for special education and apportionments for growth.

Although the guarantee of \$120 remains in the Constitution, the 1957 Legislature raised the amount of basic aid to \$125 per ADA regardless of the wealth of a district or the amount the district is spending on its cost of current education. Table IV shows the average cost of current education in districts of different levels and sizes and the extreme range of costs from highest to lowest. For example, while in 1958-59 the Oil King District in Fresno County could spend \$800.99 per student, a district of comparable size, Piner in Sonoma County, could spend only \$225.63. This is poor equalization; moreover, in supplying the \$125 basic aid per ADA toward the education of students in the \$800 cost district, the State, in this instance, is encouraging unnecessary spending and is failing to provide the child in the \$225 cost district any semblance of an equal educational opportunity. The same considerations are even more graphic in the high school districts shown in Table IV.

## B. Recommendation

The Department of Education has attempted to justify the need for a higher foundation program on the ground that the costs of certain districts and state-wide average costs are above foundation program costs. However, as shown in the above example, the greatest inefficiency in allocation of funds is reflected in the relation of the extremely high-cost school to the low-cost school, or even to the \$341 state-wide average cost per pupil of other districts of the same size, or to the average per pupil cost of all elementary schools in the State (\$326). To partially correct this disparity, we recommend that no district be given the \$5 amount above the constitutional \$120 basic aid minimum if the cost of current expense per ADA exceeds, for example, the following amounts:

Elementary .....	\$400
High School .....	600
Junior College .....	700

The effect of this proposal would be to reduce by \$5, state support for the districts which have high assessed valuation per ADA and have excessively high costs. Districts which are poor but have high costs would not be affected as any reduction in basic aid would actually be reapportioned as equalization aid to keep the districts at the foundation program level of support. In other words, the gross savings calculated by the \$5 reduction in basic aid for ADA would be reduced considerably, because a large proportion of the savings would be returned to the districts in the form of equalization aid. The extent of the net reduction

## Subventions

## Continuing Appropriations

### Apportionments for Public Schools—Continued

will have to be calculated by the Department of Education as each district is affected in a different manner.

In respect to the proposed county-wide basis of financing public school support, we also suggest establishment of a maximum expenditure ceiling expressed as a certain dollar amount per pupil above the foundation program. This would control excessive expenditure programs in districts which have unusually high assessed valuation per pupil and establish a proper balance between the interest of taxpayers and legitimate school needs. If a floor is to be established on tax effort in order to reach relatively rich districts, it seems appropriate that a dollar ceiling might also be established to provide fiscal balance in the unusual situation created by the geographical location of exceptional amounts of wealth in relation to school population.

Table IV—Total Current Expense of Education 1958-59

#### Elementary School Districts

*Average Cost of Current Education \$326.28 per Average*

*Daily Attendance for Elementary School Districts*

<i>Number of districts</i>	<i>ADA range</i>	<i>Average current cost per ADA for range</i>	<i>Highest and lowest school district cost per ADA</i>
667	1- 150	\$412.94	
	20- 29	512.75	
	10- 19	566.38	
	1- 9	940.80	
35	150- 174	341.55	Oil King (Fresno) ..... \$800.99
29	175- 199	351.89	Piner (Sonoma) ..... 225.63
62	200- 249	342.21	Castaic (Los Angeles) ..... 767.73
53	250- 299	325.29	Etna (Siskiyou) ..... 269.40
43	300- 349	306.66	Midway (Kern) ..... 707.20
37	350- 399	340.91	Centerville (Fresno) ..... 210.26
56	400- 499	309.11	Cuyama (Santa Barbara) ..... 858.20
44	500- 599	300.75	New Haven (San Joaquin) ..... 232.85
59	600- 799	313.98	El Tejon (Kern) ..... 537.96
41	800- 999	306.46	Brittan (Sutter) ..... 240.96
68	1,000-1,499	315.82	Lakeside (Kern) ..... 696.34
36	1,500-1,999	330.89	Luther Burbank (Santa Clara) ..... 249.44
56	2,000-2,999	324.83	Mill Union (Ventura) ..... 469.09
60	3,000-4,999	315.59	Oceano (San Luis Obispo) ..... 247.53
54	5,000 and over	329.16	Avenue (Ventura) ..... 491.06
			Woodville (Tulare) ..... 237.70
			Seal Beach (Orange) ..... 444.64
			Sylvan Union (Stanislaus) ..... 243.54
			Reef-Sunset Union (Kings) ..... 607.55
			Corning (Tehama) ..... 238.97
			Huntington Beach (Orange) ..... 512.44
			Bellevue (Sonoma) ..... 244.48
			Coalinga-Huron (Fresno) ..... 577.85
			Centerville (Alameda) ..... 272.51
			Taft (Kern) ..... 535.15
			Sylvan (Sacramento) ..... 252.38
			San Buenaventura (Ventura) ..... 406.57
			Magnolia (Orange) ..... 249.49
			Pasadena (Los Angeles) ..... 407.53
			Anaheim (Orange) ..... 276.99

# Continuing Appropriations

# Subventions

## Apportionments for Public Schools—Continued

Table IV—Total Current Expense of Education 1958-59—Continued

### High School Districts

*Average Cost of Current Education \$490.46 per Average*

*Daily Attendance for High School Districts*

<i>Number of districts</i>	<i>ADA range</i>	<i>Average current cost per ADA for range</i>	<i>Highest and lowest school district cost per ADA</i>	
9	1- 99	\$922.44	Raymond Granite (Madera)-----	\$1,919.21
			Surprise Valley (Modoc)-----	763.10
23	100- 199	712.07	Julian (San Diego County)-----	1,033.04
			Etna (Siskiyou)-----	556.88
14	200- 299	592.33	Moorpark Memorial Union (Ventura)-----	769.26
			Laton Joint Union (Fresno)-----	464.03
15	300- 399	533.30	Rio Vista Joint Union (Solano)---	853.91
			Live Oak Union (Sutter)-----	378.65
28	400- 599	598.09	Sierra Joint Union (Fresno)-----	1,209.41
			Calexico Union (Imperial)-----	447.34
33	600- 999	514.52	Wasco Union (Kern)-----	704.87
			Nordhoff Union (Ventura)-----	390.54
60	1,000-2,999	501.46	Taft Union (Kern)-----	964.39
			Lompoc Union (Santa Barbara)---	375.65
47	3,000 and over	480.89	Ventura Union (Ventura)-----	623.61
			Sweetwater Union (San Diego)---	357.46

### Unified School Districts

*Average Cost of Current Education \$395.61 per Average*

*Daily Attendance for Unified School Districts*

<i>Number of districts</i>	<i>ADA range</i>	<i>Average current cost per ADA for range</i>	<i>Highest and lowest school district cost per ADA</i>	
12(K-14)	3,394-99,599	\$390.20	Santa Monica City (Los Angeles)---	\$443.49
			Fresno City (Fresno)-----	325.86
90(K-12)	194-26,081	403.65	Maricopa (Kern)-----	842.80
			Lincoln (San Joaquin)-----	295.18
1(1-12)	67	831.82	Death Valley (Inyo)-----	831.82

### Junior College School Districts

<i>Number of districts</i>	<i>ADA range</i>	<i>Average current cost per ADA for range</i>	<i>Highest and lowest school district cost per ADA</i>	
28		\$520.52	Foothill (Santa Clara)-----	\$963.83
			Orange Coast (Orange)-----	435.81

## IV. Minimum Adequate Foundation Program

### A. The Foundation Program Concept

State support of the public schools through basic and equalization aid is founded on the concept of a foundation program. The State apportions basic aid of \$125 per ADA; the districts contribute as district aid an amount based on various computational taxes; the State then apportions sufficient equalization aid to bring the total support to the foundation program levels; and finally, if additional funds are desired the districts can levy taxes up to maximum statutory levels to secure these additional amounts. No determination has ever been made of the total portion of the overall educational program, nor the portion of the total current expense of education, which should be supported through the foundation programs.

**Apportionments for Public Schools—Continued**

At the present time, the foundation programs proposed are based on statewide average expenditures. If the Legislature subscribes to the concept that the State should provide a minimum adequate educational program, and that it is the prerogative of the individual districts to provide services above this level if they wish, it follows that the statewide average expenditure will be higher than that necessary for a minimum adequate educational program. Each year, many districts have pointed out that their costs are above the average costs and that, therefore, the state support should be increased to the average. It seems evident that this can lead only to continual increases in state support without regard to need or educational adequacy.

**B. Percent of Current Expense Accounted for by Foundation Program Support**

The Department of Education points out that about 93 percent of the total current expense of education of the elementary districts is subject to or dependent upon foundation program support and that the remainder of these current expenses are supported through other special state apportionments and permissive override taxes. They estimate that the total current expense for elementary districts in 1961-62 will be about \$374 per unit of ADA, and that about \$349 (93 percent) will be accounted for by foundation program support.

Also, approximately 85 percent of the total current expense of high school districts is subject to or dependent upon foundation program support. Other expenses are supported through special purpose apportionments and through permissive override taxes. The average current expense for high school districts in 1961-62 is estimated to be about \$560 per unit of ADA. Eighty-five percent of this amount, or \$476, is accounted for by foundation program support.

**C. Department of Education Proposal**

The Department of Education recommends that the regular foundation program for elementary schools be increased by \$15 to \$249; for high schools, by \$26 to \$350. This increase consists of \$5 at the elementary school level and \$16 at the high school level, totaling about \$21 million, made possible through adoption of the county-wide system of public school support. An additional \$10 in new state funds at each foundation program level is proposed at an approximate cost of \$39 million.

**D. Studies of High-cost Schools**

The Department of Education has studied the staffing patterns, ratios and standards for the various services, and on the basis of the opinion and judgment of experienced professional persons, believes the foundation programs should be raised. Various studies of the appropriate level for the public school foundation program have been made and all have dealt with the components of relatively high-cost districts. The inevitable conclusion has been that since these costs are higher than the foundation programs, the foundation programs should be raised.

## Apportionments for Public Schools—Continued

## E. Study of Low-cost Schools

Although by an equally subjective approach, we have attempted to look at the opposite side of the coin and see what it is that makes relatively low-cost schools less expensive to operate.

The extreme range of the current cost of education is shown in Table IV in the preceding section. In answer to the question as to how some schools are able to operate at such comparatively low costs, as appeared in the lower ranges, we selected 10 low-cost high school districts and 10 low-cost elementary school districts and inquired into the 1958-59 per ADA total current expense figures for each of these districts. The 10 high school districts were of various sizes (from 387 ADA to 10,423) as were the 10 low-cost elementary districts (from 171 ADA to 4,613). Each elementary and high school district represented one of the 10 statistical areas of the State. We cannot claim that the educational product of these schools is either good or bad because of the many intangible factors of qualitative evaluation which enter into this analysis. However, we can state that in most instances the secondary schools were screened to the extent that they were either "award of merit" high schools or had graduates, who as freshman students in their college work had achieved satisfactory grade averages at two leading California universities. No criteria could be employed to give an indication of the quality of graduates pursuing vocational curricula.

Tables V and VI show expenditures per ADA for the total current expense of education and for each of the nine accounting components of that cost.

Also shown in parentheses are the average costs for these components of total current expense for districts of comparable size. It can be seen that, in nearly every case, the cost of the sample districts are substantially below the representative averages in all the categories listed. The table further shows the pupil-teacher ratios and the ratios of nonteaching certificated personnel to certificated classroom teachers for the 20 schools.

Although this examination of low-cost schools does not attempt to prove that specific low costs are the correct costs to be applied to foundation programs, it does show that some schools are able to maintain relatively low costs in relation to averages with no measurable loss.

## F. Elementary Schools

To what extent are the 10 elementary schools comparable and what conclusions can be drawn from the statistics in Table V?

1. These districts are all relatively low in cost of current expense per average daily attendance. Actually, they represent approximately the lowest cost elementary schools in each of the 10 statistical areas of the State.

2. They range in size from 171 ADA to 4,613.

3. The range in assessed valuation behind each student is from \$3,348 assessed valuation per ADA to \$11,130 as compared with the overall statewide average of approximately \$11,738 for elementary school districts.

Table V—Elementary School Districts—Representing Each Statistical Area, Reporting  
Low per A.D.A. Costs and Low Assessed Valuation per A.D.A. for 1958-59

School: County:	Rio Dell (Humboldt)	Corning Un. (Tehama)	Loomis Un. (Placer)	Bellevue Un. (Sonoma)	Sunnyside (S.L.O.)	Centerville Un. (Fresno)	Saticoy (Ventura)	Magnolia (Orange)	South Bay Un. (San Diego)	El Centro (Imperial)
A.D.A. -----	606	809	642	1,007	171	223	466	4,613	3,385	3,200
Assessed valuation -----	\$2,337,120	\$6,318,212	\$4,471,345	\$6,193,950	\$1,480,500	\$1,904,980	\$6,299,400	\$25,398,570	\$13,662,740	\$19,408,422
Assessed valuation per A.D.A. -----	3,857	7,810	7,385	4,979	6,983	8,543	11,130	4,731	3,348	6,065
Total current expense of education -----	160,023	193,325	156,706	240,196	43,772	46,888	131,165	1,150,894	873,850	855,403
Total current expense per A.D.A. -----	264.06 (313.98)	238.97 (306.46)	244.09 (313.98)	244.48 (315.82)	255.98 (341.55)	210.26 (342.21)	281.47 (309.11)	249.49 (315.59)	258.15 (315.59)	267.31 (315.59)
Administration -----	8.79	11.50	21.19	4.45	3.67	6.16	19.05	12.77	13.30	5.78
(Size group average) -----	(16.69)	(15.87)	(16.69)	(18.74)	(11.97)	(22.36)	(17.71)	(14.59)	(14.59)	(14.59)
Certificated personnel -----	190.09	165.53	153.98	164.81	193.86	110.67	178.85	170.25	171.37	207.77
(Size group average) -----	(201.61)	(202.60)	(201.61)	(209.08)	(211.01)	(210.47)	(197.93)	(213.52)	(213.52)	(213.52)
Noncertificated personnel -----	3.63	-----	7.72	-----	.44	-----	5.71	7.92	11.20	3.35
(Size group average) -----	(4.78)	(4.98)	(4.78)	(6.52)	(1.74)	(2.80)	(4.69)	(8.45)	(8.45)	(8.45)
Other expenses of instruction -----	10.89	10.63	6.98	8.85	17.94	11.65	10.58	7.69	8.99	7.77
(Size group average) -----	(13.21)	(13.14)	(13.21)	(14.12)	(15.85)	(14.92)	(12.58)	(12.12)	(12.12)	(12.12)
Auxiliary services -----	-----	6.23	.06	6.32	.05	.15	4.88	6.17	4.72	2.73
(Size group average) -----	(3.39)	(5.04)	(3.39)	(5.08)	(2.25)	(1.33)	(2.46)	(6.68)	(6.68)	(6.68)
Operation of plant -----	22.70	20.22	23.98	21.67	20.75	34.80	25.26	29.65	26.87	21.73
(Size group average) -----	(20.92)	(20.97)	(20.92)	(30.88)	(40.13)	(35.51)	(30.44)	(30.91)	(30.91)	(30.91)
Maintenance of plant -----	7.84	2.37	6.84	2.98	1.82	10.54	10.57	4.13	8.87	9.74
(Size group average) -----	(10.69)	(7.94)	(10.69)	(9.78)	(9.49)	(9.13)	(7.40)	(10.09)	(10.09)	(10.09)
Fixed charges -----	9.72	11.07	9.98	11.33	8.81	9.72	15.24	7.49	8.34	8.44
(Size group average) -----	(13.44)	(12.65)	(13.44)	(12.70)	(17.85)	(17.43)	(14.20)	(11.00)	(11.00)	(11.00)
Transportation -----	1.40	11.42	21.10	16.37	3.64	26.56	11.34	3.42	4.49	-----
(Size group average) -----	(20.25)	(14.28)	(20.25)	(13.91)	(31.27)	(23.26)	(21.71)	(8.22)	(8.22)	(8.22)
Ratio of nonteaching certificated personnel to certificated classroom teachers -----	1:21	1:3.3	1:17.5	1:8.0	1:6	1:7.5	1:15	1:9.8	1:11.9	1:16
Pupil:Teacher ratio -----	29.1:1	34.1:1	36.6:1	28.5:1	32.1:1	32.7:1	35.3:1	36.1:1	36.1:1	29.1:1

Table VI—High School Districts—Representing Each Statistical Area, Reporting Low  
per A.D.A. Costs and Low Assessed Valuation per A.D.A. for 1958-59

School: County:	Arcata (Humboldt)	Chico City (Butte)	Lincoln Un. (Placer)	Healdsburg (Sonoma)	Santa Cruz (Santa Cruz)	Manteca Un. (San Joaquin)	Lompoc (Santa Barbara)	Garden Grove Un. (Orange)	Sweetwater (San Diego)	Colton (San Bernardino)
A.D.A. -----	1,591	3,084	367	1,195	2,749	1,093	1,303	4,324	10,423	1,964
Assessed valuation -----	\$34,790,635	\$45,912,615	\$10,027,655	\$21,318,410	\$73,047,288	\$28,220,960	\$17,925,056	\$88,380,080	\$116,916,360	\$48,405,220
Assessed valuation per A.D.A. -----	21,978	23,691	27,624	27,472	40,402	25,938	25,318	21,068	19,373	24,785
Total current expense of education -----	676,218	1,184,287	156,106	494,977	1,222,885	419,478	489,477	1,627,290	3,725,769	819,681
Total current expense per A.D.A. -----	425.03 (501.46)	384.01 (480.89)	425.36 (533.30)	414.21 (501.46)	444.85 (501.46)	383.79 (501.46)	375.65 (501.46)	376.34 (480.89)	357.46 (480.89)	417.35 (501.46)
Administration -----	18.26	10.10	22.50	10.88	15.41	9.45	11.49	13.49	13.21	14.54
(Size group average) -----	(19.38)	(17.82)	(32.36)	(19.38)	(19.38)	(19.38)	(19.38)	(17.82)	(17.82)	(19.38)
Certificated salaries -----	274.84	249.73	250.80	253.97	276.01	250.75	228.98	248.10	229.81	270.67
(Size group average) -----	(304.71)	(301.32)	(295.08)	(304.71)	(304.71)	(304.71)	(304.71)	(301.32)	(301.32)	(304.71)
Noncertificated salaries -----	8.64	9.30	6.71	16.30	10.65	10.98	5.87	11.13	14.03	10.62
(Size group average) -----	(13.43)	(19.27)	(7.02)	(13.43)	(13.43)	(13.43)	(13.43)	(19.27)	(19.27)	(13.43)
Other expenses of instruction -----	30.76	19.70	26.91	21.43	24.33	24.36	22.63	21.97	24.63	18.57
(Size group average) -----	(31.07)	(23.33)	(30.32)	(31.07)	(31.07)	(31.07)	(31.07)	(23.33)	(23.33)	(31.07)
Auxiliary services -----	8.65	8.36	.26	5.50	11.06	-----	5.46	5.81	6.21	11.75
(Size group average) -----	(9.59)	(11.86)	(4.12)	(9.59)	(9.59)	(9.59)	(9.59)	(11.86)	(11.86)	(9.59)
Operation of plant -----	29.11	40.36	53.23	38.00	45.31	36.27	32.24	35.74	32.02	35.03
(Size group average) -----	(53.93)	(46.73)	(63.40)	(53.93)	(53.93)	(53.93)	(53.93)	(46.73)	(46.73)	(53.93)
Maintenance of plant -----	14.70	17.04	13.64	9.86	22.47	15.59	23.45	11.08	12.69	19.79
(Size group average) -----	(20.84)	(24.70)	(28.15)	(20.84)	(20.84)	(20.84)	(20.84)	(24.70)	(24.70)	(20.84)
Fixed charges -----	18.60	18.46	24.05	21.79	24.05	20.28	23.10	16.07	13.68	18.68
(Size group average) -----	(24.12)	(25.60)	(28.53)	(24.12)	(24.12)	(24.12)	(24.12)	(25.60)	(25.60)	(24.12)
Transportation -----	26.47	10.87	27.17	31.46	15.57	16.10	22.34	12.96	11.17	8.70
(Size group average) -----	(24.38)	(10.26)	(35.32)	(24.38)	(24.38)	(24.38)	(24.38)	(10.26)	(10.26)	(24.38)
Ratio of nonteaching certificated personnel to certificated classroom teachers -----	1:3.4	1:6.8	1:17.5	1:9.8	1:6	1:22.5	1:20	1:3.2	1:10.3	1:3.3
Pupil: Teacher ratio -----	24.5:1	26.7:1	21.4:1	24.2:1	25.1:1	25:1	24.4:1	27.1:1	27.4:1	26.9:1

**Apportionments for Public Schools—Continued**

4. The range in pupil-teacher ratio is surprisingly close, from 36.6:1 to 28.5:1. The statewide average for all elementary classes is 32.1:1.

5. The ratio of nonteaching certificated personnel to certificated classroom teachers is highly divergent (from 1:6 to 1:21); so it appears that even among low-cost districts there is a great range in this factor.

6. Although these schools were, by selection, universally low in total current expense, there were several areas where costs were shown as higher than the average for the size group, shown in parentheses below the cost figures for each district. Transportation is a notable example where costs are above average in 3 out of 10 instances.

**G. High Schools**

To what extent are the ten high schools comparable and what conclusions can be drawn from the statistics in Table VI?

1. The districts are all relatively low in cost of current expense per average daily attendance. Actually, they represent approximately the lowest cost high schools in each of the ten statistical areas of the State.

2. They range in size from 387 ADA to 10,423.

3. The range in assessed valuation behind each student is from \$19,373 assessed valuation per average daily attendance to \$27,624, with the exception of one district at \$40,420, as compared with the over-all state-wide average of approximately \$26,050 for high school districts.

4. The range in pupil-teacher ratio is close, from 27.4:1 to 21.4:1. The state-wide average for all high school classes is 18.1:1.

5. The ratio of nonteaching certificated personnel to certificated classroom teachers is highly divergent (from 1:6 to 1:22.5); so it appears that even among low-cost districts there is a great range in this factor.

6. Although these schools were, by selection, universally low in total current expense, there were several areas where costs were shown as higher than the average for the size group, shown in parentheses below the cost figures for each district. Transportation is a notable example where costs are above average in four out of ten instances.

**V. Teaching Personnel and Administrative Personnel****A. The Problem**

A criticism of the public schools which has been made in recent years is that the numbers of personnel engaged in administration have been increasing proportionately faster than the numbers of classroom teachers. In the following paragraphs, we present measures of the relative growth of the administrative versus the teaching function in terms of numbers and ratios of personnel, median salaries and total expenditures for administration.

**B. Numbers of Personnel and Personnel Ratios**

The Senate Special Committee on Governmental Administration in the report entitled *Study on Costs of Classroom Instruction, 1959*, pointed out the problems of accurately identifying total administrative salaries when many administrative positions were included among

## Continuing Appropriations

## Subventions

### Apportionments for Public Schools—Continued

teaching salaries in the "2a" accounting category of "Certificated Salaries of Instruction" of school district budget report form J-41. The Senate report therefore avoided use of the term "administrative" and converted personnel figures to Certificated Personnel Inside the Classroom and Certificated Personnel Outside the Classroom, hereafter referred to as CPIC and CPOC. Although the report acknowledges some reservations on the exact categorization of the statistics recorded for the various years, the numbers and ratios are appropriate for an indication of the trends and the pronounced growth of CPOC in relation to CPIC as follows:

Year	Total certificated personnel	CPIC	CPOC	Ratio CPIC to CPOC	Percent CPOC is of total certificated personnel
1926-27 ----	34,379	32,943	1,436	22.1:1	4.2
1935-36 ----	38,493	36,471	2,022	18.0:1	5.3
1950-51 ----	69,843	61,617	8,226	7.5:1	11.8
1957-58 ----	115,837	101,661	14,176	7.2:1	12.2
1959-60 ----	132,333	116,394	15,939	7.3:1	12.0

The comparable numbers of personnel and the ratio of CPIC to CPOC for 1959-60, the latest data available, are also shown in the above table. Although there has been a great increase in the proportion of CPOC to CPIC in the long run, there has been a negligible shift between ratio for the latest available year and several years immediately prior.

It should be mentioned that a more exact reporting of administrative personnel will be available in the future as the classification entitled "2a Certificated Salaries of Instruction" in the J-41 budget report has been expanded to include:

- 2a1 Principals' salaries
- 2a2 Supervisors' salaries
- 2a2 Teachers' salaries
- 2a4 Other certificated salaries of instruction

### C. Median Salaries

The second factor in measuring administrative costs is contained in median cost salary figures. In 1959-60 the median salary for the 116,394 CPIC, in table above, was \$6,123. In the same year, the median salary for elementary school principals was \$9,759; high school principals, \$11,817; junior college principals, \$13,950. The median salary that year for librarians was \$7,170; psychologists, \$8,223. In fact, all identified nonteaching certificated personnel salary medians were considerably higher than those for full-time classroom teachers.

Special note should be made of the salary level of school district superintendents. In 1960-61 of the 475 superintendents there were 134 who received from \$17,000 to \$29,000, and the superintendent for Los Angeles City Schools received a salary of \$38,000.

### D. Total Expenditures for Administration

The third measure of administrative cost is in terms of total expenditures. As mentioned above, a record of the comparative costs of certi-

**Apportionments for Public Schools—Continued**

cated salaries for classroom teachers and for nonteaching certificated personnel as components of the total expenditure for certificated personnel is not available. However, we present the following figures to give an idea of the magnitude of statewide expenditures for certificated salaries (both CPIC and CPOC) in relation to total expenditures. In 1958-59, the latest year for complete figures, school districts expended \$1,307,307,915. A total of 64 percent of this was expended for salaries of instruction, or \$833,400,251. Of this amount, \$791,516,254 (95 percent) was spent for certificated salaries and \$41,883,997 (5 percent) was spent for noncertificated personnel salaries.

**E. Recommendation**

The exact magnitude of expenditures for administrative salaries cannot easily be measured at present, and it is obvious that this is a cost element which should be examined more critically in the future. Also the present requirement that 65 percent of the foundation program funds must be used for salaries of certificated personnel offers no control over administrative costs either as to numbers, salary levels nor even the proportion of teachers to administrators.

We recommend that in the future the Department of Education compile in one annual report a summary not only of salaries of certificated employees, as at present, but that they include tables of salaries of full-time classroom teachers and nonteaching certificated personnel, and all administrative salaries including noncertificated positions. Consideration should also be given to including, in addition to median salary data, significant ratio data and total salary expenditures so that the three approaches to this problem are co-ordinated.

We also recommend that consideration be given to adding to the requirement that 65 percent of the foundation program funds must be used for salaries of certificated personnel, the further restriction that a given percentage, for example 95 percent, must be used for salaries of classroom teachers.

**VI. County School Service Fund****A. Purpose and Use of the Fund**

The County School Service Fund is established by law to provide for the co-ordination of the educational program as well as certain supervisory, special, and emergency services to school districts under the jurisdiction of the county superintendents of schools. The services provided, designated as "direct" services and "other" services, are described below.

The County School Service Fund provides allocations for the "direct" services of a county superintendent of schools in supervision of instruction, health, attendance, and guidance services. The total amount that may be apportioned is determined by multiplying \$21.50 times the ADA in districts served, and the amount is provided by multiplying the total ADA by \$1.60. The districts served are: (a) Elementary districts under 901 ADA, (b) high school districts under 301 ADA, and (c) unified districts under 1,501 ADA. The money is apportioned by formulas detailed in Title V, and in 1960-61 approximately \$5.4 million was apportioned for these "direct" services.

**Apportionments for Public Schools—Continued**

The other type of services, often designated "other services," includes a large number of miscellaneous functions which the county superintendent of schools, with the approval of the county board of education, may make available to the districts under his jurisdiction, irrespective of size. These services include, among others, co-ordination, which the law defines as constituting "the greatest continuing need to be met through the county school service fund"; preparation of courses of study; audiovisual and library services; teachers' and classified employees' institutes and trustees meetings; advisory services in the maintenance of school buildings and grounds; the processing of special problems relating to credentials; and services to school districts in screening and directing teachers to the schools under the jurisdiction of the county superintendent of schools. The fund is provided by multiplying total ADA by \$3.06, and in 1960-1961 approximately \$10.1 million was apportioned for these "other" services.

Although the amounts apportioned to each county superintendent of schools are contingent upon the Superintendent of Public Instruction's approval of the budget based upon formulas established in Title V of the California Administrative Code, they are designed to accommodate average statewide needs and, with certain restrictions, do not have to be expended exclusively in the budgeted categories. This gives the county superintendents considerable latitude in the use of these funds. It means in effect that state money may be spent for a real need in one county, but may be considered as excess in another county and can be spent for other than budgeted functions according to the desires or emphasis of the county superintendent. It would certainly appear that this is a type of expenditure which, in times of tight fiscal standards, could be reduced or absorbed at the local level.

**B. Department of Education Proposal**

The Department of Education is not proposing an increase in the County School Service Fund at this session. The no-cost adjustments between the two categories of services they recommend are:

1. That the limit on the total amount to be apportioned for direct services of the county superintendent of schools be set at \$23.10 per unit of ADA served, instead of the \$21.50, and that the total amount available be governed by \$1.58 per unit of ADA in all schools and classes, rather than the present \$1.60; and
2. That the limit on the total amount that is reserved in the State School Fund to be apportioned for other purposes of the county superintendent of schools be increased from the present \$3.06 per unit of ADA in all schools and classes to \$3.08.

In effect, the proposal would transfer 2 cents per total ADA from the category of "direct" services to "other" services at no increase in the State School Fund for County School Service Fund purposes. This is based on the fact that there has been a gradual decrease in direct services which has come with the growth and unification of school districts.

**Apportionments for Public Schools—Continued****C. Recommendation**

We recommend that, rather than shift these funds from "direct" to "other" services, the total amount in the County School Service Fund be reduced by this amount since the decreasing use for the "direct" service funds has been demonstrated. If support for "direct" services is dropped from \$1.60 per ADA to \$1.58 per total ADA, \$71,040 could be deducted from the fund.

We further recommend that both areas of service which are included in the County School Service Fund total of approximately \$16.5 million be reduced by \$824,064, or five percent of the total amount calculated for the County School Service Fund, and applied to more critical needs. It is true that the counties may, if they so elect, continue to support these consultative services from local sources. We believe, however, that these state funds should be used to meet the most necessary classroom requirements and allow these less essential "county services" to be expanded or reduced according to local desires. The total of these two amounts recommended for reduction is \$895,104.

**VII. Allowance for Transportation****A. The Formula**

The expenses of a school district incurred for the transportation of pupils between home and school are reimbursable from the State School Fund. The law requires a district to meet from local resources transportation costs equal to the amount that a 2-cent tax rate on 90 percent of the assessed valuation would yield. Of any costs between the 2-cent and 8-cent tax rate bracket, the State pays half, and supports costs in excess of the 8-cent tax rate up to limits based upon vehicle operating expenses. For a unified district operating transportation at two levels, or two districts with identical boards, the district pays the first 3 cents; the State, half between 3 and 12 cents; and the State, all above 12 cents. Under similar circumstances, for districts operating at three levels the district pays the first 4 cents; the State, half between 4 and 16 cents; and the State, all above 16 cents. The transportation fund from which these allocations are made is established by multiplying the total ADA by \$4. In case of a deficit on the first application of the formula, the first tax level is raised by one mill stages until the total amount to be apportioned by the State equals or is less than the amount established in the fund.

**B. Department of Education Proposal**

The Department of Education is recommending that the \$4.00 per ADA currently placed in the State School Fund for reimbursement of pupil transportation be increased to \$4.10 per ADA for an additional cost of \$355,000.

**C. Reimbursements Allowed**

The amount of reimbursement allowed for transportation as determined by formula is only a portion of total home-to-school expense as shown in Table VII. It can be noted from this table that the percent of reimbursement allowed, which was 45.25 percent of the total home-to-school expense in 1956-57, increased to 56.40 percent in 1957-58 and

## Apportionments for Public Schools—Continued

from that time has declined to 53.25 percent. Also the percent of reimbursement allowed was lower from 1953-54 through 1956-57 than it is currently. Therefore, while the total cost of home-to-school transportation increased 31.7 percent from 1956-57 to 1959-60, the reimbursement allowed increased 55 percent from \$8,119,034 to \$12,586,092.

Table VII—Current Expense for Home-to-School Transportation and Amount and Percent of Reimbursement Allowed 1953-54 through 1959-60

<i>Fiscal year</i>	<i>Home-to-school expense</i>	<i>Amount of reimbursement allowed</i>	<i>Percent of reimbursement allowed</i>
1953-54	\$12,396,818	\$6,469,889	52.19
1954-55	14,202,595	7,035,919	49.53
1955-56	15,647,891	7,601,076	48.58
1956-57	17,942,421	8,119,034	45.25
1957-58	19,051,418	10,755,754	56.40
1958-59	21,411,608	11,832,405	55.26
1959-60	23,634,079	12,586,092	53.25

## D. Costs and Control of Costs

As would be expected there are great variations among districts in the transportation costs; they have ranged from \$10 per pupil per year in a district in Alameda County to \$120 per pupil per year in a district in Del Norte County. Or, in terms of per bus per day, from \$10 in San Luis Obispo County to \$77 per bus per day in Modoc County. Many of these cost variations are directly attributable to local conditions and terrain; however, there is ample evidence that other controllable variations are present such as drivers' salaries, bus purchase practices, service and maintenance cost practices, latitude in determination of placement of bus stops in relation of pupils' residences, etc.

Although Section 1280 of Title V spells out minimum distances which are allowable for reimbursement, Section 1296 substantially dilutes the prohibitions and gives increasing latitude to larger districts as described in the following paragraphs.

Section 1280, Title V of the California Administrative Code spells out the minimums for distances traveled by school buses, for the sole purpose of determining the current expense of a district claiming reimbursement. The distances refer to the extent of travel via the shortest traveled road, from where the pupil boards the bus, to the school. The minimums are as follows:

- (a) For kindergarten or grade 1-3 pupils,  $\frac{3}{4}$  mile.
- (b) For all other elementary school pupils, one mile.
- (c) For grades 7, 8 or 9 pupils attending a separately maintained three-year junior high school, one mile.
- (d) For grade 9-12 pupils attending a four-year junior high, a high school, or junior college, two miles.
- (e) For all grade 13 and 14 pupils attending a junior college, three miles.

Section 1296 expands on this formula by stating that if the number which board buses inside the specified minimum boundaries equals or is less than 10 percent of the number of those boarding outside those limits, this number may be included in the district's calculations for

## Apportionments for Public Schools—Continued

reimbursement. If the number boarding within is greater than this figure, the sum of that number that exceeds 10 percent of those transported from beyond the established minimum is subtracted from the district's total normal child transport expenses and from the cost per pupil per year figure for transporting all normal children.

From these sections, it may be concluded that a school district may, in effect, shrink the boundaries established in Title V in proportion to the number of students transported who board outside these minimums and not suffer the loss of reimbursement so long as the ratio determined by 10 percent or less is maintained. Therefore, in cases where a large number of students board the bus outside the applicable distance limit, the practical effect of the limits can be appreciably reduced, thereby creating the possibility of service far more extensive in the number of stops and starts made within and without these limits than would appear to be indicated by the minimums in Title V.

## E. Recommendation

It would seem that transportation is one of the most appropriate areas for a shift of emphasis within the State School Fund because of the greater proportion of home-to-school transportation reimbursed by the State in recent years; the high degree of cost variations which are in a large measure controllable; the great latitude given large districts by the 10 percent cushion provision; and the relatively small proportion of state transportation funds which require matching by local funds.

For these reasons, we recommend that, instead of increasing the allowance for transportation, it be reduced by approximately \$2 million. It appears that the most equitable way to accomplish this is to reduce the number of districts now in the 100 percent state reimbursement category and place more in the 50-50, state-local, sharing group. We therefore recommend that two cents additional tax be required in each category before districts qualify for the 100 percent category as follows:

	<i>Tax rate requirements</i>			
	<i>Current</i>		<i>Recommendation</i>	
	<i>50-50 sharing</i>	<i>100 percent state</i>	<i>50-50 sharing</i>	<i>100 percent state</i>
Single district ____	2¢-8¢	above 8¢	2¢-10¢	above 10¢
Unified or multiple districts _____	3¢-12¢	above 12¢	3¢-14¢	above 14¢
Three-level districts	4¢-16¢	above 16¢	4¢-18¢	above 18¢

We also recommend that the Department of Education conduct a reevaluation of the minimum distance allowances in Title V and a study of statewide standards for salaries and expenses involved in purchases and maintenance of the pupil transportation systems.

**SOCIAL WELFARE****Summary of Aid Expenditures**

Actual aid expenditures for the public assistance programs totaled \$449.1 million in 1959-60, of which \$198.6 million constituted State General Fund expenditures. Aid expenditures for 1961-62 from state funds are estimated at \$240.9 million, which represents a 21.3 percent increase over actual state aid expenditures for 1959-60. Following is a summary of aid costs which reflects actual expenditures for 1949-50 and 1959-60, and estimates for 1960-61 and 1961-62.

Aid costs include federal, state and county funds. In order to reconcile to the budget total in the Summary of Expenditures from State and Federal Funds for Social Welfare on page 982 of the 1961-62 Budget, an item labeled "costs other than aid" is included in the summary. It includes county and state administrative costs, that is costs for all social welfare services, not just the administration of the public assistance or "categorical aids" programs.

Expenditures for aid are located in the Local Assistance section of the budget as open end appropriations and are not subject to annual legislative review as budget items. The only social welfare items found in the local assistance section which are reviewed by the Legislature in the budget bill are: (1) reimbursements of expenses to counties for the licensing and inspection of boarding homes and institutions for the aged and children; and (2) reimbursements to counties for adoption programs and child care.

Following is a summary of 1959 legislation which either affected grants or increased services.

**1959 Cost Legislation****Old Age Security**

(1) The basic grant was increased from \$90 to \$95 per month, and the maximum grant including special needs, rose from \$106 to \$115.

(2) A transfer of an average rate of unused grant allowance to County Medical Care Revolving Funds was authorized in order to facilitate direct vendor payments for all medical care services by eliminating special need payments to recipients for medical care covered by the Public Assistance Medical Care Program. The counties then could pay for all medical services under the medical care program directly to the vendors, instead of paying for some of them and giving money to recipients to pay for others.

**Aid to Needy Blind**

(1) The maximum grant was increased by \$5, to \$115.

(2) The same transfer rate as described for Old Age Security under number (2) above for Medical Care, applies also to the Aid to Needy Blind Program.

**Aid to Potentially Self-supporting Blind**

(1) The maximum grant was increased by \$5 to \$115; the amount of income exempted before determination of grant was increased by \$200 to \$1,200 per year.

## Subventions

## Continuing Appropriations

### Social Welfare—Continued

#### Grant Increases

The cost of living has increased 23 percent during the past 10 years, according to the Consumer Price Index which has risen from 102.8 in 1950 (1947-49 = 100), to 126.5 as of June, 1960. Following is a summary of the average and maximum grants for the years 1949-50 and 1959-60, for the Old Age Security and Aid to Needy Blind programs. Other public assistance programs were not included because budget figures were not comparable for the Aid to Needy Children program for the years 1949-50 and 1959-60, and there was no Aid to Needy Disabled program in 1949-50.

Program	Average grant		Percent increase	Maximum grant		Percent increase
	1949-50	1959-60		1949-50	1959-60	
OAS-----	\$70.69	\$82.32 <sup>1</sup>	16	\$75	\$115	53
ANB-----	82.44	100.34 <sup>1</sup>	22	85	115	35

<sup>1</sup> Plus \$6.00 for medical care.

The table indicates that average grants have not increased as fast as the cost of living. It also demonstrates that increases in maximum grants for the Old Age Security and Aid to Needy Blind programs have been more than commensurate with the rise in the cost of living since 1950. If maximum grants are rising at a faster rate than average grants, income from outside sources must be increasing at a faster rate than the need for additional grant income. In other words, since the amount of the grant up to the maximum basic grant for any individual recipient is based on the recipient's needs, minus his outside income, the grant will increase only when outside income is not available to provide for additional needs. Since 1950 the average grants have not increased as much as either the rise in cost of living or as much as increases in the maximum grant, thus sources of outside income must be increasing.

#### Grant Provisions

##### Grant Based on Need

The current method of determining grants is theoretically sound but is quite difficult to understand, and complex to administer. Grant determination is complex because each grant is tailored to the actual allowable needs of each individual recipient. For example in the old age security program there are two grant levels. One is a maximum basic grant (\$95) and the other is a higher maximum (\$115). When determining the amount of grant for any old age security recipient, the social worker has to determine what the actual needs of the recipient are in terms of dollars, and the amount, if any, of outside income received by the recipient. First the social worker charts an amount representing the actual determined needs of the recipient per month.

#### Example

Actual needs ----- \$140

## Continuing Appropriations

## Subventions

### Social Welfare—Continued

Then the amount of outside income, such as Old Age Survivors Insurance, relatives contributions, etc., are deducted from the actual needs:

Example	
Actual needs .....	\$140
Less outside income.....	60
Amount of Grant.....	\$80

The amount of the grant for that individual equals the difference between needs and outside income, as long as the difference is \$95 or less. In the above example only \$80 of the \$95 maximum grant would be required to fill this recipient's basic needs. Thus there remains a potential of \$15 (\$95 — \$80) for this recipient to use if his needs increase (needs are defined by regulations). If this recipient has a "special need" during any month, up to \$15 additional grant (the unused portion of his grant) may be provided to pay for this special need (special needs are also defined by regulations).

The maximum grant up to \$115 is given to recipients who have less than \$20 dollars of outside income, but have needs which exceed the \$95 basic grant. If a person had one dollar of outside income per month, \$114 dollars of grant would be the maximum he could receive. The more outside income, up to \$20, the less grant the recipient can receive over \$95.

Under the current method of grant determination it is difficult for social workers to determine the amount of the grant, difficult for recipients to understand why they receive the amount of grant that they receive and why Mrs. X down the street receives so much more (or so much less), and difficult for the Legislature to determine to what extent increasing the maximum grant will benefit all recipients within a social welfare program.

### Flat Grants

An alternative method for grant determination would be to have one maximum amount of aid, less outside income. This idea is referred to as the flat grant principle. This would have the advantage of easier understanding by the general public and would simplify the administration of the mechanics of determining grants. It would eliminate the principle of tailoring grants around individual needs and would assume that all welfare recipients should have the same amount on which to live.

This has several disadvantages, however. First it reduces the incentive to acquire outside income, for an increase in outside income would reduce the amount of aid. Another disadvantage would be that probably, in determining the amount that the flat grant should be, some recipients would receive less aid than they are now receiving.

A scale of flat grants would probably have to be available, perhaps according to the size of the family or the number of people who would be depending upon the grant for support.

**Social Welfare—Continued****Recoupment Provisions**

California does not have any provisions providing for the recovery of part or all assistance granted to recipients from deceased recipients' estates. A total of 32 states have such provisions, 22 of which secure claims with liens on real property. In California a recipient may retain real property up to an assessed valuation of \$5,000. Since real property is usually assessed at the rate of approximately 25 percent of market value, the maximum in real value is approximately \$20,000. Lien laws in other states attempt to recover up to the amount of assistance granted, and usually are not enforced while a survivor's spouse, or children are dependent upon the use of the real property.

The initial enactment of lien laws result in an initial decrease in the caseload, by those recipients who own real property, but wish to leave an estate to someone and are able to find other means on which to live. For the same reasons a lien law acts as a deterrent against future applicants for aid. Actual experience shows that recovery from the process of recovering funds from estates results in a minimum amount of net gain; but that the rate of gain is usually higher in states that have had lien laws for a longer period of time. Recoupment provisions which provide for liens have generally proven to be more satisfactory, in terms of caseload decline and recovery, than unsecured claim provisions.

**Responsible Relatives**

Responsible relative scales of contribution in the Old Age Security, Aid to Needy Blind and Aid to Potentially Self-Supporting Blind programs have not been modified to reflect the rise in cost of living since 1950. The present scale provides for initial contributions from net income of \$201 per month with one dependent. The scale allows for a \$100 deduction for the second dependent and a \$50 deduction thereafter. Most contributing adult children live in families with net incomes of \$551 per month or less.

Unfortunately, a modification of responsible relatives provisions would be very costly. Not only is revenue lost from contributing relatives, but also the caseload increases, for more people will apply for aid, knowing that doing so will no longer require financial contributions from their children. As a result of the repeal of responsible relatives provisions in 1949-50, the Old Age Security caseload increased 13.5 percent. Such an increase in caseload in California for OAS would cost over \$40 million dollars per year in federal, state and county funds on a going concern basis.

## Continuing Appropriations

## Subventions

### Social Welfare—Continued

#### Cost Sharing Ratio

Different cost sharing ratios are in effect between the State and counties for the various welfare programs. Cost sharing ratios are as follows:

	<i>State share</i>	<i>County share</i>
Old Age Security -----	6/7 after Federal share	1/7 after Federal share
Aid to Needy Blind -----	3/4 after Federal share	1/4 after Federal share
Aid to Potentially Self-supporting Blind (no Federal share)	5/6	1/6
Aid to Needy Children— family groups -----	67½ after Federal share	32½ after Federal share
Foster Homes (no Federal share) -----	67½	32½
Aid to Needy Disabled -----	6/7 after Federal share	1/7 after Federal share

A common sharing ratio for all programs would make the administration of State and County funds much easier. Testimony at recent Aid to Needy Children hearings indicated a strong desire by counties to have a single sharing ratio.

#### Aid to Needy Children Illegitimacy

Sufficient evidence has not been produced to indicate the extent to which the Aid to Needy Children program fosters illegitimacy. Although a higher rate of illegitimacy is found among Aid to Needy Children recipients than the population as a whole (44 percent of Aid to Needy Children families have one or more illegitimate children), this is due to a combination of reasons. Most recipients are in the low socio-economic stratum of our society. Over 60 percent of Aid to Needy Children recipients come from minority races, over half of these are Negroes. A common law marriage among persons in this group is commonly socially acceptable to them, but their children must be reported for statistical purposes as being illegitimate. Although illegitimacy is present at all levels of society the rate increases at lower levels, thus there might not be much difference in the rate if illegitimacy between Aid to Needy Children recipients and families from similar ethnic backgrounds on similar social levels.

#### Waiting Period

Many problems exist with reference to the most desirable length of a waiting period from the time of application to the actual payment of aid. At the present time the waiting period is three months. Those who do not favor any waiting period claim that this delays the social worker from helping the family to become rehabilitated and off the rolls. General relief, the aid level for which generally is quite a bit lower than Aid to Needy Children, is usually granted by counties in the interim until the waiting period is complete.

Some advocates of waiting periods favor the extension of the waiting period to six months. They claim that this would increase the pressure on the family to look harder for independent solutions for their financial problems. It is said that once a family begins to receive aid under the Aid to Needy Children Program, the immediate financial threat is reduced, thus the incentive to become financially independent

**Social Welfare—Continued**

is also reduced. A longer waiting period would result in lower caseloads, because more people would find independent solutions to problems during the longer waiting period. A longer waiting period could be accompanied by more extensive county social services which would help applicants to find solutions to their problems before they become recipients. Intensive social planning early in the family crisis is desirable, but it does not have to wait until Aid to Needy Children aid is granted.

If the waiting period was lengthened it could be coupled with financial support to counties, possibly on a matching basis, to foster the establishment of social services to help prevent applicants during the waiting period from coming on the rolls.

**Aid to Needy Disabled  
Definition of Disability**

The original definition of terms for the Aid to Needy Disabled program included in Section 4000 of the Welfare and Institutions Code has not been amended since the inception of the program in 1957. This section states that a "needy disabled person" has to be "permanently impaired and totally disabled." It further states that in addition to being permanently impaired and totally disabled, a recipient has to require "constant and continuous care." Section 4000 defines a person who needs constant and continuous care as one who:

" . . . is bedfast, chairbound, or in need of physical assistance without which the daily regimen could not continue or whose mental or physical impairment makes *continuous* (emphasis added) supervision essential."

Section 4000 then closes by clearly stating that the definitions of the above terms "shall be strictly construed."

Since 1957 the Social Welfare Board has redefined its interpretation of Section 4000 of the Welfare and Institutions Code twice, the latest redefinition of which will result in an estimated 15 percent caseload increase. Initial regulations passed by the Social Welfare Board required that a person had to have help with two of the three major activities of daily living (eating, dressing and body hygiene). The first revision of regulations by the Board of Social Welfare reduced the requirement concerning need for help from two to one major activity.

The Social Welfare Board was not content with its amended regulations reinterpreting Section 4000 of the Welfare and Institutions Code because it found that it was consistently finding appeal cases eligible. Thus the regulations which interpreted Section 4000 were again amended, as of September 1, 1960, to include a liberalization of "continuous supervision." The present regulations include as "continuous supervision" the need for help for any essential activity of living in addition to eating, dressing and body hygiene, which may not in some instances be a daily need.

The average caseload is expected to increase from 11,840 in 1960-61 to 15,785 in 1961-62, with a corresponding cost increase from \$13.3 million to \$19.1 million.

**Social Welfare—Continued****Public Assistance Medical Care Program**

The legal basis for the medical care program for recipients of Old Age Security (OAS), Aid to the Needy Blind (ANB), and Aid to Needy Children (ANC), is found in Sections 4500 to 4605 of the Welfare and Institutions Code. These sections were amended to include Aid to Needy Disabled (ATD) recipients effective October 1, 1959.

Legislative intent regarding the medical care program is expressed in Section 4500 of the Welfare and Institutions Code which states: "The purpose of this chapter is to provide medical services or other remedial care to a recipient of public assistance who is unable from his own resources to provide such required services or care."

Included in Sections 4500 to 4605 are the following set of principles which guide program development:

- A. Pooled fund operations
- B. Direct vendor payments
- C. Free choice of practitioners
- D. State Social Welfare Board responsibility for scope of program and regulations
- E. County responsibility for administration
- F. Permission to counties to employ contractual agreements with appropriate agencies for medical care services when in compliance with the policy of the State Social Welfare Board, (e.g., County contracts with CPS).

The following additional principles have been adopted by the Social Welfare Board.

- A. Scope of program limited to "outpatient" services
- B. Payment is based on a "fee for service" basis

The State Department of Social Welfare supervises the Public Assistance Medical Care Program which is administered by the counties. Consultation with other State agencies, such as Public Health, are maintained concerning common medical care problems. An Interdepartmental Fee Committee, which is composed of 10 people from the following departments; Department of Education, Public Health, State Department of Social Welfare and the Department of Finance, attempts to equalize medical care fee scales used by State agencies. Professional associations, such as the California Medical Association, are consulted by the State Department of Social Welfare for additional professional advice.

**Services**

The scope of available medical care services under the program varies between assistance programs because there are more funds available for some programs than others, and also the medical needs may vary. Generally speaking these medical care services do not include hospitalization, but are limited to outpatient services. Current services available from medical care funds for the categorical aid programs are included in the following table for the month of September. There is no limit to the amount of medical care which a recipient may receive in any given month, as long as the recipient's particular needs are covered by the

## Subventions

## Continuing Appropriations

### Social Welfare—Continued

program. Included under Physicians visits are just about any medical needs for illnesses or injuries for which a person may seek a doctor. Extensive regulations and fee schedules supplement the general categories included in the table.

Current Services Available From Medical Care Funds, and  
Monthly Cost per Recipient for September—1960<sup>1</sup>

<i>Medical care service</i>	<i>Old age security</i>	<i>Cost per recipient</i>		<i>Aid to needy disabled</i>
		<i>Aid to the blind</i>	<i>Aid to needy children</i>	
Physicians visits and other Practitioners	\$2.97	\$2.90	\$1.39	NA
Drugs—prescriptions and injections	1.71	2.00	1.07	NA
Visiting Nurse, special medical procedures, X-ray, laboratory, dental care and others	1.21	1.26	.48	NA
Dental care for children	NA	NA	.73	NA
Functional Improvement Program	NA	NA	NA	.60
<b>Totals</b>	<b>\$5.89</b>	<b>\$6.16</b>	<b>\$3.67</b>	<b>\$0.60</b>

<sup>1</sup> NA denotes—service not available.

### Expenditures

The total amounts shown in the above table represent the average amount expended per recipient for September, 1960. The following table shows that the total amounts disbursed as vendor payments for the twelve month period between October 1, 1959 and September 30, 1960 indicate that nearly \$32 million was spent for medical care for approximately 550,000 adults and children. Nearly \$53 million is budgeted to be expended for these programs for medical care for the fiscal year 1961-62.

### Medical Care Funds—Estimated Fund Revenues and Disbursements

For the 12 Month Period From Oct. 1, 1959 to Sept. 30, 1960

<i>Program</i>	<i>Estimated fund revenues</i>	<i>Disbursements</i>		<i>Estimated cumulative balance— Sept. 1960</i>
		<i>Amount</i>	<i>Monthly average per recipient</i>	
Old age security	\$25,413,316	\$18,160,727	\$5.88	\$9,419,690
Aid to needy blind	1,116,645	980,054	5.55	109,173
Aid to needy children family groups	11,787,559	12,743,062	4.00	3,654,524
Aid to needy disabled	615,858	16,200	.15	599,658
<b>Totals</b>	<b>\$38,933,378</b>	<b>\$31,900,043</b>		<b>\$13,783,045</b>

### Revenue

Funding formulas provide for \$6 per month per adult and \$3 per month per child to be transferred from the state General Fund and the Social Welfare Federal Fund to a medical care Premium Deposit Fund. There are divisions within the medical care fund for each categorical aid program. In addition to the funding formulas, there has existed since October, 1959, a transfer rate for old age security and aid to needy blind recipients. This rate is described in Sections 2020.003 and 3084.05 of the Welfare and Institutions Code and enables all medical care payments to be made directly to the vendor. The amount of the

## Continuing Appropriations

## Subventions

### Social Welfare—Continued

transfer rate equals an average amount per recipient which, if totaled, would equal an amount that would have had to have been paid to recipients as special needs for services available under the medical care program. The transfer rate is recalculated every six months and currently is \$2.51 per month for old age security recipients and \$1.07 for aid to needy blind recipients. The transfer comes from state and county general funds in  $\frac{2}{3}$ ,  $\frac{1}{3}$  ratio.

### Proposed and Recent Medical Care Service Expansions

Since October 1, 1960, the Department of Social Welfare has been expanding medical care services in the categorical aid programs. Program expansion has been possible because of two factors; (1) the 1960 social security amendments provided federal funds for medical care for Old Age Security recipients, and (2), cumulative surpluses exist in the Medical Care Premium Deposit Funds for all four categorical aid programs. Because of the difference in the scope of new medical care services being offered in each program, the programs will be discussed separately.

### Old Age Security—New Medical Care Services

The most extensive growth in new medical care services has been taking place in the Old Age Security program. It has the largest cumulative balance in the Medical Care Premium Deposit Fund (\$9.4 million dollars as of September 30, 1960), and it is this program which has been affected by the 1960 federal social security amendments. Under the 1960 amendments to the Social Security Act there is potentially available an additional six dollars of federal money per month per OAS recipient for medical care. These amendments, which became effective on October 1, 1960, provide that the federal government will match one-half of the average vendor payments for medical care for OAS recipients up to a maximum average vendor payment of \$12 per month for every recipient in the OAS program.

Without any change in legislation on the state level it will be possible for the Social Welfare Board to increase the medical care services to utilize \$8.51 + \$6.00 or \$14.51 per recipient per month. Since the transfer rate is expected to increase, the total amount per recipient will increase correspondingly. The \$14.51 figure is calculated as follows:

<i>Legal basis</i>	<i>Amount</i>	<i>Source</i>
Section 4553— Welfare and Institutions Code	\$3.00	Withheld from federal grant
Section 4553— Welfare and Institutions Code	3.00	State General Fund
Section 2020.003 Welfare and Institutions Code		
Transfer rate—September, 1960, to March, 1961	2.51	State General Fund (¾) Counties (¼)
Section 124.5 and 124.2— Welfare and Institutions Code	6.00	Federal fund
	<u>\$14.51</u>	

The six-dollar figure from federal funds is a maximum figure and varies monthly, depending upon the average vendor payment for medi-

**Social Welfare—Continued**

cal care, up to an average payment of \$12. The first three figures in the above table total \$8.51. Six dollars of this amount per recipient is transferred to the medical care Premium Deposit Fund every month. Six-sevenths of the transfer rate, which is currently \$2.51, comes from the state General Fund and is deposited with the counties. Thus, since October 1, 1960, \$8.51 per Old Age Security recipient per month has been reserved for medical care purposes, plus an additional amount of federal funds equal to 50 percent of average monthly vendor payments up to a \$12 program. The actual average monthly payment for medical care for Old Age Security recipients for the immediate month preceding the enactment of the 1960 social security amendments is shown in a previous table and equals \$5.89.

Since the announcement of the passage of the social security amendments, the Social Welfare Board has interpreted its responsibility as being to expand Old Age Security medical care services as rapidly as is administratively feasible in order to utilize the maximum amount of federal funds now available. In other words, to raise the average vendor payment to at least \$12, so the full six dollars per recipient per month may be claimed from the federal government.

The Social Welfare Board's interpretation of its responsibility is reinforced by Opinion 60/197 of the Attorney General in which he sets forth the view that the present law, including the 1960 amendments to the Social Security Act and particularly Sections 4555, 4553, 2020.003 and Section 2025 of the California Welfare and Institutions Code require a continuation of the State's existing federally aided medical care program and an expansion of that program, as soon as administratively feasible, designed not only to obtain maximum federal grants-in-aid but to increase the level of medical services by the full amount so received.

In applying this interpretation of their respective responsibilities, the department has proposed and the Social Welfare Board has in part approved, a series of expansions of new medical services, as set out in the following table designed to utilize the maximum of available funds as soon as possible. This table illustrates proposed new medical care services, cost estimates per recipient, and tentative effective dates. Estimates for increased medical care services for the OAS program total \$9.37, which, when added to the average medical care payment between October 1, 1959, and September 30, 1960, of \$5.88, would provide a total medical care program of \$15.25. This exceeds the \$14.51 income available through February, but there existed a \$9.4 million dollar surplus as of September 30, 1960, which is increasing, and the transfer rate will be recalculated in February and is also expected to increase.

Whether this rapid method of extending services is desirable or necessary for the Old Age Security recipients is questionable. There is apparently little objective evidence as to the actual acute medical needs of Old Age Security recipients. Some evidence of this lack of objectivity is found in the order of priority established by the department for the commencement of these new medical care services. For example, health

## Continuing Appropriations

## Subventions

### Social Welfare—Continued

evaluations which might provide some information as to the health needs of this segment of the population are not scheduled to be included within the scope of the program until most of the other new services have been implemented.

The scope of the existing plus proposed medical care services may well result in providing Old Age Security recipients with a higher standard of medical care coverage than is enjoyed by the bulk of the self-supporting population. It definitely provides for more medical services than are provided for other social welfare programs. The cost of the full utilization of medical care services which are and will be available, will be over twice as much per recipient than those available for other social welfare programs.

Following is a list of new medical care services provided on or since October 1, 1960, plus services which will be provided soon. Some of the new services for Old Age Security recipients are discussed below.

#### New Medical Care Services—Proposed and Implemented

New Service	<i>Estimated monthly cost per recipient</i>				<i>Effective Date</i>
	<i>Old Age Security</i>	<i>Aid To Needy Blind</i>	<i>Aid To Needy Children</i>	<i>Aid To Needy Disabled</i>	
Eye care -----	\$0.83	NA	NA	NA	Oct. 1, 1960
Dental care ----	3.12	NA	NA	NA	Nov. 1, 1960
Nursing services--	.08	NA	NA	NA	Nov. 1, 1960
Rehabilitation ---	3.57	NA	NA	NA	Jan. 1, 1961
Basic medical care --	--	--	--	\$5.98	Feb. 1, 1961 <sup>1</sup>
Health evaluation .64	NA	NA	NA	NA	Feb. 1, 1961 <sup>1</sup>
Elective office surgery and radiologic therapy -----	.13	\$0.09	\$0.20 <sup>2</sup>	.16	Feb. 1, 1961 <sup>1</sup>
Drugs—additional	1.00	1.00	---	--	Mar. 1, 1961 <sup>1</sup>
<b>Total</b>					
New services	\$9.37	\$1.09	\$0.20	\$6.14	

NA Services not available.

<sup>1</sup> Proposed only—not yet approved by the Social Welfare Board.

<sup>2</sup> For adults only.

#### Eye Care

This service was provided first, not because of a prior determination that there is a critical unmet need of OAS recipients for eyeglasses and refractions, but because it was the easiest service to effectuate administratively. Eye care does not include necessary minor eye surgery. This has been available as a physicians service, when hospitalization has not been necessary, since the beginning of the medical care program.

#### Dental Care

Prior to the initiation of comprehensive dental care, dental services for OAS recipients were available in the medical care program only for the relief of pain and the elimination of acute infection. Estimated cost for the comprehensive dental care service which includes both outpatient and inpatient recipients, is \$3.12 per recipient per month.

**Social Welfare—Continued****Rehabilitation**

This program appears to be more of a research project than a medical care service for medically indigent OAS recipients. It is the most expensive program and will benefit the least number of people. The cost is estimated to be \$3.57 per recipient per month. The cost per patient per day is approximately \$30 for rehabilitative services, not including expenses for room and board. There are estimated to be 400 beds potentially available in the whole State which are presently equipped to perform this service. It is estimated that 400 beds could not accommodate over 1,000 persons per year, yet the annual cost to rehabilitate this many people is estimated to be \$4.5 million. As more beds become available more recipients will use the service and cost could expand rapidly.

The Department of Social Welfare states that, "Many persons are in want because of deficiencies in coverage for rehabilitation." This appears to be little more than a general assumption inasmuch as there has been no actual health evaluation program.

Rehabilitation is supposed to help people to help themselves. Applied to Old Age Security recipients, it could mean that an older citizen might be rehabilitated to the point where he or she could live at home instead of in a nursing home or public medical institution. There is no question about the advantage to the aged persons to be able to live at home. However, there is serious question as to whether a public agency, such as the State, is able to afford such a luxury for such a few people. An aged person might spend from three to six months, at \$30 plus room and board per day, being rehabilitated. Yet there is no guarantee that this will enable the person to live at home. The program could cost approximately \$4.5 million for the first year to gamble that perhaps roughly 1,000 recipients might eventually be able to live at home rather than in a nursing home or institution. Are other medical needs of Old Age Security recipients so few that this State can afford to spend \$4.5 million to aid 1,000 people while 248,000 others receive no benefit from funds for rehabilitation?

**Aid to Needy Blind**

The Aid to Needy Blind program is essentially the same medical care program as Old Age Security recipients had prior to October 1, 1960. Proposed extensions in services will add elective office surgery, radiologic therapy and some additional drugs to the present program for a total estimated cost of \$1.09. The average monthly vendor payment between October 1, 1959, and September 30, 1960, was \$5.55. The increased services would raise the average monthly vendor payment to approximately \$5.55 plus \$1.09 or \$6.64.

## Continuing Appropriations

## Subventions

### Social Welfare—Continued

Revenue for medical care for Aid to Needy Blind recipients presently includes:

<i>Legal basis</i>	<i>Amount</i>	<i>Source</i>
Section 4553—Welfare and Institutions Code -----	\$3.00	Withheld from federal grant
Section 4553—Welfare and Institutions Code -----	3.00	State General Fund
Section 3084.05—Welfare and Institutions Code -----		State General Fund (6/7)
Transfer Rate -----	1.06	Counties (1/7)
	<u>\$7.06</u>	

The proposed extension of medical services for blind recipients should not increase the average vendor payment above the \$7.06 per month per recipient constituting the present rate of revenue. Revenue and expenditures for medical care from October 1, 1959, to September 30, 1960, are included in the previous table on estimated fund revenues and disbursements. This program is the only other program which has a transfer rate such as the one described in the discussion of the Old Age Security medical care program.

### Aid to Needy Disabled

The Legislature amended the medical care program in 1959 to include aid to needy disabled recipients. Subsequently the Social Welfare Board approved regulations establishing a complex functional improvement program which became effective October 1, 1959. These services were designed to help disabled recipients to attain a maximum degree of improvement through (1) medical and nursing services, (2) physical and occupational therapy, (3) and various appliances and other corrective equipment. Although the services are theoretically desirable, the functional improvement program has proven too difficult to administer. A previous table on estimated revenue and expenditures shows that during the first 12 months of its existence, only \$16,200 dollars or approximately 15 cents per month per recipient was utilized for medical care for aid to needy disabled recipients.

Basic medical care services, similar to those received by other categorical aid recipients, will be provided starting February 1, 1961, at an estimated cost of \$5.98 per recipient per month, or \$1.13 million dollars annually. Current revenue is \$6 per recipient per month and a surplus of approximately \$600,000 existed as of September, 1960.

A modified functional improvement program and a rehabilitation program (including in addition dental care, eye care and refractions for only those recipients on the rehabilitation program) will be offered from February 1 to September 30, 1961. The rehabilitation services will be the same as those being offered to old age security recipients. The reason why these services are being offered is to utilize the surplus of medical care funds which has accumulated since October 1, 1959.

The eligibility requirements for the aid to needy disabled program includes any age over 18, thus a rehabilitation program seems more logical for this group than for Old Age Security recipients. However,

**Social Welfare—Continued**

this is another example of the use of a substantial amount of state and federal funds, which represent over one year of accumulated medical care fund contributions for the entire caseload at \$6 per recipient per month, for the benefit of a small fraction of the caseload. If \$600,000 was spent for rehabilitation and patients required an average of 100 days of care at \$30 per day, only 200 patients could be served. The average total caseload for 1960-61 is estimated to be about 12,000 recipients.

There must be medical needs for which this surplus can be utilized in order to benefit a larger number of Aid to Needy Disabled recipients. If there will not be any medical needs after the basic medical care services are effectuated, then the medical care surplus, which will probably exceed \$750,000 by February, should be disposed of by the Legislature.

**Medical Care—Summary**

The provision for new medical care services in social welfare programs for people who are medically indigent, but are unable to provide for their own medical needs has been of primary concern to the State in recent years. However, there should be a cut-off point based on adequate objective information regarding the true medical needs of welfare recipients. The decision must be made as to where medical needs stop, and how far the State should go in providing financial assistance to meet defined needs. Should the State provide more benefits for medical care to welfare recipients than the members of society who are self-sustaining, and whose taxes provide these benefits, are able to provide for themselves? For example, take the new rehabilitation service for old age security recipients, how many non-recipient members of our society can afford \$30 per day for rehabilitation? The growing complexity of the welfare programs and their rules, regulations and statutes force social workers to think more of needs of individuals and specific kinds of needs than of the whole picture and of the role that welfare should play in our society.

Regarding the expansion of medical care services for Old Age Security recipients, other possible alternatives than the current intent of the State Department of Social Welfare and Social Welfare Board to expand services to utilize the maximum amount of available funds, have been suggested for consideration.

1. The medical care program for Old Age Security recipients could be limited to an average vendor payment of \$12 per recipient per month. This would enable the State to make full use of federal funds and would enable \$2.51 (the amount of the transfer rate) to be utilized for other purposes.

2. The first suggestion could be accomplished by eliminating the transfer rate. An advantage of the transfer rate elimination would be to place a firm limitation on a medical care program of \$12 per recipient per month. The transfer rate is currently recalculated every six months and the amount of the rate can be influenced by factors other than legislation.