

LOCAL ASSISTANCE**Department of Agriculture
COUNTY AGRICULTURAL COMMISSIONERS**

ITEM 371 of the Budget Bill

Budget page 1070

**FOR SUPPORT OF SALARIES OF COUNTY AGRICULTURAL
COMMISSIONERS FROM THE GENERAL FUND**

Amount requested-----	\$177,600
Estimated to be expended in 1963-64 fiscal year-----	171,229
Increase (3.7 percent)-----	\$6,371

Increase to maintain existing level of service----- \$6,371

TOTAL RECOMMENDED REDUCTION----- \$6,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Funds budgeted in anticipation of two counties participating in program -----	\$6,000	1070	4

ANALYSIS

This item appropriates funds under the authority of Section 63.5 of the Agricultural Code, which authorizes the Director of Agriculture to enter into cooperative agreements with any county for the purpose of increasing the salary of the county agricultural commissioner in recognition of enforcement of the provisions of the Agricultural Code at the county level. The State's contribution is limited to two-thirds of each salary or \$3,300, whichever is less. Fifty of the 52 counties now participating in this program receive the maximum contribution of \$3,300, and the remaining two counties receive \$3,256 and \$2,972, respectively. A net increase of \$371 is requested and would be required in case the two counties now receiving less than \$3,300 become eligible for the maximum payment.

For several years in the past and again this year, the Department of Agriculture has budgeted approximately \$6,000 more money than is actually needed in anticipation of two additional counties joining this program. Hence, the department is asking for a budget year increase of \$6,000 over estimated current expenditures on the ground that these two remaining counties might decide to participate in the program. *Since there is no concrete evidence that these two counties are going to utilize the subvention provision during the budget year, we recommend that \$6,000 be deleted from this item.* There is an Emergency Fund available for contingencies of this nature, and it would be more appropriate to finance this small contingency on that basis.

Department of the Youth Authority
ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF
JUVENILE HOMES AND CAMPS

ITEM 372 of the Budget Bill

Budget page 1071

FOR ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF
JUVENILE HOMES AND CAMPS FROM THE
GENERAL FUND

Amount requested	\$495,000
Estimated to be expended in 1963-64 fiscal year	644,445

Decrease (23.2 percent)	\$149,445
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Section 891 of the Welfare and Institutions Code provides that the State may reimburse the counties for one-half the cost of constructing and equipping juvenile homes and camps not to exceed \$3,000 per bed unit.

The appropriation for this item is made for a two-year period to provide for necessary planning and construction. It is estimated by the agency that construction will be initiated on 205 additional beds in 1964-65.

We recommend approval of the item as budgeted.

Department of the Youth Authority
JUVENILE HOMES AND CAMPS

ITEM 373 of the Budget Bill

Budget page 1072

FOR ASSISTANCE TO COUNTIES FOR MAINTENANCE OF
JUVENILE HOMES AND CAMPS FROM THE GENERAL FUND

Amount requested	\$3,189,720
Estimated to be expended in 1963-64 fiscal year	3,013,020

Increase (5.9 percent)	\$176,700
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Sections 880 through 890 of the Welfare and Institution Code provide that the State shall reimburse counties for one-half the cost, not to exceed \$95 per month per ward, of operating juvenile homes and camps established by the counties for the care of juvenile offenders.

The department estimates that 45 camps with an average daily population of 2,798 boys and girls will be in the camps during the budget year.

In prior years' analyses we have recommended that a legislative evaluation of this subvention should be initiated to determine if the present formula of state-county participation in this program, enacted in 1947, should be revised. In our analysis of the Youth Authority support budget we present additional information regarding juvenile court commitments that indicates the need for the Legislature to undertake a comprehensive study of this problem.

We recommend approval of the item as budgeted.

Local Assistance

Items 374-375

**Department of the Youth Authority
ASSISTANCE FOR CONTROL OF JUVENILES**

ITEM 374 of the Budget Bill

Budget page 1072

**FOR ASSISTANCE FOR CONTROL OF JUVENILES
FROM THE GENERAL FUND**

Amount requested	\$13,500
Estimated to be expended in 1963-64 fiscal year	13,500
Increase	None
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The State participates in defraying a portion of the cost of a juvenile checking station maintained on a 24-hour basis at the Tijuana border crossing into Mexico by the City of San Diego.

In a prior year's analyses we questioned the legality of the State subvening to a municipality for this particular function. We have now been informed by the agency that the claim for prior year's state participation has been paid to the City of San Diego by the State Controller.

We recommend approval of the item as budgeted.

**Subventions for Education
CHILD CARE CENTERS**

ITEM 375 of the Budget Bill

Budget page 1078

**FOR SUPPORT OF CHILD CARE CENTERS
FROM THE GENERAL FUND**

Amount requested	\$6,223,688
Estimated to be expended in 1963-64 fiscal year	5,817,971
Increase (7.0 percent)	\$405,717
Increase to maintain existing level of service	\$405,717

TOTAL RECOMMENDED REDUCTION \$26,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Limited-term centers for rural areas	\$26,000	1078	34

ANALYSIS

State-subsidized child care centers provide care and supervision for children of parents legally defined as eligible on the basis of financial need. In addition, several categories of employees occupied with defense work may use the centers, and parents of more substantial income may make use of the facilities, although they are required to pay the full cost of care. State financial support approximates two-thirds of the total cost and totals \$0.28 per attendance hour, while parental support is required to average \$0.14 per hour. There is no mandatory local school district participation in this program, other than the provision of a facility in which the center may operate, although several California school districts have voluntarily sought to enhance their child care programs.

Child Care Centers—Continued

For 1964-65 a total of \$6,223,688 is requested for the operation of child care centers. This figure represents an increase over the current year's estimate of 7 percent or \$405,717. Because a provision of the law governing financial support of the centers allows the Superintendent of Public Instruction to make up in any fiscal year a deficit incurred during the previous year, part of this increase includes a deficit appropriation. Approximately \$90,916 is requested for a deficit incurred in 1962-63, while \$5,626 is asked to cover an expected deficit in 1963-64. Because attendance figures for this latter year are not yet final, the 1965-66 Budget for child care centers may well include still another deficit appropriation for 1963-64. Three separate types of centers are presently supported by the State and will be discussed individually below.

Regular Centers

An appropriation of \$6,072,856 is requested in 1964-65 for state support of the regular child care center program. This represents an increase of \$361,557 over the current year, or 6.3 percent. Included within this increase, as noted above, are two deficiency appropriations to account for the fact that in 1962-63 and 1963-64 the amounts budgeted were not sufficient to cover the actual total attendance hours incurred in those years. As can be seen from the figures below, annual attendance hours experienced in the regular program have increased by approximately 3 percent in recent years.

Child Care Center Enrollment Hours

	1960-61 actual	1961-62 * actual	1962-63 * actual	1963-64 * estimated	1964-65 estimated
Total hours -----	18,972,390	19,343,537	20,020,791	20,672,133	21,343,977
Increase over past year	50,755	371,147	677,254	651,342	671,844
Percentage increase --	0.3%	2%	3.5%	3.3%	3.2%

* Deficiency appropriation required.

Section 16622 of the Education Code contains the authorization which permits the Superintendent of Public Instruction, in years in which deficiencies occur in the amounts available for apportionment, to request the amount of the deficit in the next fiscal year's budgeted appropriation. This has been done often in past years. It provides, in effect, for an open-end method of appropriation by which the Department of Education has presented appropriation requests and justified a portion of these requests on the basis of this legal authorization.

In our opinion the authorization for deficit appropriations contained in Section 16622 of the Education Code allows and encourages an improper method of budgeting for child care center support. In recent years the Department of Education has consistently underbudgeted for this activity; when authorized amounts were insufficient the department subsequently was able to request and obtain additional funds from the Legislature. Consequently, while actual year-to-year requests have shown only modest increases, later deficiencies have illustrated the inadequate and unrealistic budgeting used in arriving at the original estimates.

We believe that there is no justifiable reason why the child care program cannot live within its means, much as the State School Fund is

Child Care Centers—Continued

forced to rely upon the application of a "deficit factor" if available amounts are insufficient. We would further point out that because there is no mandatory local participation in the program at the present time, the occasional application of a "deficit factor" would properly force the participating school districts to contribute in a small way to the financial support of the program.

We recommend that the fiscal committees of both houses recommend to the Legislature the inclusion within the budget document, or in a separate joint resolution, of a directive that the Department of Education prepare and submit more realistic budget requests expressly designed to avoid deficits in future years. In addition, in view of the fact that the subject of state support for the public schools may well be brought before the Legislature in 1964, we recommend the early repeal of the existing legal authorization for deficiency child care appropriations, coupled with amendments authorizing the application of a deficit factor in the event of deficiencies.

Pilot Centers for Mentally Retarded and Physically Handicapped Minors

The amount requested for child care centers includes the sum of \$124,832 for support of four pilot centers for mentally retarded and physically handicapped youngsters; legislation enacted in 1963 (Chapter 2047) provided funds for two centers in addition to the two original pilot centers. Pilot centers presently are operated in Oakland, Stockton and in Santa Clara County. The fourth such center has not yet been given final approval by the Department of Education, although it is thought that it will be located in the southern half of the State.

State support for these pilot centers amounts to \$0.56 per attendance hour, while parental support is the same as for the regular centers, \$0.14 hourly. In addition, Chapter 2070 implemented the policy of making available to school districts operating pilot centers reimbursements for costs incurred in transporting handicapped and retarded youngsters to the centers. This support was established at a level not to exceed \$200 per child per year, and in 1964-65 will total \$20,000. This provision, together with the addition of two new centers, accounts for an increase of \$44,160 or 54.7 percent in the amounts budgeted for the pilot center program.

In the analysis of the 1963-64 Budget Bill we raised several questions relative to the pilot center program; several of these arose from our own observations of the program's operations while others were originally suggested by the state-authorized Advisory Committees on Pilot Child Care Centers. These questions were included in a study of the pilot center program assigned to the Assembly Interim Committee on Public Health. They included studies of:

1. The need for child care centers for handicapped and retarded children; and

2. Continued operation of these centers, financed through a partnership of state and local funds, possibly through a countywide tax levied for this purpose.

Child Care Centers—Continued

We understand that this study is under way and that its results will be reported in full at the 1965 General Session of the Legislature.

Limited-term Centers for Rural Areas

The amount of \$26,000 is requested as part of the child care budget appropriation for use in partially supporting an estimated five centers to be established in rural agricultural areas during 1964-65.

We recommend the deletion of this amount.

During the 1963 legislative session \$26,000 was added to the child care center appropriation as Item 410.5 of the Budget Act to pay the state's share of enrollment hours for children attending centers to be located in rural agricultural areas. At that time it was expected that federal funds, authorized by H.R. 10606, would become available to California to assist in the establishment of child care centers to serve families of farm workers and welfare recipients engaged in retraining activities. These federal funds are intended to pay the full cost, both the state and the parental share, of care for children of the above individuals. However, it was felt that some state support should be provided in the event that persons not qualifying for federal funds for child care wished to use these special centers. The sum of \$26,000, lacking any particular justification, was chosen as a likely amount and one which could be afforded.

Since that time, only one such center has been operated. This center, established and operated by the Butte County Superintendent of Schools in the community of Gridley, ran for six weeks during the summer months of 1963. The average daily attendance of the center amounted to 11.5 children, far below the average daily attendance for the regular state-operated child care centers. Of the \$26,000 appropriated, only \$634 had, as of January 1, 1964, been advanced to the Butte County Superintendent to defray the costs of this center; we understand that there is some likelihood that, because of the available federal funds, even this amount may be returned to the State unused. Finally, significant problems have been encountered in relations between the Departments of Social Welfare and Education concerning administration and overall supervision.

It has become clear to us that in the case of either rural agricultural workers or welfare recipients undergoing retraining total federal support is available for child care. We are not convinced by the Gridley experiment that a great number of persons other than those mentioned will use these special centers; in many areas regular state-supported facilities are available to these individuals. In view of the apparent availability of federal funds for this purpose, and the indicated lack of interest in the program on the local level, we believe the amount requested for this activity should be eliminated from the budget.

With the exception of the reservations noted earlier, and the recommended deletion of funds for rural agricultural centers, we recommend approval as budgeted.

**Subventions for Education
TEACHERS' RETIREMENT FUND**

ITEM 376 of the Budget Bill

Budget page 1079

**FOR THE STATE'S CONTRIBUTIONS TO THE TEACHERS'
RETIREMENT FUND FROM THE GENERAL FUND**

Amount requested	\$52,500,000
Estimated to be expended in 1963-64 fiscal year	47,239,000
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Increase (11.1 percent)	\$5,261,000
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Increase to maintain existing level of service	\$5,261,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The State Teachers' Retirement System does not maintain full reserves against actuarially determined liabilities. The \$52,500,000 request in this item is the amount of the State's estimated obligation to pay retirement benefits to teachers for services performed over past years.

The \$52,500,000 proposed for the 1964-65 fiscal year is \$5,261,000 or 11.1 percent above the amount that is estimated to be expended during the current fiscal year.

The State in effect finances those expenditures which are not funded by the contributions of employing agencies and members. The State's contributions to the Teachers' Retirement Fund and the Retirement Annuity Fund are used to finance the major portion of expenditures for retirement allowances. The major portion of such allowances is payable for prior service which is funded entirely from contributions of the State and the employing districts. Subventions to local retirement systems and a portion of death benefits from the Retirement Annuity Fund are also provided from state contributions.

We recommend approval of the item as budgeted.

**Department of Education
FREE TEXTBOOKS**

ITEM 377 of the Budget Bill

Budget page 1084

**FOR SUPPORT OF FREE TEXTBOOKS
FROM THE GENERAL FUND**

Amount requested	\$13,889,000
Estimated to be expended in 1963-64 fiscal year	11,946,173
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Increase (19.5 percent)	\$1,942,827
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RECOMMENDED FOR SPECIAL REVIEW	\$13,889,000

ANALYSIS

The State Board of Education is presently in the process of adopting basic and supplementary textbooks in mathematics, grades 1 through 8, and in social studies, grade 4. Since the adoption will not be completed until February 1964, the total estimated cost of the programs is presently unavailable. In addition, the Department of Education has not

Free Textbooks—Continued

been able to provide this office with the necessary information justifying the funds requested to finance the existing textbook program. Therefore, it is impossible, in this analysis, to review the textbook program in terms of cost, or to recommend approval of the program as budgeted.

The anticipated cost of the new adoptions and a justification of the funds requested for the existing program will be made available to this office at a later date. A cost analysis will be made and presented to the Legislature at the time the budget is reviewed.

The 1964-65 free textbook budget request consists of \$13,889,000 in estimated 1964-65 expenditures. In addition, \$1,111,000 is requested as an augmentation to the 1963-64 Budget. The augmentation is to finance an accelerated mathematics program in grades 1, 2, and 7. To place the accelerated mathematics books in the schools by the 1964-65 school year, the books must be procured during the 1963-64 fiscal year. To finance this acceleration program, a \$1,111,000 allocation from the Emergency Fund is proposed as an augmentation to the 1963-64 Budget. The 1964-65 Budget request of \$13,889,000 and the allocation from the Emergency Fund appropriation of \$1,111,000 result in an increase of \$4,164,541 or 38.4 percent over the 1963-64 Budget Act appropriation of \$10,835,459.

Contained in the 1964-65 Budget is a request for four new positions for the Bureau of Textbooks and Publications. The positions include one textbook consultant, one general accountant II and two junior clerks. The positions cannot be justified on the basis of the requirements of the existing textbook program. If, however, the State Board of Education adopts programs in mathematics and social studies of the size recommended by the State Curriculum Commission, additional administrative and clerical help will be needed by the Department of Education.

Our recommendation for the approval or disapproval of the requested positions will depend on the final program adoptions made by the State Board of Education in February 1964.

The State Free Textbook Program

The State of California distributes textbooks without charge to California elementary students, grades 1 through 8. All books distributed are adopted by the State Board of Education for a period of at least four years and for not more than eight years. At the end of an adoption period the State Board of Education may extend the adoption of a book for not less than one year nor more than four years.

The State Board of Education is required to adopt basic textbooks in certain subject areas. In addition, the board may adopt other textbooks, supplementary textbooks and teacher manuals and editions as the needs arise. In determining the particular book titles that should be adopted and the subject areas in which the books are to be adopted, the state board relies largely upon the recommendations of the State Curriculum Commission. The commission consists of 10 members appointed by the State Board of Education, and the Superintendent of Public Instruction who is an ex officio member and serves as chairman.

Free Textbooks—Continued

The commission views as its responsibility that of "presenting to the State Board of Education recommendations which will, if adopted, provide a well balanced program of textbooks in the various subjects taught in elementary schools."

The Growth of the Free Textbook Program

The free textbook program, as recommended by the commission and adopted by the state board, has grown both in scope and size during recent years. The number of different titles adopted by the State and distributed for use by students and teachers in California schools has increased from 23 for the school year 1913-14 to 210 for the school year 1953-54, and to 389 for 1964-65. There is every indication that under existing policies this rate of growth will continue in the coming years.

Contributing to the growth of the program is the proliferation of titles in regular subject areas and also the adoption of textbooks in new areas. Presently, for instance, the State Curriculum Commission is recommending that textbooks be adopted in social studies, second and third grades, and also that dictionaries be adopted and distributed to all grades.

A further increase in the size of the free textbook program can be anticipated as a result of the forthcoming adoptions in mathematics, grades one through eight, and in social studies, grade four. As stated previously, the State Board of Education is presently in the process of adopting textbooks for these programs. Although basic mathematics textbooks were adopted in January 1964, supplementary math books, grades one through eight, and basic and supplementary social studies books, grade four, will not be adopted until February 1964.

The mathematics textbook program presently being used by California schools, grades one through eight, was adopted in 1957 for a six-to-eight-year period. The eight-year adoption period will expire in June 1965. The adoption consisted of 16 titles, 8 pupil textbooks and 8 teacher editions. The estimated total cost of the present adoption is approximately \$7,200,000. Over the eight-year adoption period approximately 17,919,500 pupils will have used the textbooks. This results in a per pupil cost of \$0.40.

The new mathematics program, as recently recommended to the State Board of Education by the State Curriculum Commission, consists of 125 book titles, including 12 basic titles, 19 supplementary textbooks, 67 supplementary booklets, 24 teacher editions and 3 teacher manuals. The State Curriculum Commission recommended that the textbooks be adopted for a four-year period beginning July 1, 1965. The original estimated four-year cost of the newly proposed adoption (before certain bid reductions that will be discussed later) was approximately \$16,500,000. During the four-year adoption period approximately 11,320,000 students will use the textbooks. This averages a cost per pupil of \$1.46 or more than three times the cost of the present adoption.

Free Textbooks—Continued

The social studies textbooks, presently being used by California schools, grade four, were adopted in 1957 for a six to eight-year period. The eight-year adoption period will expire in June 1965. The adoption consists of six titles. The estimated total cost of the present adoption is approximately \$4,634,000.

The new fourth grade social studies program, recently recommended to the State Board of Education by the State Curriculum Commission, consist of 26 titles: 4 basic books, 16 supplementary books, 4 teacher editions and 2 teacher manuals. The total anticipated eight-year cost of the newly proposed adoption is approximately \$6,849,000.

As a further illustration, it may be advantageous to express the growth of the free textbook program in terms of yearly cost per student served. In 1960, the yearly cost per child was \$3.73. If the mathematics and fourth grade social studies programs were to be adopted as recommended, the yearly cost per student served in 1965 would increase to approximately \$5.50.

Not only is the cost of the total textbook program increasing substantially but it is quite possible that if the present adoption practices are permitted to continue, a point of diminishing returns may soon be reached in some subject areas, i.e., there is doubt as to whether or not all of the adopted titles can be used effectively.

Recommendation to Regulate the Growth of the Free Textbook Program

As mentioned in the previous section, the State Curriculum Commission recommends to the State Board of Education a textbook adoption that, in its opinion, consists of a well balanced program. The commission is not required to justify or define its recommendations in any detail. The state board, while not necessarily agreeing with the commission, has the choice of either accepting or rejecting the recommendations. Under these circumstances the board has little choice other than to accept the program as offered. The State Legislature is in an equally difficult position, regardless of the cost or the size of the recommended adoption.

This has resulted in the State Curriculum Commission, although not concerned with the cost of its recommendations, actually determining the cost and the size of the program since the State Board of Education and the State Legislature, the two bodies assigned the functions of regulating the size and cost of the program, lack the necessary information to intelligently assess the worth of the commission's recommendations.

This office, and the Department of Finance, recently made an attempt to give the State Board of Education and the State Legislature a more valid basis for determining the adequacy of the free textbook program. It was recommended that the state board instruct the curriculum commission to submit its supplementary textbook recommendations, in mathematics and social studies, in the form of desirable program levels. Each level is to be assigned a priority, reflecting the degree to which it will be of value to the total adoption. The educational adequacy of each recommended level must also be defined. In defining the adequacy of each level, information must be submitted explaining the necessity

Free Textbooks—Continued

for each of the supplementary texts, and the extent to which each level complements the basic textbook adoption and other supplementary levels of higher priority.

It is hoped that the supplementary program justifications will enable the State Board of Education to more intelligently assess the commission's recommendations, and will permit the board to determine if, and at what point, the recommendations exceed an adequate textbook program.

We recommend that, in reviewing the 1964-65 Budget request, the State Legislature:

- a. Insure that the State Curriculum Commission has offered valid justification for each level of supplementary textbooks adopted in mathematics and social studies.*
- b. Refuse to allocate funds for any level of supplementary textbooks that has not been fully justified by the commission.*

Reduction in the Bid Prices of Certain Mathematics Textbooks

For several years and by various means the Legislature has been working toward the establishment of a greater degree of competition in textbook purchases. During the recent adoption of new basic mathematics textbooks, grades one through eight, certain textbook publishers participated in competitive bid reductions in an effort to have their particular textbooks chosen by the state board. An illustration of the nature of this competitive bidding follows. The State Curriculum Commission recommended to the State Board of Education that for several grades the books of two firms be adopted on the basis that selection be at the lowest cost to the State. Once it was realized that the lowest priced series would be adopted, the publishers began to reduce the bid prices of their respective series. As shown in Table 1, Publisher "A" reduced its original completed book price from \$2.2632 per copy to \$0.921 per copy. This constitutes a price reduction of \$1.34, or 59 percent. In addition, Publisher "A" offered the accompanying teacher editions free of charge. Publisher "B" reduced its completed book price from \$2.28 to \$0.80 per copy and also offered free teacher editions. This is a reduction of \$1.48, or 65 percent. The state board adopted the offer of Publisher "A." The estimated first-year savings in grades four, five, and six, attributable to the price reductions of "A" are \$688,895. It is quite likely that had not the "A" series been placed in direct competition with the "B" series, the price reductions would not have been made nor the savings realized. It is also interesting to speculate as to the amount of savings that could have been realized if other textbooks were chosen on the basis of cost. For example, a Publisher "C" book was recommended for the seventh grade. Since the commission considered this book superior the text did not have to compete in price for adoption. The "C" book was bid on a completed basis at \$2.71 for the pupil edition and \$2.79 for the teacher edition. The book was also bid on a lease plate basis. The State Printer's estimates for this book were \$2.324 and \$1.9529 respectively. The estimates include a per copy royalty payment of \$1.212.

Free Textbooks—Continued

Table 1
Competitive Bidding Comparisons, Publisher "A"
(Fourth Grade Basic Mathematics Text)

	Original Bid	Revised 1/7/64	Revised 1/9/64	State Board of Education Meeting	
				Revised 1/10/64	Revised 1/10/64
State Printer's manufacturing estimate7964	—	—	—	—
Royalty price5740	—	.35	.35	.30
Publisher's guaranteed manufacturing price	—	—	.6608	.651 ¹	.621 ²
Publisher's total completed book price	2.2632	1.95	1.0108	1.001	.921
Teacher edition	1.5514	—	Free	Free	Free

¹ The State Printer, who had agreed to bind the book, estimated his binding cost at \$.030 per copy.

² The State Printer reduced his estimated binding cost to \$.027 per copy.

Publisher "B"
(Fourth Grade Basic Mathematics Text)

	Original Bid	Revised 1/6/64	State Board of Education Meeting	
			Revised 1/10/64	Revised 1/10/64
State Printer's manufacturing estimate8258	—	—	—
Royalty price57996	—	.25	.20
Publisher's total completed book price	2.28	1.02	.90	.80
Teacher edition	2.8348	—	Free	Free

If competition had forced a reduction in the "C" book price, equal in percentage to the "A" reduction, the State could have obtained the "C" book for \$1.60 instead of for \$2.324.

The examples related above give an indication of the advantages which the State gains by encouraging competition among publishers. Publisher "A" presumably was still able to make a profit on its series even after a 59 percent reduction in price, or the publisher would not have offered the books to the State. In addition, there is information available to indicate that "C" who quoted a selling price to the State of \$2.71 per copy, which supposedly includes all the regular education quantity discounts, has been able to have this book manufactured for \$.81 per copy, or a margin of \$1.90 per book for the publisher. It is inconceivable that the State would not have been able to secure a very substantial savings in this case if there had been any competition.

During the 1961 legislative inquiry into California's textbook problems, it became evident, through material prepared by this office, that private publishers were not offering their textbooks to the State at the lowest possible prices. In an effort to encourage the publishers to submit their books at more favorable prices, the Ways and Means Special Subcommittee on Textbooks made certain recommendations that offered publishers a greater opportunity to bid more competitively. Moreover, addition of control language in the Budget Act secured significant savings. In light of the mathematics price reductions discussed above, it is clear that the State should expect the combined efforts of the Legislature and the State Board of Education to achieve lower prices. The State should continue to press for ways of enforcing greater competition in this market, including the use of quantity discounts.

Free Textbooks—Continued

State Printing Plant Estimates

The State Printing Plant is requested to make manufacturing estimates of every textbook retained by the State Curriculum Commission for final consideration. The estimates are used by the State Board of Education, the Department of Education, and the Department of Finance for budget and program cost determinations. During the recent mathematics adoption it became evident that the estimates formulated by the State Printing Plant exceeded estimates made on identical textbooks by private manufacturers. Below are three examples that illustrate the degree of variance between the State Printer's estimates and the prices quoted by private industry.

	<i>State Printing Plant estimates</i>		<i>Pacific Press Inc.</i>	<i>Cardoza- Stecher</i>
	<i>Original estimates</i>	<i>Revised estimates</i>	<i>bid</i>	<i>bid</i>
Silver Burdett—4th grade basic textbook	.7964	.7964	.621	.6608
Holt, Rinehart & Winston, Inc.—7th grade basic textbook	1.1094	.954	--	.81
Harcourt, Brace & World, Inc.—7th grade basic textbook	1.0011	.997	--	.86

It should be stated that the price quoted by Cardoza-Stecher, on the Holt, Rinehart & Winston, Inc. book, is the price at which Holt obtains the textbook for sale to the State of Texas.

There is no doubt that the State Printing Plant performs a valuable service by providing a basis for determining the approximate cost of the various textbooks under consideration and also by providing a basis for estimating the cost of financing a particular textbook adoption. The price comparisons above, however, indicate that the estimates quoted by the State Printer do not necessarily reflect the lowest price for which the textbooks can be obtained. Therefore, while the State Printer's estimates should be used as standards for comparative purposes, the estimates should not be accepted as the lowest price at which the State can obtain the book.

Acceleration of the Mathematics Program

As previously stated, the present mathematics adoption was tentatively scheduled to be discontinued in June 1965. The State Board of Education, however, recommended in November 1963 that the Department of Education explore the possibilities of discontinuing the adoption period of certain mathematics textbook titles a year early so that the newly adopted books could be distributed to California schools in time for the 1964-65 school year. It was the board's contention that the newly recommended mathematics textbooks were so superior in quality to the present adoption that students should have the benefit of the new books before the regularly scheduled date. At the January meeting of the state board, it was determined that the basic textbooks in grades one, two, and seven of the present mathematics adoption be discontinued in June 1964 and the basic textbooks, grades one, two, and seven of the new adoption be accelerated a year to replace the discontinued titles.

Free Textbooks—Continued

It is difficult to take issue with the concept that if the new books are greatly superior to the present adoption the texts should be placed in the schools as soon as possible. This decision of the State Board of Education, however, raises issues related to the so-called "book burning" incident of 1960. This incident resulted when the state board cut short a reading adoption and left the Department of Education holding a large number of obsolete reading textbooks. At that time, this office was critical of the board reducing the adoption period without giving sufficient notice to the Department of Education. This office was also critical of the length of time involved in the selection period in general and recommended that the Department of Education take steps to shorten this period. During the investigation it was made apparent that various time segments of the selection and adoption period could not be shortened; for instance, a certain amount of time must elapse because of the conflict between the timing of the fiscal year and the necessity for legislative budgetary review. This amount of time, however, is quite insignificant when compared to the total time spent in the selection and adoption process.

Both of the above criticisms were recognized by the Ways and Means Subcommittee on Textbooks and appeared in the subcommittee's report as a recommendation. The recommendation was as follows: "It is recommended that the State Board of Education make an effort to reduce the long period now involved in the textbook selection, printing and distribution process and tighten up the procedure for receipt and acceptance of offers from publishers." The present situation fails to indicate that the recommendation has been given serious consideration by the State Board of Education, the State Curriculum Commission or the Department of Education.

The possibility that the new mathematics books might be greatly superior to the existing adoption did not become evident overnight. The state board, the curriculum commission and the Department of Education should have been aware of this probability for quite some time. For example, in the report of the Advisory Mathematics Committee made to the State Curriculum Commission on March 8, 1962 (almost two years before this recent decision of the board) it was stated: "It took the committee only a very short time to decide that it would recommend to the commission a rather drastic improvement in the mathematics curriculum for the children in this State."

The above statement should have been cause enough for any of the three bodies to explore all the possibilities for distributing the new mathematics books to the schools a year early.

It is difficult at this time to accurately estimate the total additional cost to the State that will result from the board making this change so late in the selection period. Two of the more important costs that must be considered are listed below:

a. The Department of Education has estimated that by cutting off the presently adopted basic books, grades one, two, and seven, at the end of seven years, approximately 146,600 textbooks will remain undis-

Free Textbooks—Continued

tributed and will be obsolete in the State Textbook Warehouse. The cost of these books was \$84,600.

b. In addition, there will be an undeterminable number of mathematics textbooks at the district level that will be discarded. These are books that have been ordered by school districts anticipating a full eight-year adoption.

As stated earlier in this section, the Ways and Means Subcommittee on Textbooks recommended that the Department of Education reduce the long period involved in the selection and adoption of textbooks. This has not been done. *We therefore recommend that the Legislature adopt a resolution requesting the State Board of Education to direct the State Department of Education to take the necessary steps to shorten the selection and adoption period.* This should enable the State to realize substantial savings in any future textbook adoption in which acceleration may be deemed necessary.

Subventions for Education
ASSISTANCE TO PUBLIC LIBRARIES

ITEM 378 of the Budget Bill

Budget page 1085

FOR ASSISTANCE TO PUBLIC LIBRARIES
FROM THE GENERAL FUND

Amount requested	\$792,484
Estimated to be expended in 1963-64 fiscal year	800,000
Decrease	\$7,516
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

This appropriation is requested to fund the program of state assistance to local public libraries authorized in 1963 by the Legislature. The Public Library Development Act, Chapter 1802, Statutes of 1963, established the program, which is to be administered by the State Librarian with the assistance of the advisory Public Library Development Board. The Budget Act of 1963 originally carried the appropriation for this item, contingent upon legislative approval of the necessary legislation. Eventually the appropriation was deleted from the budget bill entirely and included within the library assistance measure, A.B. 590.

The budget appropriation requested for the 1964-65 fiscal year for this subvention item represents no increase over the amount appropriated for this purpose by the 1963 Legislature. Chapter 1802, in authorizing this program, carried an appropriation of \$850,000; however, approximately \$42,484 of this amount was used for administration of the act within the State Library. This sum has been used by the library to employ 4.5 permanent employees, consisting of two library consultants and 2.5 typist-clerks, and to pay necessary operating expenses including the expenses of the Public Library Development Board. This expenditure activity represents a continuing activity which, for 1964-65 and the years thereafter, is to be found within the budget item for State Library support. Of the \$50,000 originally

Assistance to Public Libraries—Continued

appropriated by Chapter 1802 for administration, \$7,516 was unused and will be applied to the subvention program in 1964-65. Thus, only \$792,484 is requested in this budget. Consequently, the amount of \$800,000 estimated for subventions for the budget year should be compared with the identical amount appropriated for this purpose in 1963-64.

The Public Library Development Act, as enacted by the Legislature, contains one major limitation upon the total amount which may be appropriated in any one year for library assistance purposes. Section 27133 of the Education Code states, in part, that "it is the intention of the Legislature that the total amount which may be appropriated, for expenditure during any fiscal year, under this chapter shall not exceed 2 percent of the total operating expenditure of all the public libraries of the State from funds received from local sources for the last completed fiscal year." Although the State Library has not been able to supply these figures for the 1962-63 fiscal year, we are informed that in 1961-62 the sum of \$41,557,083 was expended statewide from local sources for public libraries. The \$800,000 requested is, therefore, within the two percent limitation. It should be pointed out, however, that although the two percent factor is a limitation on the total amount which may be expended, the variable upon which it depends (local expenditures from local sources) is not capable of being controlled by the state. Thus, as local expenditures rise it is likely that there will be significant pressure for the State to keep pace automatically by matching those local expenditures at the rate of 2 percent.

As of January 15, 1964, the Public Library Development Act had been in effect for approximately five months. Little can be reported at this time concerning the grants made to local library agencies. The advisory Public Library Development Board has been appointed by the Governor, has met and has approved regulations. It will be recalled that the act provided for three types of state financial grants: planning grants, establishment grants and per capita grants. Only the last type may be granted from year-to-year to the same library. Deadlines have been established for application for each of these types of grants; priority has been assigned as follows: planning grants, establishment and finally per capita grants. As of January 15, 1964, 14 planning grant applications and three establishment grant applications had been received. No per capita grant applications had been received as of the above date. Although we have some doubt that the entire \$800,000 available will be used in 1963-64, the State Library believes that it will be entirely apportioned.

The act authorizing this new program contains a provision requiring the Public Library Development Board to report annually to the Legislature on the progress of this program. Although no such report has yet been issued, we are informed that at the completion of the current fiscal year when the information sought is more complete a report will be issued. *Because this program is not yet fully underway and therefore cannot adequately be analyzed, and because no increase is requested over the level authorized in 1963-64, we recommend approval as budgeted.*

Subventions for Education

VOCATIONAL EDUCATION: REIMBURSEMENTS TO SCHOOL DISTRICTS

ITEM 379 of the Budget Bill

Budget page 1088

FOR SUPPORT OF VOCATIONAL EDUCATION:
REIMBURSEMENTS TO SCHOOL DISTRICTS
FROM THE GENERAL FUND

Amount requested	\$230,271
Estimated to be expended in 1963-64 fiscal year	230,271

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Subventions to secondary level school districts are made yearly from the General Fund and from federal allocations. After the costs of state-level administrative operations have been deducted from the total appropriated from these two sources, the remainder is distributed to local districts for supervision and teacher training; recipient districts must, in order to qualify for the funds, maintain approved vocational education programs in agriculture, homemaking, business and industrial education. State-level operations are discussed elsewhere in this analysis under the discussion of the Vocational Education Section, Department of Education.

The 1964-65 budget request for this activity of \$230,271 represents no increase over the amounts budgeted and expended for the immediate past and current fiscal years. Federal support for vocational education assistance will, however, decrease in the budget year from \$5,800,769 to \$5,754,034 in 1964-65. This represents a decrease of 0.8 percent or \$46,735 over the current year. While all vocational education programs financed under this state-federal partnership are budgeted at somewhat less than their 1963-64 levels, the largest decrease results in a leveling off of funds received under the Manpower Development and Training Act (P.L. 97-415). Total federal funds for this program are estimated for the budget year at \$3,515,479, a decrease from 1963-64 of \$29,923. A more complete discussion of this program, together with a complete breakdown of federal, state and local expenditures for vocational education, may be found in our analysis of the support item for vocational education. *We recommend approval.*

Department of Mental Hygiene

ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES

ITEM 380 of the Budget Bill

Budget page 1090

FOR ASSISTANCE TO LOCAL AGENCIES FOR MENTAL
HEALTH SERVICES FROM THE GENERAL FUND

Amount requested	\$11,679,948
Estimated to be expended in 1963-64 fiscal year	5,291,206

Increase (121 percent)	\$6,388,742
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TOTAL RECOMMENDED REDUCTION	\$75,000
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Assistance to Local Agencies for Mental Health Services—Continued

Summary of Recommended Reductions	Budget		
	Amount	Page	Line
1 multipurpose center for the mentally retarded.....	\$75,000 *	1095	46

* This amount is not specifically identified in the budget, but should be included in the total shown at the place indicated.

ANALYSIS

This subvention, commonly known as Short-Doyle, was initiated in 1958. The original legislation provided that the State would reimburse approved local mental health programs 50 percent of their support expenditures for any two or more of five different services, i.e., inpatient, outpatient, rehabilitation, consultation, and information. The 1963 Legislature amended the Short-Doyle Act to liberalize the reimbursement formula and expand the scope of the program. Effective October 1, 1963, the State increased its support share from a flat 50 percent to a figure ranging up to 75 percent. In addition, local programs are now permitted to be reimbursed for treating involuntary patients and need only offer one of the five aforementioned services to be eligible for state assistance.

The recent liberalization of Short-Doyle has resulted in both a rapid program expansion and an accelerated increase in state expenditures. It is estimated that the State will reimburse local programs \$5.3 million during 1963-64. The proposed 1964-65 state expenditure is \$11.7 million, an increase of \$6.4 million, or 121 percent. Furthermore, it is anticipated that the state cost of supporting Short-Doyle programs will increase at an average annual rate of approximately \$4 million for the next several years.

It must be recognized that Short-Doyle services will, in future years, assume an increasingly important role in the State's total program approach to mental illness. It is, therefore, essential that these programs be properly reviewed and coordinated in order to assure maximum effectiveness.

Inasmuch as reimbursements for Short-Doyle programs will continue to represent an increasingly significant percentage of California's total mental health expenditure, we feel that these services should be subjected to a legislative review somewhat similar to that undergone by the fully supported state programs administered by the Department of Mental Hygiene.

In order to provide the Legislature with the opportunity to evaluate future Short-Doyle programs in a comprehensive manner, more complete budget data is required than is now made available. The 1964-65 Governor's Budget gives no indication of the specific allocation of funds by program. Proposed services are only briefly mentioned in general statements, with no reference to actual costs. Such essential information as caseload, program staffing, per capita costs, etc., are not shown in the budget. This type of data should be presented to the Legislature in the future.

We recommend that the Legislature instruct the Department of Finance to present a more complete delineation of existing and proposed Short-Doyle expenditures in future Governor's budgets.

Assistance to Local Agencies for Mental Health Services—Continued
Multipurpose Center for the Mentally Retarded

The proposed 1964-65 Short-Doyle allocation provides support funds for one of two planned multipurpose centers for the mentally retarded. These facilities, which would function primarily as day treatment centers, have received only preliminary approval.

We recommend that the funds allocated for this proposed multipurpose center be deleted and that the Legislature direct the Department of Mental Hygiene to hold in abeyance any other proposed Short-Doyle programs that would provide new services for the mentally retarded.

The 1962 Legislature evidenced great concern over the large waiting list for admission to state hospitals for the mentally retarded and requested the department to furnish a program designed to eliminate, to as great an extent as possible, this specific waiting list. The agency responded with a proposal to build three multipurpose centers for the retarded. In order to implement this program, the 1962 Legislature authorized an initial capital outlay appropriation of \$4.75 million. In a letter dated May 21, 1962, the Department of Mental Hygiene made the following references to this appropriation:

- “1. The funds in item 391.1 of the 1962-63 budget are for planning, land acquisition, and construction of three multi-purpose centers to serve the mentally retarded in the metropolitan areas. The amount is sufficient to permit the construction of one of the three centers.
2. Each center should serve a population of from one-half million to one million living within about one-half hour's commuting distance from the center.
3. The total caseload of the center should be about 1,000 active patients of whom a maximum of 250 would be on the inpatient service.
4. Each center should provide for a minimum of the following five services:
 - a. Twenty-four hour hospital diagnosis and care
 - b. Day treatment
 - c. Outpatient diagnosis and treatment
 - d. Parent counseling
 - e. Twenty-four hour crisis assistance.”

To date, the department has been unsuccessful in its attempts to establish any of these facilities. However, the proposed 1964-65 Short-Doyle budget provides support funds for “1 multipurpose center for the mentally retarded . . .” (budget page 1090, line 46). The local jurisdiction that would operate this center has received preliminary approval for two such units. The cost of constructing these centers is estimated at approximately \$800,000 and would be entirely financed from the 1962 allocation of \$4.75 million for multipurpose centers.

We would point out that these Short-Doyle centers would bear absolutely no resemblance to the proposed multipurpose centers for which the Legislature appropriated capital outlay funds. These funds

Assistance to Local Agencies for Mental Health Services—Continued

were allocated for the specific purpose of effecting a reduction, to the greatest extent possible, in an existing waiting list for admissions to state institutions. At a recent hearing held in January 1964, a representative from the Department of Mental Hygiene acknowledged that the multipurpose centers proposed in the 1964-65 Short-Doyle request would not reduce this waiting list. Therefore, the state funds that are proposed to construct these units would not be used for the purpose for which they were authorized. As a result, we feel that the Legislature should instruct the Department of Finance that it is not to use the 1962 capital outlay appropriation of \$4.75 million to fund the construction of the multipurpose center for the retarded that is proposed in the 1964-65 Short-Doyle budget request.

Policy Consideration

There are other fundamental reasons for not approving the state support funds that are requested in the budget to operate a multipurpose center for the mentally retarded under Short-Doyle. At the present time, there are only minimal services available to the retarded through Short-Doyle. However, these proposed multipurpose centers represent a major change in Short-Doyle programing, i.e., the provision of significant new services to the mentally retarded. There are basic policy and program questions that should first be resolved before Short-Doyle is permitted to move in this direction.

Existing regulations require that, to be eligible for state reimbursement, Short-Doyle services must be under psychiatric direction. For example, the California Administrative Code defines specific Short-Doyle services as follows:

- “543 *Rehabilitation Services*. Rehabilitation services shall be services rendered to persons with mental illness, mental retardation . . . and directed at the prevention of, compensation for, or correction of the handicapping effects of a psychiatric disorder.”
- “560 *Outpatient Psychiatric Clinics*. Outpatient psychiatric clinics shall be limited to psychiatric diagnosis, care and treatment . . . but excluding other medical care or treatment.”
- “561 *Inpatient Psychiatric Services*. Inpatient psychiatric services shall be limited to psychiatric diagnosis, care and treatment, . . . together with such general medical and surgical procedures as are necessary in the treatment of the psychiatric condition, but excluding other medical treatment . . .”

The Department of Mental Hygiene recently estimated that only 22 percent of the retardates placed on its active waiting list were suitable subjects for psychiatric treatment. It is an accepted fact that the overwhelming majority of mentally retarded persons needing assistance require services of a nonpsychiatric nature. Inasmuch as Short-Doyle facilities are only permitted to provide services for those retardates exhibiting psychiatric disorders, most of the mentally retarded must be excluded from practically all programs operated under Short-Doyle.

Assistance to Local Agencies for Mental Health Services—Continued

In discussing community centers for the mentally retarded, the president of California's largest citizen organization serving the retarded recently made the following statement:

"I do not recommend that the individual counties be held responsible for the establishment of these centers, neither by the Short-Doyle route nor by any other method which transfers this responsibility from the State to the county . . . I submit that community services for the mentally retarded is a responsibility of State government which should not be abandoned by delegation."

The mentally ill and the mentally retarded present dissimilar problems and require entirely different treatment programs. It is evident that any attempt to use Short-Doyle as a means of furnishing services to both these groups could only provide for the needs of a limited number of retardates and would most likely result in a dilution of overall program effectiveness.

The Legislature is extremely concerned with the problems of the mentally retarded and has already taken steps designed to formulate a coordinated program for this group. In 1963, the Legislature established a Study Commission on Mental Retardation. The commission is required to submit an interim report by October 1, 1964 and a final report to the Governor and Legislature by January 15, 1965. According to the legislation which established the commission, the final report will make recommendations on the following:

- (1) Planning and implementation of policies, procedures, programs, services and activities pertaining to identification, care, treatment, education and general rehabilitation of mentally retarded persons and research in the field of mental retardation.

- (2) Full utilization of the services and facilities available to the State from the federal government for the benefit of mentally retarded persons.

- (3) Statutory revisions necessary to carry out the recommendations of the commission.

The commission's work to date gives every indication that it will submit a comprehensive report recommending major changes and innovations. The Assembly Ways and Means Committee has established a Special Subcommittee on Mental Health to conduct a one year study on mental health services in California. The subcommittee's staff is currently concentrating its efforts on an evaluation of the mentally retarded issue. The Senate Fact Finding Committee on Governmental Administration is also working in this area. At a recent hearing held by the committee, serious questions were raised relative to the desirability of initiating the multipurpose center that is now being proposed for operation in 1964-65 under Short-Doyle.

The total needs of the mentally retarded will be better served in the long run if the problem is handled in an orderly fashion. The Legislature, with foresight, has established the means by which this can best be accomplished. It is already assured that a total program ap-

Assistance to Local Agencies for Mental Health Services—Continued

proach for dealing with the precise needs of California's mentally retarded will be submitted to the 1965 Legislature for its consideration. Until this "blueprint" has been reviewed, it is inadvisable to authorize the initiation of new, large scale programs for the mentally retarded.

**Department of Public Health
CRIPPLED CHILDREN SERVICES**

ITEM 381 of the Budget Bill

Budget page 1096

**FOR ASSISTANCE TO COUNTIES FOR CARE OF
CRIPPLED CHILDREN FROM THE GENERAL FUND**

Amount requested	\$11,978,842
Estimated to be expended in 1963-64 fiscal year	11,079,690
Increase (8.1 percent)	\$899,152
Increase to maintain existing level of service	\$481,152
Increase for new service	418,000

TOTAL RECOMMENDED REDUCTION **\$418,000**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>
		<i>Page Line</i>
Assistance to counties for care of crippled children	\$418,000	1097 31

ANALYSIS

This item provides funds for a state program for handicapped children, as authorized by Sections 249 through 271 of the Health and Safety Code. The code provides that whenever the parent or guardian of the child is unable to finance necessary care, a designated agency of the county shall request the State to furnish such services. Also, each county must appropriate not less than one-tenth mill on each dollar of assessed property valuation for the purpose of financing its share of the program.

An amount of \$11,978,842 is requested from the General Fund to finance this item. This proposal is \$899,152, or 8.1 percent, above the amount estimated to be expended in the current year. This increase includes \$418,000 to initiate a program for the treatment of epilepsy and \$481,152 for program growth including \$257,000 to finance an upward adjustment of medical fees.

We recommend the deletion of \$418,000 to initiate a program for treatment of epilepsy and approval of \$11,560,842 to support the balance of the request.

AB 2130, as introduced at the 1963 General Session, would have added epilepsy as an eligible handicapping condition under the crippled children's program. This bill was referred by the Legislature for interim study with a report to be submitted to the 1965 General Session of the Legislature. We believe that this study and report should be completed before this program is financed.

The crippled children's program has been extended beyond its original purpose, which was to provide medical care to children with crippling conditions of an orthopedic or short-term nature, by the addition of such chronic or long-term crippling conditions as cystic fibrosis and

Crippled Children Services—Continued

the proposed addition of epilepsy as eligible conditions under the crippled children's program. We believe that the State's total approach to the care of crippled children should be reviewed and defined before this program is again extended on a piecemeal basis to include another eligible condition.

At the 1962 Budget Session, the Legislature approved \$250,000 to increase the surgical fee from \$3.50 to \$4 per unit. This action also increased local costs by \$125,000. This increase was justified on the establishment of surgical fees in this program at the state level, and because no increases in prices had been recognized since 1957-58. At the same session, the Department of Finance was directed to develop uniform fee schedules for medical and related services which are to be paid by all state agencies which purchase such services. The Department of Finance has now developed and promulgated a new uniform fee schedule known as "Medical and Related Services, Schedule of Maximum Allowance." In the budget year the new schedule is estimated to add another \$257,000 to state medical fee costs in the crippled children's program.

The budget proposes to continue the rapid acceleration in costs of the program from \$4,264,152 in 1958-59 to \$11,978,842 as proposed in the 1964-65 budget year. This is an increase of \$7,714,690, or 181 percent, in General Fund costs over a period of only six fiscal years.

It should be noted that approval of the budget proposal will result in increased expenditures in the crippled children's program at the local level. The local cost of initiating the new program for the treatment of epilepsy is estimated at \$34,200 in the first year and the local cost of the new medical fee schedule is estimated at \$128,500. The local share of the entire crippled children's program is estimated at \$4,581,437 in the budget year.

**Department of Public Health
TUBERCULOSIS SANATORIA**

ITEM 382 of the Budget Bill

Budget page 1097

**FOR ASSISTANCE TO COUNTIES FOR TUBERCULOSIS
SANATORIA FROM THE GENERAL FUND**

Amount requested	\$3,207,628
Estimated to be expended in 1963-64 fiscal year	3,140,418
Increase (2.1 percent)	\$67,210
Increase to maintain existing level of service	\$67,210

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

Division 4 of the Health and Safety Code provides state grants-in-aid to counties or cities for the treatment and care of persons suffering from tuberculosis. The funds are allocated in accordance with Section 3300 of the code which provides for a graduated subsidy rate of \$2.60 per patient day for the first 36,500 patient days, \$2.30 for the second 36,500 patient days, and \$1.75 for all additional patient days. The

Tuberculosis Sanatoria—Continued

section further states that in addition to the amounts specified for the three categories, there can also be provided any additional amounts specified in any appropriation made thereafter. There have been additional amounts added in the Budget Act for each year since 1954.

The budget proposes an expenditure of \$3,207,628 in the budget year. This is an increase of \$67,210, or 2.1 percent above the \$3,140,418 which is estimated to be expended in the current year.

We recommend approval of the budget as submitted.

Included in the \$3,140,418 which is estimated to be expended during the current year is an Emergency Fund allocation of \$177,915.

The proposed budget is based on the graduated rate in the Health and Safety Code, plus a supplemental amount of \$2.94, which includes a relatively large increase of 50 cents over the supplemental amount of \$2.44 which was approved for the current year. The budget proposal marks the first time in the past five years in which the total expenditure for this program has not been reduced. This is due to the fact that the estimated decrease in number of patient days from 680,000 in 1963-64 to 639,000 in 1964-65 is more than offset by the added cost of the 50-cent-per-patient-day increase in the supplemental allowance.

Section 3295 of the Health and Safety Code provides for the care of persons suffering from tuberculosis who violate the quarantine or isolation orders of a county health officer. An agreement has been made with the Department of Corrections to care for these persons at the Medical Facility at Vacaville and the Institution for Women at Corona. Included in the budget request is \$67,500 to reimburse the Department of Corrections for an average occupancy of 37 beds.

Department of Public Health**COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS**

ITEM 383 of the Budget Bill

Budget page 1098

FOR ASSISTANCE TO COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS FROM THE GENERAL FUND

Amount requested	\$578,299
Estimated to be expended in 1963-64 fiscal year	496,843

Increase (16.4 percent)	\$81,456
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Increase to maintain existing level of service	\$61,298
Increase to improve level of service	20,158

TOTAL RECOMMENDED REDUCTION	\$15,228
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Summary of Recommended Reductions**Budget**

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Assistance to counties without local health departments:			
1 Health education consultant	\$7,800	1098	36
1 Public health nurse II	7,428	1098	37

ANALYSIS

Section 1157 of the Health and Safety Code authorizes the Department of Public Health to furnish local public health services to those counties with less than 40,000 population and without recognized local

Counties Without Local Health Departments—Continued

health departments which contribute a minimum of 55 cents per capita. The program is administered by the Bureau of Contract Public Health Services and currently includes the 16 counties of Alpine, Amador, Calaveras, El Dorado, Glenn, Lake, Lassen, Mariposa, Modoc, Mono, Nevada, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne.

The budget proposes an expenditure of \$578,299 for assistance to counties without local health departments in the budget year. This is an increase of \$81,456, or 16.4 percent, over the amount which is estimated to be expended on this program during the current year. The budget proposes an additional health education consultant to serve the program and an additional public health nurse to serve Amador and Calaveras Counties.

1 Health education consultant (budget page 1098, line 36) -- \$7,800

One additional health education consultant is proposed to serve the contract county program.

We recommend a reduction of \$7,800 in salaries and wages for one health education consultant.

The contract county program is designed to provide "basic health services" to counties under 40,000 population which do not wish to form their own recognized health departments. One health education consultant is presently serving this program and any county of under 40,000 population which desires a higher level of health service, including more health education activity, may form its own recognized health department. It should be noted that the four counties of Plumas, Inyo, Colusa and San Benito with July 1, 1963, populations ranging from 11,600 to 16,400 respectively, have already established their own recognized health departments. The addition of the proposed health education consultant to the contract county program would result in a 100 percent increase in the level of service which is provided for this activity. The bureau should call upon the nine professional health education consultants in the Bureau of Health Education to assist in meeting any peak health education needs in the contract county program.

1 Public health nurse II (budget page 1098, line 37) ----- \$7,428

One additional public health nurse II is proposed to serve the needs of both Amador and Calaveras Counties.

We recommend a reduction of \$7,428 in salaries and wages for one public health nurse II for Amador and Calaveras Counties.

One public health nurse is currently assigned to Amador County and one public health nurse is assigned to Calaveras County. The proposed position would be assigned three-quarters time to Amador County and one-quarter time to Calaveras County. The request is proposed on the basis of workload increases involved in the control of TB and other communicable diseases in Amador County and a lesser amount of such activity plus handicapped children in Calaveras County. The estimated July 1, 1963, population of Amador and Calaveras Counties totaled 21,500 or an increase of only 1,221 over the April 1960 census population of 20,279. This does not provide sufficient justification to support the additional proposed public health nurse position.

Department of Public Health
LOCAL HEALTH DEPARTMENTS

ITEM 384 of the Budget Bill

Budget page 1099

FOR ASSISTANCE TO COUNTIES WITH LOCAL HEALTH
DEPARTMENTS FROM THE GENERAL FUND

Amount requested	\$4,363,211
Estimated to be expended in 1963-64 fiscal year	4,241,401
Increase (2.9 percent)	\$121,810

Increase to maintain existing level of service..... \$121,810

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

State and federal funds are allocated to qualified health departments on a population basis to provide local public health services. These funds are distributed in accordance with the provisions of Sections 1100 and 1141 of the Health and Safety Code.

An amount of \$4,363,211 is requested from the General Fund to provide the same per capita distribution as the current year, 20.7 cents. This is \$121,810, or 2.9 percent, more than the \$4,241,401 which is estimated to be expended in the current year.

We recommend approval of the item as budgeted.

The budget request is based on a July 1, 1964 qualified area population estimate of 17,947,000.

In addition to the amount proposed to be appropriated from the General Fund by this item, an estimated \$1,939,000 in federal funds will be distributed to local health departments in the same ratio as state funds after allocation has been made for special local demonstration and investigation projects.

Department of Public Health
GNAT CONTROL

ITEM 385 of the Budget Bill

Budget page 1099

FOR ASSISTANCE TO LOCAL AGENCIES FOR GNAT CONTROL
FROM THE GENERAL FUND

Amount requested	\$50,000
Estimated to be expended in 1963-64 fiscal year	50,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... Delete Item
Transfer \$50,000 to Item 104

Summary of Recommended Reductions

	Amount	Budget Page	Line
Assistance to local agencies for gnat control	-\$50,000	1099	63
Transfer to University of California (Item 104)	+50,000		

ANALYSIS

This subvention is allocated to local agencies for research in the control of gnats. The State provides financial assistance for up to 50 percent of the support of approved gnat research programs. This sub-

Gnat Control—Continued

sidy is authorized by Sections 2425 and 2426 of the Health and Safety Code.

An amount of \$50,000 is proposed for this item in the budget year. This is the same amount which is estimated to be expended on this item during the current year.

We recommend the transfer of the \$50,000 which is requested for assistance to local agencies for gnat control to Item 104, the support item for the University of California.

Two gnat research programs are currently being carried on under this subvention. One research program on the control of the biting black gnat is being carried on by the San Mateo County Mosquito Abatement District. The largest state-financed research program is concerned with the control of the Clear Lake gnat and is being carried on by the Lake County Mosquito Abatement District. The district has utilized a chemical approach to obtain short-term relief from the Clear Lake gnat. It is now attempting to develop a long-range program directed towards the biological control and eventual elimination of the Clear Lake gnat.

The State has accepted a responsibility for providing a certain amount of support for gnat control research and we believe that this overall support should be continued at the current level of \$50,000 annually. However, we also believe that an effective program which will lead to the control and eventual elimination of the biting black gnat and the Clear Lake gnat will be achieved at an earlier date if these programs are brought within the research environment of the university. Research centers located on the Davis and Berkeley campuses of the university are readily accessible to the Burlingame office of the San Mateo County District and the Lakeport office of the Lake County District. The availability of faculty and research personnel at the Davis, Berkeley and Riverside campuses of the university who are recognized experts in the vector control field will enhance the prospects for an early solution of the gnat control problem.

The State has supported the San Mateo County research program for a total of six years with a total expenditure amount of more than \$50,000 and the proposed expenditure of another \$10,000 in the budget year. The State has supported the Lake County treatment and research programs for a total of 12 years dating back to 1950 with a total expenditure of \$110,000 in the past five years alone plus the proposed expenditure of another \$40,000 in the budget year.

Our recommendation is also based on the successful example of university-local cooperation in Southern California where for the past six years the Riverside campus of the university has carried out research on the eye gnat through a direct appropriation while the Coachella Valley Mosquito Abatement District, where the eye gnat problem is most acute, provides field personnel to field test the control measures which are developed by the university.

We anticipate that the San Mateo and Lake County Mosquito Abatement Districts will similarly establish a cooperative relationship with the university upon the transfer of the gnat control research program to the university.

**Department of Public Health
MOSQUITO CONTROL**

ITEM 386 of the Budget Bill

Budget page 1100

**FOR ASSISTANCE TO LOCAL AGENCIES FOR MOSQUITO
CONTROL FROM THE GENERAL FUND**

Amount requested	\$214,522
Estimated to be expended in 1963-64 fiscal year	209,463
 Increase (2.4 percent)	 \$5,059
Increase to maintain existing level of service	\$5,059

TOTAL RECOMMENDED REDUCTION	\$101,000	
	Transfer \$61,035 to Item 104	

Summary of Recommended Reductions	Amount	Page	Line
Assistance to Local Agencies for Mosquito Control:			
7 Vector control specialists	\$61,035	1100	21
Transfer \$61,035 to University of California (Item 104)	+61,035		
Contracts with local agencies	101,000	1100	34

ANALYSIS

Sections 2425 and 2426 of the Health and Safety Code provide that the State Department of Public Health may enter into cooperative agreements with any local district or public agency engaged in the control of mosquitoes under conditions to be prescribed by the State Department of Public Health.

An appropriation of \$214,522 is requested for assistance to local agencies for mosquito control. This request is \$5,059, or 2.4 percent, above the \$209,463 which is estimated to be expended on this program in the current year.

We recommend a transfer of \$61,035 in salaries and wages of seven Fresno Field Station vector control specialists to Item 104, the support item for the University of California. We also recommend the deletion of \$101,000 for contracts with local agencies.

The mosquito control assistance program consists of two major parts, the first of which is a mosquito control research program in which departmental personnel are employed in Fresno, Bakersfield and Davis, and the second a subvention which is paid directly to local districts for the reporting of mosquito incidence.

Our first recommendation relates to the department's mosquito control research program. This three faceted program first involves a research program in which the two vector control specialists assigned to the Davis campus of the University of California are engaged with university personnel in a coordinated mosquito control research program. We support this joint state-university approach to research.

The second facet of this research program involves the assignment of three vector control specialists to the Cooperative Encephalitis Project in Bakersfield. This cooperative program is directed by the Hooper Foundation of the University of California. Personnel in this program are university employees and the aforementioned public health employees as well as staff of the United States Public Health Service and Kern County Mosquito Abatement District. We also support this joint

Mosquito Control—Continued

state-university-federal-local approach to the encephalitis control problem.

The third facet of this mosquito control research program is carried out at the Fresno Field Station by seven departmental vector control specialists. We are recommending that this program be discontinued and that the resultant savings of \$61,035 in salaries and wages for seven vector control specialists be transferred to the University of California for the augmentation of its existing mosquito control research activity. Our recommendation is based on the fact that the university is the proper focus for state financed research. The university has the staff, equipment and facilities to carry out more effective research with currently available funds. The State also receives a twofold return from state financed research which is carried out by the university. The first return is in the research results which accrue from having this research carried out by the highly qualified staff of the state university. The second return results from the fact that the academic research requirements of the state university are being met at the same time.

We believe that approval of our recommendation will lead to more effective mosquito control research in California in that the university will be involved in all of the state subvention financed research in the mosquito control area.

A pattern for such state-university cooperation in research has existed since 1930 in agriculture where the State Department of Agriculture administers an on-going regulatory service and standards control program and the university carries on the research and extension on agricultural problems in California. This has been a highly successful method of meeting California's agricultural problems, and we feel that this approach can and should be applied to meeting California's mosquito control research needs.

Our second recommendation relates to the \$101,000 which is currently being subvented in equal amounts of approximately \$3,000 to each of the 34 participating local mosquito control agencies in 1963-64. The distribution of this subvention is not equitable because only 34 of the approximately 55 mosquito control agencies have availed themselves of this subvention in the current year in spite of the fact that most of these 55 agencies voluntarily submit a mosquito incidence report to the Department of Public Health.

The value of this report is open to question. The report suffers from such problems as variations in operation and location of the mosquito traps from which the sample count is obtained. These variations adversely influence the possibility of obtaining an accurate report. Under-reporting has existed in other cases. A certain amount of misinterpretation of results by other agencies which review the report is another problem.

On the basis of the above, we believe that the subvention for the reporting of mosquito incidence should be discontinued. The department can then ascertain whether mosquito control agencies are suffi-

Mosquito Control—Continued

ciently interested in receiving a statewide report to voluntarily submit a mosquito incidence report to the department without compensation from the State.

Department of Public Health
PHYSICALLY HANDICAPPED CHILDREN

ITEM 387 of the Budget Bill

Budget page 1100

**FOR ASSISTANCE TO LOCAL AGENCIES FOR TREATMENT
 OF PHYSICALLY HANDICAPPED CHILDREN
 FROM THE GENERAL FUND**

Amount requested	\$1,934,780
Estimated to be expended in 1963-64 fiscal year	1,676,276
 Increase (15.4 percent)	 \$258,504
Increase to maintain existing level of service.....	\$258,504

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

This is a joint program of the State Department of Public Health, State Department of Education, local school districts and local health departments throughout the State. Therapy is provided to handicapped children in special therapy units built by school districts adjacent to special school rooms where these handicapped children attend class. Physical and occupational therapists and therapist aides provide therapy to handicapped children. However, the assignment of therapists and therapist aides is based on the number of children with cerebral palsy requiring treatment while children with other disabling conditions receive treatment on a "time available" basis.

The budget proposes an expenditure of \$1,934,780 in the budget year. This is an increase of \$258,504, or 15.4 percent, above the \$1,676,276 which is estimated to be expended in the current year.

We recommend approval of the budget as submitted.

The budget provides funds for the department to enter into contracts with local health departments to employ the 264 therapists or therapists aides which will be needed to provide therapy services to schools with classes for handicapped children. This is an increase of 35 therapists or therapist aides above the 229 who were employed in this capacity during the current year.

Department of Public Health
HOSPITAL CONSTRUCTION

ITEM 388 of the Budget Bill

Budget page 1101

**FOR ASSISTANCE TO LOCAL AND NONPROFIT AGENCIES
 FOR HOSPITAL CONSTRUCTION
 FROM THE GENERAL FUND**

Amount requested	\$11,148,965
Estimated to be expended in 1963-64 fiscal year	14,393,713
 Decrease (23.3 percent)	 \$3,244,748

TOTAL RECOMMENDED REDUCTION..... None

Hospital Construction—Continued

ANALYSIS

This item provides for continued participation by the State in the federal hospital construction program (Hill-Burton and Wolverton Acts) on a matching basis. Section 435.6 of the Health and Safety Code provides that the amount of state assistance which shall be provided to any public agency for hospital construction shall be a sum equal to the assistance received by the agency for that hospital under the federal act, but in no event shall the amount of the state assistance exceed one-third of the cost of the construction of the hospital.

Hospitals include publicly supported or nonprofit nursing homes, health centers, diagnostic and treatment and rehabilitation centers and chronic disease facilities.

The budget proposes an expenditure of \$11,148,965 in the budget year. This is a decrease of \$3,244,748, or 23.3 percent, from the \$14,393,713 which is estimated to be expended in the current year.

We recommend approval of the budget as submitted.

Included in the \$14,148,965 which is estimated to be expended during the current year is a proposed Budget Act deficiency appropriation of \$3,075,637 which is requested in Budget Item 389.

The proposed appropriation of \$11,148,965 will match anticipated federal hospital construction funds.

Department of Public Health

HOSPITAL CONSTRUCTION

ITEM 389 of the Budget Bill

Budget page 1101

FOR ASSISTANCE TO LOCAL AND NONPROFIT AGENCIES
FOR HOSPITAL CONSTRUCTION
FROM THE GENERAL FUND

Amount of deficiency appropriation requested _____ \$3,075,637

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS

A deficiency appropriation of \$3,075,637 is proposed to enable the start of construction during 1963-64 on hospitals receiving allocations of state and federal funds during the same year.

We recommend approval of the deficiency appropriation of \$3,075,637.

The approval of this deficiency appropriation results in a reduced 1964-65 budget year request for hospital construction funds.

**Department of Social Welfare
REHABILITATIVE SERVICES**

ITEM 390 of the Budget Bill

Budget page 1108

**FOR SUPPORT OF REHABILITATIVE SERVICES
FROM THE GENERAL FUND**

Amount requested	\$71,710
Federal funds	91,290
 Total	 \$163,000
Estimated to be expended in 1963-64 fiscal year	156,000
 Increase (4.5 percent)	 \$7,000
Increase to maintain existing level of service	\$7,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

This item includes two social welfare programs which were included in the Department of Social Welfare's support budget in 1963-64. One program provides treatment or surgery designed to prevent blindness or restore vision. Eligibility is determined on the basis of need but excludes public assistance recipients who are eligible to receive similar treatment or surgery from the Public Assistance Medical Care program. Proposed state expenditures for the Prevention of Blindness program for 1963-64 total \$41,710. It is proposed to continue the same level in the budget year. The second program is a pilot program of vocational training for mentally retarded Aid to the Disabled recipients. The program was created by augmentation to the 1963 Budget Bill. Proposed state expenditures for 1964-65 for this sheltered workshop program total \$30,000 in state funds and \$90,000 in federal funds, the same as for the current year.

We recommend approval as budgeted.

**Department of Social Welfare
LOCAL ADMINISTRATION**

Item 391 of the Budget Bill

Budget page 1109

**FOR SUPPORT OF LOCAL ADMINISTRATION
FROM THE GENERAL FUND**

Amount requested	\$903,302
Federal funds	2,901,674
 Total	 \$3,804,976
Estimated to be expended in 1963-64 fiscal year	4,383,033
 Decrease (13.3 percent)	 \$578,057

TOTAL RECOMMENDED REDUCTION \$5,159

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
1 Internship and field instruction unit	\$21,000	1110	52

**Department of Social Welfare
REHABILITATIVE SERVICES**

ITEM 390 of the Budget Bill

Budget page 1108

**FOR SUPPORT OF REHABILITATIVE SERVICES
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Increase to maintain existing level of service	\$7,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

This item includes two social welfare programs which were included in the Department of Social Welfare's support budget in 1963-64. One program provides treatment or surgery designed to prevent blindness or restore vision. Eligibility is determined on the basis of need but excludes public assistance recipients who are eligible to receive similar treatment or surgery from the Public Assistance Medical Care program. Proposed state expenditures for the Prevention of Blindness program for 1963-64 total \$41,710. It is proposed to continue the same level in the budget year. The second program is a pilot program of vocational training for mentally retarded Aid to the Disabled recipients. The program was created by augmentation to the 1963 Budget Bill. Proposed state expenditures for 1964-65 for this sheltered workshop program total \$30,000 in state funds and \$90,000 in federal funds, the same as for the current year.

We recommend approval as budgeted.

**Department of Social Welfare
LOCAL ADMINISTRATION**

Item 391 of the Budget Bill

Budget page 1109

**FOR SUPPORT OF LOCAL ADMINISTRATION
FROM THE GENERAL FUND**

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Total	\$3,804,976
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Decrease (13.3 percent)	\$578,057

TOTAL RECOMMENDED REDUCTION \$5,159

Summary of Recommended Reductions

	Amount	Page	Line
1 Internship and field instruction unit	\$21,000	1110	52

Local Administration—Continued

totalled \$47,514. A total of \$150,000 was again appropriated in 1962-63 and \$93,229 was expended.

Since 1963-64 is the second full fiscal year that this program has been in effect, it is time to evaluate benefits resulting from these projects. Evaluation is necessary to measure the benefits and verify that project grants are not evolving into permanent subventions. Reimbursements for permanent staff salaries could result in permanent subventions to senior citizens' centers receiving such funds. These grants should not, in our opinion, become subventions upon which the centers will rely permanently for financial support from the State.

Local Projects in the Administration of Public Assistance

State funds totaling \$611,600 to be matched by an estimated \$1,788,400 of federal funds are being requested for 1964-65 to finance local pilot or experimental projects designed to improve the administration of welfare and develop social services that will reduce dependency or at least help welfare recipients to lead a more comfortable life. State and federal expenditures during 1962-63 totalled \$747,526. The 1964-65 request will provide for the same amount of funds as appropriated for projects in 1963-64, \$2,400,000.

Project funds are granted by the Department of Social Welfare after applications are reviewed and are not intended as permanent reimbursements to counties. Provisions are made for projects to be evaluated annually before additional grants are made. It is time to evaluate the extent to which social work services can help recipients to improve themselves and perhaps attain self-sufficiency.

We recommend that the State Department of Social Welfare submit to the Joint Budget Committee by December 1, 1964, an evaluative report of accomplishments to communities and the administration of welfare which have resulted from the above two types of projects.

**Department of Social Welfare
LICENSING AND ADOPTIONS**

Item 392 of the Budget Bill

Budget page 1112

**FOR SUPPORT OF LICENSING AND ADOPTIONS
FROM THE GENERAL FUND**

Amount requested	\$7,096,309
Estimated to be expended in 1963-64 fiscal year	6,329,447
Increase (12.1 percent)	\$766,862
Increase to maintain existing level of service	\$766,862

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

**Local Inspection of Homes and Agencies Caring
for Aged and Children**

The State Department of Social Welfare authorizes cities and counties to inspect and license boarding homes for the aged and children and other agencies that offer 24-hour child care, unless they are classified as institutions. This item provides for the reimbursements of ad-

Licensing and Adoptions—Continued

ministrative expenses, for proper and efficient administration, up to \$65 per new or renewal license as set out in the Welfare and Institutions Code. An estimated increase in the average number of licenses granted per month from 1,871 in 1962-63 to 2,085 in 1964-65 (11.4 percent) results in an increased appropriation request.

A total of \$1,620,045 is being requested for 1964-65 which reflects an increase of 4.5 percent or \$69,645 over estimated expenditures for 1963-64.

Reimbursement to Counties for Administration and**Cost of Care of Adoptions**

The State Department of Social Welfare licenses counties to provide independent and relinquishment adoptions. County administrative costs are reimbursed (Section 1641, Welfare and Institutions Code) for all necessary expenses. Adoption fees up to \$300 per adoption partially offset expenditures.

An 8 percent increase in relinquishment adoptions and a slight increase in independent adoptions is estimated for 1964-65.

The amount requested for 1964-65 totals \$5,476,264 which is \$697,217 (14.6 percent) higher than estimated expenditures for the current year.

We recommend approval as budgeted.

Public Utilities Commission**GRADE CROSSING PROTECTION WORKS**

ITEM 393 of the Budget Bill

Budget page 1117

**FOR SUPPORT OF GRADE CROSSING PROTECTION WORKS
FROM THE STATE HIGHWAY FUND**

Amount requested	\$175,000
Appropriated by Budget Act of 1963	175,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

For the purpose of assisting cities and counties in paying their portions of the costs of installing protection at railroad grade crossings, including such items as wigwag signals and crossing gates, the Legislature in 1953 made a beginning appropriation of \$500,000 under Chapter 1739, Statutes of 1953. The Budget Acts of 1956, and 1958 through 1963 have provided additional sums for the program. The funds are administered by the Public Utilities Commission. The State will defray up to approximately 25 percent of the protective measures installed.

For fiscal year 1964-65 the sum of \$175,000 is requested from the State Highway Fund for continuance of the program. It is estimated that \$57,977 of current appropriations will also be available for expenditure during the budget year.

We recommend approval as budgeted.

To provide for the construction of grade separation at railroad crossings the Legislature in 1957 added Sections 190 and 191 to the Streets

Grade Crossing Protection Works—Continued

and Highways Code providing for a continuing annual appropriation of \$5 million from the State Highway Fund. The Public Utilities Commission holds hearings to establish priorities for crossing separations but does not administer the funds. Funds from the appropriation are allocated by the State Highway Commission. Under the program the State will "match" the city's or county's share of the grade separation cost. This matching normally amounts to about 25 percent of total cost. The \$5 million appropriation appears as part of the same subvention item as the grade crossing protection works request.

DEPARTMENT OF WATER RESOURCES

ITEM 394 of the Budget Bill

Budget page 1119

**FOR SUBVENTIONS FOR FLOOD CONTROL PROJECTS
FROM THE GENERAL FUND**

Amount requested	\$7,360,600
Appropriated in 1963-64 fiscal year	12,366,800
Decrease (40.5 percent)	\$5,006,200

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The State has, since 1945, assumed the costs of lands, easements and relocation of utilities which federal law requires local governments to pay on any United States Corps of Engineers flood control projects involving levee and channel work. Money requested in this item is to reimburse cities, counties and districts for the above costs on such flood control projects, except those projects administered by the State Reclamation Board. The projects for which funds are being requested and the amounts being requested for each project are listed in the schedule under Item 394 of the Budget Bill.

During the past few years the amount of appropriated and unexpended money for this program has generally increased and has been too high. This is indicative of both a backlog of unprocessed claims from local districts and that excessive amounts have been requested and appropriated in past years. Last year the Governor's Budget sought to reduce this excess appropriation by limiting the amount of the appropriation which could be expended during the budget year (1963-64). The same provision is being made in the Budget Bill for next fiscal year. In addition, the Budget Bill will place a two- rather than a three-year period of availability on the appropriated funds. These changes coupled with revisions of claims processing in the Department of Water Resources should bring the amount of funds appropriated each year and available for expenditure more closely in line with the actual dollar requirements.

Approval of the request is recommended.

DEPARTMENT OF WATER RESOURCES

Item 395 of the Budget Bill

Budget page 1120

FOR SUBVENTIONS FOR WATERSHED PROTECTION
PROJECTS FROM THE GENERAL FUND

Amount requested	\$5,339,300
Appropriated in 1963-64 fiscal year	2,173,291
Increase (145.7 percent)	\$3,166,009

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

Sections 12850 to 12875 of the Water Code authorize the Department of Water Resources to reimburse local agencies for costs of lands, easements and relocation of utilities for watershed protection projects constructed by the U.S. Soil Conservation Service. The Escondido Creek and Calleguas Creek projects are the two new projects funded in the budget. For the first time next year this item will contain an expenditure limitation which will operate the same way as the one contained in the flood control appropriation.

A list of the projects with the amounts requested for each is contained in the schedule under Item 395 of the Budget Bill.

Approval of the request is recommended.

RECLAMATION BOARD

Item 396 of the Budget Bill

Budget page 1120

FOR COSTS OF COOPERATION IN FLOOD CONTROL
PROJECTS IN THE CENTRAL VALLEY
FROM THE GENERAL FUND

Amount requested	\$7,990,406
Estimated to be expended in 1963-64 fiscal year	4,510,922
Increase (77.1 percent)	\$3,479,484

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The funds appropriated by this item are used by the Reclamation Board to acquire lands, easements, and rights-of-way and for relocation of utilities needed for construction of Corps of Engineers levee and channel flood control projects in the Central Valley. Also included is \$5,964,149, most of which will be transferred to the Department of Water Resources for construction of the State's portion of the lower San Joaquin River Flood Control Project. For next fiscal year, funds for the Sacramento River Bank Protection Project are included in this item instead of being in a separate item. The Mormon Slough Flood Control Project is funded for the first time next year by this item.

Last year this analysis raised a number of questions regarding the construction of the State's portion of the San Joaquin River Flood Control Project. At that time the project was at a point in construction where some revisions could have been made. The Legislature au-

Reclamation Board—Continued

thorized continuation of the project on the existing plan. Several construction contracts have been let in the intervening time which have committed the State to the existing plan for the project. Therefore, no further review has been given to this problem even though the total construction costs are now estimated to have increased another \$2,500,-000 over the figure given the Legislature last session.

Approval of the item is recommended.

DEPARTMENT OF WATER RESOURCES

Item 397 of the Budget Bill

Budget page 1122

FOR THE STATE'S SHARE AND FEDERAL ADVANCES FOR
BEACH EROSION CONTROL FROM THE GENERAL FUND

Amount requested	\$3,003,480
Appropriated for 1963-64 fiscal year	4,328,200
Decrease (30.6 percent)	\$1,324,720

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS

The subventions for beach erosion control are the State's contribution to a federal program, executed by the U.S. Corps of Engineers, to control dangerous erosion along the ocean beaches of the State. Under Sections 335 through 338 of the Water Code, the Department of Water Resources pays one-half of the project costs assigned to local interests and advances the portion of the costs assigned to the federal government. This advance is subsequently repaid when funds are appropriated by Congress. The actual net expenditure of state funds will be \$889,520. Projects which are being funded and the amounts for each are shown in the schedule under Item 397 of the Budget Bill.

New projects for which funding is provided in the Budget Bill are Bird Rock in San Diego County, Sunset Cliffs in San Diego County, Black Point Groin and Fill in Santa Cruz County, and Ventura County Harbor.

Last year the Legislature added limiting language to the Budget Bill to require that the Department of Water Resources approve the final planning for a project before it could release the construction funds to the Corps of Engineers. This language has had a beneficial effect since it has caused the Corps of Engineers to be more thorough in its project formulation and required the Department of Water Resources to be more critical of the corps' plans before releasing state money to construct a project.

During the last session of the Legislature, there was considerable discussion of the beach erosion control program with regard to its high costs, the rescue nature of the work, and questions of conflicts in objectives between beach erosion projects and other federal, state and local programs which directly contribute to beach erosion. Considerable work has been done on this matter during the past year by this office and it has become apparent that the solution to these prob-

Department of Water Resources—Continued

lems lies in long-range planning and better data and technology in shore engineering work. Further work on these problems is proposed to be done by this office during the next year in order to more fully report to the Legislature on them. Meanwhile, no problems have been identified in the request for funds for fiscal year 1964-65 which can be solved by any recommendations that can be made at this time.

Approval of the item is recommended.

**Department of Parks and Recreation
DIVISION OF SMALL CRAFT HARBORS**

Item 398 of the Budget Bill

Budget page 1124

**FOR LOANS TO LOCAL AGENCIES FOR SMALL CRAFT
HARBOR PLANNING AND CONSTRUCTION FROM THE
SMALL CRAFT HARBOR REVOLVING FUND**

Amount requested	\$1,050,000
Estimated to be expended in 1963-64 fiscal year	75,000
Increase	\$975,000
TOTAL RECOMMENDED REDUCTION	\$1,050,000

Summary of Recommended Reductions

	<i>Budget</i>		
	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Planning and Construction Loans	\$1,050,000	1128	61

ANALYSIS

The Division of Small Craft Harbors, under the policy direction of the Small Craft Harbors Commission, has the responsibility to develop boating facilities, small craft harbors, and to improve the waterways of the State. This responsibility is carried out through a series of loan and grant programs to local agencies of government which are carried in the budget as subventions.

The last session of the Legislature passed Chapter 2102, Statutes of 1963, which increased the division's funds derived from gasoline taxes on fuel used by small craft from \$750,000 to \$2 million annually. This money, plus all boat registration fees, as provided by Chapter 1724, Statutes of 1963, will be deposited in the Small Craft Harbors Revolving Fund. The revolving fund, therefore, becomes the major source of financing for the Division of Small Craft Harbors and both its support and subventions are funded from it next year except for \$1,800,000 which will be taken from remaining proceeds of general obligation bonds deposited in the Small Craft Harbor Bond Fund. Pursuant to Chapter 2101, Statutes of 1963, all appropriations from the Small Craft Harbors Revolving Fund appear in the Budget Bill for next year.

This item contains \$50,000 for feasibility and planning study loans to local units of government to plan small craft harbors. The request is on a lump sum basis for the State as a whole and no specific expenditures are listed. Although the sum requested appears reasonable, it is unfortunate that at least a partial list of proposed expenditures was not prepared by the Division of Small Craft Harbors.

Division of Small Craft Harbors—Continued

The second part of this program contains expenditures of \$2,800,000 for loans to local government to construct small craft harbors. Of the total of \$2,800,000 to be expended, \$1,800,000 is from the continuing appropriation of bond proceeds in the Small Craft Harbor Bond Fund while the remaining \$1 million is appropriated by this item from the Small Craft Harbor Revolving Fund. Several major loans are proposed to be made under this program to start construction on small craft harbors which appear to be committing the State to future expenditures beyond the ability of the funding now available or in prospect to finance.

Until further information on this problem can be secured, approval for the item cannot be recommended.

Department of Parks and Recreation
DIVISION OF SMALL CRAFT HARBORS

Item 399 of the Budget Bill

Budget page 1125

**FOR GRANTS TO LOCAL AGENCIES FOR LAUNCHING
 FACILITIES FROM THE SMALL CRAFT
 HARBOR REVOLVING FUND**

Amount requested -----	\$300,000
Estimated to be expended in 1963-64 fiscal year -----	250,000

Increase (20 percent) -----	\$50,000
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TOTAL RECOMMENDED REDUCTION -----	\$300,000
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Launching facilities grants -----	\$300,000	1125	67

ANALYSIS

This item provides for grants from the Small Craft Harbors Revolving Fund to cities, counties, or districts for construction and development of small craft launching facilities. These grants are to be made in areas of greatest public recreational boating need and for projects which will not be constructed other than by the grant. The Division of Small Craft Harbors estimates that the average cost for these launching facilities is \$50,000 and that approximately six of these projects will be developed during the next fiscal year.

The budget request lists six areas of the State in general terms such as Lake Tahoe or, in the alternative, Siskiyou, Modoc, Shasta, or Lassen Counties. Other areas are similarly indefinite such as near metropolitan Los Angeles. Such an indefinite listing of project areas does not constitute a program or a sufficient justification for expenditure. The Division of Small Craft Harbors is having a comprehensive survey made of the needs of the State for launching ramps and similar facilities. Although the budget may be prepared in contemplation of the findings of this study, the study is not available to the Legislature as a basis for judging the expenditure needs for launching facilities. In addition, the Small Craft Harbor Revolving Fund has sufficient commitments at the present time to suggest caution in approving further appropriations

Local Assistance**Items 400-401****Division of Small Craft Harbors—Continued**

unless specific justification can be provided. *For these reasons it is recommended that the request for \$300,000 be denied.*

**Department of Parks and Recreation
DIVISION OF SMALL CRAFT HARBORS**

Item 400 of the Budget Bill

Budget page 1127

**FOR LOANS TO LOCAL AGENCIES FOR HARBOR OF
REFUGE CONSTRUCTION FROM THE SMALL
CRAFT HARBOR REVOLVING FUND**

Amount requested	\$1,350,000
Estimated to be expended in 1963-64 fiscal year	320,000
 Increase (321.9 percent)	 \$1,030,000

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

This program is to implement Section 5823.5 of the Public Resources Code. By this section the Small Craft Harbors Division is authorized to conduct or contract for planning, construction or improvement of any portion of coastal small craft harbors which normally are non-revenue producing and which will result in maximum protection for small craft with a minimum of facilities. The program is financed from the Small Craft Harbor Revolving Fund. The program for next fiscal year totals \$1,350,000 and includes the following projects:

Santa Barbara, Santa Barbara County	
(Repayment of General Fund loan during current year	\$150,000)
Additional loan	200,000
Half Moon Bay, San Mateo County	100,000
Monterey, Monterey County	500,000
Crescent City, Del Norte County	300,000
Santa Cruz, Santa Cruz County	100,000

The above projects are either for state participation in Corps of Engineer harbor projects or to correct serious problems such as excessive surge in existing harbors.

Approval is recommended.

**Department of Conservation
DIVISION OF SOIL CONSERVATION**

Item 401 of the Budget Bill

Budget page 1131

**FOR GRANTS TO SOIL CONSERVATION DISTRICTS
FROM THE GENERAL FUND**

Amount requested	\$100,000
Estimated to be expended in 1963-64 fiscal year	100,000
 Increase	 None

TOTAL RECOMMENDED REDUCTION..... None

**Division of Soil Conservation—Continued
ANALYSIS**

According to the Public Resources Code, the grants made by the Soil Conservation Commission are to assist soil conservation districts in carrying out work the commission considers necessary for the welfare of the people of the State. The grants are for such projects as soil and water conservation plans for watersheds, water percolation studies and flood control basins.

In most cases the commission has favored grants where local money has been made available to assist in the projects. The \$100,000 requested here will most likely be matched with local funds.

Of the 18 projects the division currently has under consideration for grants in the fiscal year 1964-65, 12 are for continuing projects and 6 are new projects.

We recommend approval of this item as budgeted.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 402 of the Budget Bill

Budget page 1132

**FOR SUPPORT OF STATE'S SHARE OF SALARIES OF
SUPERIOR COURT JUDGES FROM THE GENERAL FUND**

Amount requested	\$4,103,900
Estimated to be expended in 1963-64 fiscal year	4,063,783

Increase (1 percent)	\$40,117
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Increase to maintain existing level of service	\$40,117
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The State contributes a portion of the salary of each of the presently authorized 347 superior court judges. A superior court is required in each of the State's 58 counties by the Constitution. The courts vary greatly in number of judges. The amount of this State's salary share is fixed by a formula contained in Section 68207 of the Government Code.

The State's share of superior court judges salaries to be paid during fiscal year 1964-65 is estimated at \$4,103,900, an increase of \$40,117 or 1.0 percent over estimates for the current year.

In the following table we have listed the county population classes, number of judges, salaries, state and county payments and the approximate percentage of county payments to total salaries.

State's Share of Salaries of Superior Court Judges

County population class	Number of counties	Number of judges	Judge's salaries	State payment	County payment	State percent
Over 250,000	13	266	\$21,000	\$11,500	\$9,500	55%
100,000 to 250,000	10	35	21,000	13,500	7,500	64%
40,000 to 100,000	12	22	18,900	11,400	7,500	61%
Under 40,000	23	24	18,900	13,400	5,500	71%

Local Assistance**Items 403-404****Salaries of Superior Court Judges—Continued**

It is noted that current judges' salaries contain a 5 percent increase over the amounts specified in Section 68202 of the Government Code added by the Budget Act of 1960 and continued in subsequent budget acts.

We recommend approval as budgeted.

**Department of Veterans Affairs
COUNTY VETERANS SERVICE OFFICERS**

ITEM 403 of the Budget Bill**Budget page 1133**

**FOR SUPPORT OF COUNTY VETERANS SERVICE OFFICERS
FROM THE GENERAL FUND**

Amount requested	\$500,000
Estimated to be expended in 1963-64 fiscal year	500,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... **None**

ANALYSIS

Sections 970 to 973 of the Military and Veterans Code provides that the board of supervisors of any county may appoint a county service officer. It is the duty of the county service officer to assist veterans and dependents of deceased veterans in pursuit of their rights provided by California and the United States.

Provision is also made for payment of up to \$75 per month toward the salary of the county service officer and for payment as determined by the Department of Veterans Affairs toward the salaries of assistants and operating expense.

There are 54 counties participating in this program. The Governor vetoed \$150,000 of the \$500,000 proposed in the 1959-60 Budget. The 1960-61 Budget retained the \$350,000 level of aid and the 1961-62 Budget restored it to \$500,000, the level of the present proposal.

We recommend approval of this item as requested.

**Department of State Disaster Office
WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS**

ITEM 404 of the Budget Bill**Budget page 1133**

**FOR SUPPORT OF WORKMEN'S COMPENSATION
FOR DISASTER SERVICE WORKERS
FROM THE GENERAL FUND**

Amount requested	\$55,000
Estimated to be expended in 1963-64 fiscal year	49,000
Increase (12.2 percent)	\$6,000

TOTAL RECOMMENDED REDUCTION..... **\$5,000**

ANALYSIS

Workmen's Compensation for Disaster Service Workers is provided for by Chapter 10, of Division 4, of the Labor Code. This is to cover volunteer civil defense or disaster workers who otherwise receive no

Workmen's Compensation for Disaster Service Workers—Continued

compensation and who might be injured in the course of their service or training. This type of coverage is essential in order to help induce citizens of the State to volunteer for this service, since the major effort in any kind of widespread disaster, whether natural or military, depends on trained volunteer workers.

This item is based on calculations made by the staff of the Workmen's Compensation Fund and covers an estimate of the cost of claims already in effect and continuing plus an estimate of new claims that might be anticipated during the budget year. We have no disagreement with the estimate for the cost of continuing claims; however, we believe that the estimate for new claims is excessive. For the past seven or eight years the highest annual amount for new claims has been somewhat less than \$15,000. The estimate for the budget year is \$20,000 which has no basis in experience.

Consequently, we recommend that this item be reduced by \$5,000 providing a total of \$50,000, the same amount authorized for the current fiscal year.

Department of Justice**COMMISSION ON PEACE OFFICERS STANDARDS AND TRAINING**

Item 405 of the Budget Bill

Budget page 1134

**FOR ASSISTANCE TO CITIES AND COUNTIES FOR
PEACE OFFICERS' STANDARDS AND TRAINING
FROM THE PEACE OFFICERS' TRAINING FUND**

Amount requested	\$781,160
Estimated to be expended in 1963-64 fiscal year	470,000
Increase (66.2 percent)	\$311,160

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The funds are derived from an assessment on criminal fines and distributed to cities and counties for law enforcement training where the commission's standards are adhered to.

The total amount to be allocated in 1964-65 is \$781,160. This represents an increase of \$311,160 or 66.2 percent over the estimated 1963-64 allocation of \$470,000. The increase in allocations is due to an increase in the authorized assessment on criminal fines from 5 percent to 10 percent established in Section 13521 of the Penal Code as amended by Chapter 1621, Statutes of 1963.

The additional funds will be used to increase the basic course for newly recruited employees from 160 to 200 hours, and set up an 80-hour course for supervisory personnel effective January 1, 1964.

We recommend approval of this item as budgeted.

**Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION**

Item 406 of the Budget Bill

Budget page 1153

**FOR SUPPORT OF OFFICE OF ARCHITECTURE AND
CONSTRUCTION FROM THE ARCHITECTURE
REVOLVING FUND**

Amount requested -----	\$9,002,478
Estimated to be expended in 1963-64 fiscal year -----	9,186,804
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Decrease (2 percent) -----	\$184,326
Recommended for special review by the Legislature -----	\$9,002,478

ANALYSIS

The total cost of operation of the Office of Architecture and Construction, exclusive of its activities dealing with the review of school house plans, is defrayed by assessments made against each project submitted to it for design, working drawings, construction, contract and construction supervision. As each project is turned over to it by the respective agency controlling the appropriation, the necessary funds, in accordance with a letter of understanding, are also transferred to the Architecture Revolving Fund. This latter fund then comes under the control of the Office of Architecture and Construction and its assessments are charged against this fund. In theory, therefore, the staff and expenses of the Office of Architecture and Construction should fluctuate more or less in consonance with the total volume of work submitted to it each year.

The Trustees of the California State Colleges by Chapter 49 of the Statutes of 1960 were empowered to make their own decisions as to whether they would use private architects or the Office of Architecture and Construction to do the state college design work. The trustees have chosen to delegate about 55 percent of their total work to the Office of Architecture and Construction and the balance to private architects. Since the workload of design and construction for the state college system was by far the major segment of the total workload carried by the Office of Architecture and Construction, the loss of 45 percent of the state college business represents a substantial reduction in the total workload of the office. It might be assumed that such a substantial reduction in workload would also be reflected in a substantial reduction in manpower. However, this has not been the case to the degree that might reasonably have been anticipated.

For the 1960-61 fiscal year the actual manpower as shown in the Governor's Budget was 836.2 man-years. In 1961-62 it was 839.6. In 1962-63 it dropped to 782.9 and in the current fiscal year it is estimated at 838.8. It would appear from these figures that no substantial reduction has taken place. The inference, therefore, is that the total cost of manpower is now being "loaded" into a smaller workload base. There are evidences that this is a fact in an analysis of the percentages of charges assessed against projects handled by the Office of Architecture and Construction. For example, the projects proposed in this budget

Office of Architecture and Construction—Continued

for the State Division of Forestry are largely standardized messhall-barracks buildings or county ranger unit, or headquarters office buildings. Substantial sums have already been expended for the development of standard plans for the types of buildings mentioned, by the Office of Architecture and Construction on the premise that this would enable reduced cost in future projects. The projects in the proposed budgets include percentages for architectural fees and inspection running as high as 12 percent in connection with the Division of Forestry projects. If anything, these projects should have enjoyed lower than average percentages because of the development of the standard plans.

In view of the foregoing we recommend that this item receive a complete review by the Legislature in order to develop all the facts in the situation.

STATE OFFICE BUILDINGS

Items 407 and 408 of the Budget Bill

Budget page 1197

FOR MAJOR CONSTRUCTION OF OFFICE BUILDING FROM THE PUBLIC BUILDING CONSTRUCTION FUND**RECOMMENDATIONS**

Amount budgeted	\$750,000
Recommended for approval	No change

ANALYSIS

Chapter 1687 of the Statutes of 1955 authorized, among others, the construction of a state office building in San Jose. The Budget Act of 1958 authorized the construction of a state office building in San Bernardino. In both cases these were to be financed by certificate borrowings from available treasury funds, usually the State Retirement Fund. In both cases there have been considerable delays in developing the plans and in determining the scope of program for each building. These have now been settled and in each instance it is desired to add an additional story. The extra story in the San Bernardino building is estimated to cost an additional \$350,000 and in the San Jose building an additional \$400,000. *We recommend approval of the proposals.*

STATE OFFICE BUILDINGS

Item 409 of the Budget Bill

Budget page 1197

FOR ACQUISITION OF REAL PROPERTY AND CONSTRUCTION OF PARKING FACILITIES AND OFFICE BUILDINGS, DEPARTMENT OF VETERANS AFFAIRS, FROM THE VETERANS FARM AND HOME BUILDING FUND OF 1943**RECOMMENDATIONS**

Amount budgeted	\$17,071,500
Recommended for approval	No change

ANALYSIS

This item proposes to accomplish two objectives. First, it will provide substitute funding for the construction of office building No. 8 in

State Office Buildings—Continued

Sacramento to the extent of \$7,500,000. This building was previously funded in the Budget Act of 1963 to the extent of \$7,400,000 from the State Retirement Fund. No changes are otherwise contemplated in the project, merely a change of funding source.

The second objective of the item is to provide for the acquisition of land and the construction thereon of office building No. 9 which for all practical purposes will be a twin of office building No. 8. Since the basic building will be identical with office building No. 8 with only interior partition changes, and since we have already become entirely familiar with the prior building and its plans, for which we recommended approval, *we would recommend approval of this proposal.* In addition it is proposed to purchase a two-block site for parking in Sacramento at \$1,711,550. This parking area would provide parking space for the occupants of office buildings No. 8 and No. 9. *We recommend approval.*

In all cases the expenditures of these borrowed funds will be repaid at 4 percent interest from rentals and other revenues from the buildings and the parking lots.

DEPARTMENT OF EMPLOYMENT

ITEM 410 of the Budget Bill

Budget page 1224

FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT
FROM THE UNEMPLOYMENT COMPENSATION
DISABILITY FUND

Amount requested	\$10,006,722
Estimated to be expended in 1963-64 fiscal year	8,950,998
Increase (11.8 percent)	\$1,055,724

Increase to maintain existing level of service—\$1,055,724

TOTAL RECOMMENDED REDUCTION—None

ANALYSIS

This department administers the disability insurance program the purpose of which is to compensate in part for wage losses sustained by individuals unemployed because of sickness or injury. The Division of Disability and Hospital Benefits incurs the greater portion of the cost. The remaining 10 organizational units of the department participate in this funding in direct relationship to the work units expended in the program administration.

The department has requested a total of \$10,006,722 for support of the program for the budget year. This amount is \$1,055,724, or 11.8 percent, greater than the amount estimated as necessary for this purpose during the current year.

The increase is attributable to the estimated increase of 6.8 percent in disability claims which in turn is based on the growth in the population and labor force and attendant increases in the number of wage earners covered by disability insurance, as well as the costs involved in opening two new offices in the Los Angeles Metropolitan area at Whit-

Item 411**Local Assistance****Department of Employment—Continued**

tier and Van Nuys to serve these rapidly growing portions of that area.

Proposed New Positions

The department has proposed a total of 451.3 new positions supported from all funds. An undetermined number of these are for the support of the Disability Fund operation. Seventeen and one-half new positions are requested for the Division of Disability and Hospital Benefits which derives 99.5 percent of its support from the fund from which this appropriation is made. All positions requested are on the basis of workload projections converted into standard work units which relate directly to position needs.

We recommend approval as budgeted.

DEPARTMENT OF EMPLOYMENT

ITEM 411 of the Budget Bill

Budget page 1224

**FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT
FROM THE DEPARTMENT OF EMPLOYMENT
CONTINGENT FUND**

Amount requested -----	\$348,763
Estimated to be expended in 1963-64 fiscal year -----	408,835
Decrease (14.7 percent) -----	\$60,072

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

This appropriation is requested annually by the department to provide additional support funds to defray expenditures for which federal funds or grants are not available either by law or administrative regulation.

The departmental request for \$348,763 indicates a reduction of 14.7 percent or \$60,072 below the amount estimated for expenditure in the current year. We believe this to be misleading as the department received an emergency authorization in the current year for an additional \$118,076 to perform the statistical studies required by Assembly Resolution No. 98 of the 1963 General Session.

Further as an amount of \$40,139 to complete this study also appears in the requested budget year amount, it is believed a more accurate and reasonable comparison of the requested and current year estimates of expenditures would result if these sums were subtracted from their basic years and the two results compared.

<i>Current year</i>	<i>Budget year</i>
1963-64	1964-65
\$408,835	\$348,763
—118,076 *	—40,139 *
<u>\$290,759</u>	<u>\$308,624</u>

* Assembly Resolution No. 98.

The resulting comparison indicates the amount requested in the budget year for ongoing expenditures exceeds the estimated expendi-

Department of Employment—Continued

tures of that nature in the current year by \$17,865, a true 6.1 percent increase.

We recommend approval as budgeted.

DEPARTMENT OF EMPLOYMENT

ITEM 412 of the Budget Bill

Budget page 1240

FOR INTEREST PAYMENTS ON LOANS TO THE
UNEMPLOYMENT COMPENSATION DISABILITY FUND

Amount requested	\$105,500
Estimated to be expended in 1963-64 fiscal year	26,700
Increase (295.1 percent)	\$78,800

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The department requests \$105,500 for the purpose of making interest payments for temporary loans to the Unemployment Disability Fund during fiscal year 1964-65. These interest payments exceed the amount estimated for expenditure for this purpose in fiscal year 1963-64 by \$78,800.

This increase is the result of the difference of the amounts of the loans, namely a total amount borrowed of \$7 million in the current year and a total amount of \$21 million to be borrowed in the budget year.

The department has estimated that during the months of March and April, 1965, a period of low revenue receipts for the fund, that the cash balances of the fund will necessitate temporary loans in the total amount of \$21,000,000 at 4 percent interest per annum.

We recommend approval as budgeted.

CONTROL SECTIONS

Sections 3.6 through 36 of the Budget Bill are the so-called "control sections" which place limitations upon the expenditure of certain appropriations, extend the availability of certain specified prior appropriations, define the authority of the Director of Finance with respect to reductions and transfers within and between categories of expenditure, and contain the usual severability and urgency clauses.

Although significant fiscal policy is contained in these sections, particularly with respect to extending the availability of prior appropriations, these sections have not been received by us in time to permit adequate review for purposes of recommendations to be incorporated in this analysis. These control sections will be analyzed and a recommendation thereon made to the committees in hearing on the Budget Bill.