

TEMPORARY LOANS TO GENERAL FUND FROM CALIFORNIA WATER FUND
ITEM 284 of the Budget Bill

ANALYSIS

This item, which is similar to Item 305 of the Budget Act of 1964, would authorize temporary transfers from the California Water Fund to the General Fund in the event the cash position of the General Fund would require such transfers. Under the terms of Section 16310 of the Government Code transfers made from special funds to the General Fund, upon a determination of necessity by the Governor, Controller, and Treasurer, are to be returned to the fund from which transferred as soon as there is sufficient money in the fund to return it. This section also provides that no transfers can be made which will interfere with the object for which a special fund was created.

Section 16310.5, added by Chapter 1861, Statutes of 1961, provides, in effect, that interest must be paid by the General Fund on any such temporary transfers from the California Water Fund at the maximum rate of interest allowed by banks on interest bearing time deposits at the time of the transfer. An appropriation to cover such interest payments is made by Item 277 of the current budget bill.

Since this authorization is in the nature of temporary, contingent financing only, we recommend approval.

LOCAL ASSISTANCE

Department of Agriculture
COUNTY AGRICULTURAL COMMISSIONERS

ITEM 285 of the Budget Bill

Budget page 902

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

Amount requested	\$171,600
Estimated to be expended in 1964-65 fiscal year	171,556
Increase	\$44

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This item appropriates funds under the authority of Section 63.5 of the Agriculture 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-two counties are now participating in this program, and the funds requested in this item provide the maximum contribution of \$3,300 to the salary of each commissioner.

Approval is recommended.

Department of The Youth Authority

ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS
ITEM 286 of the Budget Bill Budget page 903**FOR ASSISTANCE TO COUNTIES FOR CONSTRUCTION
OF JUVENILE HOMES AND CAMPS
FROM THE GENERAL FUND**

Amount requested	\$560,000
Estimated to be expended in 1964-65 fiscal year	495,000
Increase (13.1 percent)	\$65,000

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATION

This appropriation is to provide reimbursement to the counties for construction and equipment costs for juvenile homes and camps at a rate of 50 percent of such costs not in excess of \$3,000 per bed unit. The funds appropriated are for a two-year period. Under this program, a total of 2,196 bed units will have been built or funded from the inception of the program in 1957 through the budget year of 1965-66.

Only \$48,424 was expended in 1963-64 out of the \$834,575 appropriated in the Budget Act of 1963. The \$834,575 was appropriated for a two-year period including 1964-65. Of the amount appropriated, \$150,000 was restricted for expenditure in the second year leaving available \$684,575. Of this latter amount, \$569,445 was assigned to certain planned projects to be initiated by various counties. These projects were not initiated in 1963-64 resulting in the significant decrease in the planned rate of expenditure. It is anticipated that the monies appropriated will be expended or committed to provide the additional beds before expiration of the appropriation.

We recommend approval of this item as budgeted.

Department of The Youth Authority

ASSISTANCE TO COUNTIES FOR MAINTENANCE OF JUVENILE HOMES AND CAMPS
ITEM 287 of the Budget Bill Budget page 904**FOR ASSISTANCE TO COUNTIES FOR MAINTENANCE OF
JUVENILE HOMES AND CAMPS FROM
THE GENERAL FUND**

Amount requested	\$3,444,420
Estimated to be expended in 1964-65 fiscal year	3,144,120
Increase (9.6 percent)	\$300,300

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATION

Under this appropriation, the state reimburses the counties for one-half the cost, not to exceed \$95 per ward per month, for operating juvenile homes and camps. Such reimbursement is authorized by sections 880 through 890 of the Welfare and Institutions Code.

The department estimates that there will be 55 homes and camps with a total population of 2,919 in 1965-66. This represents an increase

Item 288**Local Assistance****Department of The Youth Authority—Continued**

of five facilities or 10 percent and 161 wards or 7 percent over 1964-65 estimates contained in the 1965-66 Governor's Budget.

State expenditures in 1963-64 totaled \$2,828,467 of the total program cost of \$9,428,223. The remainder of the cost represents the counties' share of the program. These total expenditures provided for 43 camps and 2,494 wards. This represents 12 camps and 425 wards less than program estimates for 1965-66.

We recommend approval of this item as submitted.

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

ITEM 288 of the Budget Bill

Budget page 904

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

Amount requested	\$44,555
Estimated to be expended in 1964-65 fiscal year	44,555
Increase	None
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS AND RECOMMENDATION

This program is a cooperative arrangement between the state and the City of San Diego for control of juveniles at the Tijuana border crossing. This request maintains the level of expenditure authorized for this purpose at the last legislative session. The state contributes substantially one-half the cost of the operation; the remainder is provided by the City of San Diego. The control station is established on a 24-hour-per-day basis.

In 1963-64, the State of California expended \$13,350 on this program. During 1963-64 this control station prevented a substantial number of unescorted juveniles from crossing into Mexico at this particular location. This station has also been instrumental in arrests of individuals seeking escape from apprehension by crossing the border.

We recommend approval of this item as submitted.

**Subventions for Education
CHILD CARE CENTERS**

ITEM 289 of the Budget Bill

Budget page 910

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

Amount requested	\$7,439,167
Estimated to be expended in 1964-65 fiscal year	6,413,688
Increase (16.0 percent)	\$1,025,479
TOTAL RECOMMENDED REDUCTION	\$21,600

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
From amount requested to maintain existing level of service:			
Limited term centers for rural areas	\$21,600	910	42

Child Care Centers—Continued
PROGRAM PLANS AND BUDGET

California's child care centers offer state subsidized care and supervision for children whose parents are legally eligible on the basis of demonstrated need. Additionally several categories of individuals employed in defense work are permitted use of the facilities, and parents of more substantial income may make use of the facilities although they are required to pay the full cost of care. General Fund support of this activity approximates two-thirds of the total cost and equals \$0.28 per attendance hour while parental support is set at \$0.14 per hour. Local school districts are not required by law to participate in this program although they are required to provide a facility in which the center may operate. Currently 235 child care centers are operated by 47 school districts throughout the state. It is estimated that nearly 11,000 families will make use of these centers in 1965-66.

An amount of \$7,439,167 is requested for the operation of the child care centers in 1965-66. This represents an increase of 16.0 percent or \$1,025,479 over the current year's estimate of \$6,413,688. Education Code Section 16622 authorizes 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. This budget request includes a deficit appropriation of \$402,064 composed of \$286,325 for 1963-64 and \$115,739 to cover an expected deficit for fiscal year 1964-65.

1. Regular Centers. An amount of \$7,314,335 is requested for the operation of the regular child care center program in 1965-66. This figure represents an increase of \$1,025,479 over the current year or 16.3 percent. Included within this figure is a sum of \$126,000 for the projected enrollment of 10 new child care centers which will be opened in 1964-65. As noted previously this sum also includes \$402,064 to cover deficits for 1963-64 and 1964-65. This is the fourth consecutive year in which such deficit appropriations have been necessary to fund the child care program. The following table illustrates the deficits which have been incurred by the child care program from 1961-62 through 1963-64.

	1961-62 actual	1962-63 actual	1963-64 actual	1964-65 estimated
Deficit -----	\$434,119	\$90,916	\$286,235	\$115,739

In prior analyses we have noted that such deficits are due to the inability of the Department of Education to accurately estimate total enrollment hours. The table below illustrates the total number of enrollment hours experienced in the regular program and the department's original and revised projections for such attendance.

Child Care Centers—Continued

	Child Care Center Enrollment Hours		
	1963-64 <i>actual</i>	1964-65 <i>estimated</i>	1965-66 <i>estimated</i>
Total hours -----	21,128,078	23,082,554	24,873,681
Actual increase over past year--	1,107,287	1,954,476	1,791,127
Revised projection of yearly increase -----	5.5%	9.3%	N.A.
Original projection of yearly increase -----	(3.3%)	(3.2%)	(7.7%)

As can be seen from the above figures the department underestimated the total enrollment hours for the child care centers in both 1963-64 and 1964-65. Since the attendance figures for 1964-65 are not yet finalized it is possible that the aforementioned deficit of \$115,739 for the current year may have to be revised upward. Consequently the 1966-67 budget might contain an even higher deficit request for this year.

2. Pilot Centers for Mentally Retarded and Physically Handicapped Minors. Currently four pilot centers for this program are operated in Stockton, Oakland, Monterey and Santa Clara County. State support for these pilot centers is set at \$0.56 per attendance hour while parental support amounts to \$0.14 per hour. The amount requested for child care centers includes a sum of \$124,832 for support of this pilot program, which is the same level of support estimated for the current year. Included within this figure is the amount of \$20,000 which is made available to school districts for the costs incurred in transporting handicapped and retarded youngsters to the center. In 1965-66 it is estimated that 160 children will participate in this program. We understand that the Department of Education intends to make a summary report of this program and present it to the 1965 Legislature.

REVIEW OF AGENCY ACCOMPLISHMENTS

During the current year four new urban child care centers were established in Oakland, Los Angeles, Pittsburg and East Palo Alto. An additional urban center will be opened in Riverside County in the near future. In addition to these new urban centers one new rural center was established in Yuba City. The Department of Education reports that no limited term centers for rural areas were established during the current year although the 1964 legislative session authorized funds for the establishment of three such centers during 1964-65. A total of 12,297 children were enrolled in the regular child care center program during 1964-65. The department estimates that enrollment in the pilot centers for mentally retarded and physically handicapped minors will total 153 children during the current year, an increase of 51 youngsters over 1963-64.

During the 1964-65 legislative session the Senate Finance Committee and the Assembly Ways and Means Committee directed the Department of Education "to preclude, as far as possible, future deficit child care appropriations through the application of a 'deficit factor' similar to that used by the State School Fund." This request grew out of the aforementioned inability of the department to accurately estimate total

Child Care Center Enrollment Hours—Continued

child care center enrollment hours. Although we have requested the department to provide our office with information concerning the implementation of this directive, no information has been submitted.

ANALYSIS AND RECOMMENDATIONS

1. *We recommend that an amount of \$21,600 be deleted from this budget request for support of three limited-term centers for rural areas.* During the 1964 session the Legislature authorized funds for the expected enrollment hours of three new limited-term child care centers for rural areas. The Department of Education reports that during the current year only one rural community (Gridley) has expressed serious interest in establishing a limited-term rural center. In last year's analysis we noted that Gridley operated this type of center for six weeks during the summer of 1963. During this period the average daily attendance totaled 11.5 children. Because of this small attendance we questioned both the economic feasibility and necessity for such centers. We continue to believe that no additional state funds should be appropriated for this purpose until the Department of Education can justify the need for such limited-term centers.

2. *We recommend that legislation be introduced to establish a deficit factor which will be applied to future child care appropriations in the same manner that a deficit factor is applied in the apportionments from the State School Fund.*

POLICY OPTION

A suggested policy option is to finance future child care centers with federal funds. One method of distributing these federal funds is on a 75-25 matching basis to states which establish child care centers for aid recipients and near aid recipients. If this policy option were implemented substantial General Fund savings would accrue to the state over a period of time. However, in order to implement this option many details must be worked out, such as the administrative relationship between the Department of Social Welfare and the Department of Education. It appears that the Department of Social Welfare could use federal funds to establish additional child care facilities and could then be authorized to contract for services with other agencies such as the Department of Education. Another problem which must be resolved concerns the identification of families who fall into the recipient and near-recipient category. If federal funds could be used to support the current child care program it would be necessary to identify the aid recipients, the "near aid" recipients and the non-aid recipients who currently use child care center facilities, since it appears that the latter category would not qualify for federal support.

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND

ITEM 290 of the Budget Bill

Budget page 911

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

Amount requested	\$60,500,000
Estimated to be expended in 1964-65 fiscal year	52,513,029
Increase (15.2 percent)	\$7,986,971

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

The State Teachers' Retirement System does not maintain full reserves against actuarially determined liabilities. The \$60,500,000 request in this item is the amount of the state's estimated obligation to pay retirement benefits to teachers for services rendered over past years.

Of the proposed \$60,500,000, a total of \$1,947,546 is a deficiency amount for the 1964-65 General Fund obligation that was not met by the 1963-64 or 1964-65 appropriations. The total amount contributed for the payment of benefits and the percent increase each year are shown below.

**State Contributions to State
Teachers' Retirement Fund**

<i>Fiscal year</i>	<i>Contributions (millions)</i>	<i>Percent increase over previous year</i>
1961-62	\$41.1	7.3
1962-63	44.9	9.2
1963-64	48.8	8.7
1964-65	53.5	9.6
1965-66	58.5	9.4

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' Permanent 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.

Subventions for Education**FREE TEXTBOOKS**

ITEM 291 of the Budget Bill

Budget page 917

FOR SUPPORT OF FREE TEXTBOOKS FROM THE GENERAL FUND

Amount requested	\$8,412,718
Estimated to be expended in 1964-65 fiscal year	12,719,496
Decrease (33.9 percent)	\$4,306,778

TOTAL RECOMMENDED REDUCTION	\$576,604
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Free Textbooks—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
1. A reduction in the amount requested for the printing of free textbooks at the State Printing Plant---	\$262,240	918	9
2. A reduction in the amount requested for the procurement of textbooks for history and geography grades 5 and 8, and for civics, grade 8-----	156,000	918	9
3. A reduction in the amount requested for the printing of the spelling series, the handwriting series and the textbook, "Folk Songs of the U.S."-----	104,000	918	9
4. A reduction in the amount budgeted for three authorized stock clerk positions-----	14,364	917	76
5. A reduction in the amount requested for shipping materials and charges necessary to distribute textbooks during the 1965-66 fiscal year-----	40,000	918	7

PROGRAM PLANS AND BUDGET

The Constitution of California, Article IX, Section 7, provides for a free textbook program for California elementary schools. This program is adopted by the State Board of Education and administered by the Department of Education. Three major functions of the program are (1) selecting and adopting textbooks, (2) procuring the textbooks adopted and (3) distributing the textbooks to the schools.

1. Selecting and Adopting Textbooks. In adopting textbooks, the State Board of Education relies upon the recommendations of the State Curriculum Commission. All textbooks are adopted for a period of at least four years and for not more than eight years. At the end of the adoption period the board may extend the adoption of a book for not less than one year nor more than four years. The Education Code requires that basic textbooks be adopted in certain subject areas. Although the law requires only that basic books be provided in these areas, the adoptions of the board usually include supplementary as well as basic material. The board also adopts basic and supplementary textbooks in areas not required by law.

In addition to the adoption of textbook titles, the board specifies distribution ratios that govern the use of the books. There are no new textbook adoptions to be funded in the 1965-66 budget year.

2. Procuring the Textbooks. In procuring copies of the titles adopted by the State Board of Education, the Department of Education has books printed in the State Printing Plant, or in instances in which the right to print is refused by the publisher, purchases completed copies directly from private publishers. When securing textbooks directly from publishers the department usually orders a sufficient number of copies to provide for one year's distribution. The 1965 budget includes \$1,898,655 for books to be purchased from private publishers.

Textbook orders placed with the State Printer are usually sufficient in size to provide for a two-year distribution. By ordering two years in advance certain printing economies can be realized. One-year orders are placed in instances in which little information is available as to the number needed or in ordering for the last year of an adoption

Free Textbooks—Continued

period. Books are secured from the State Printer at cost. The 1965-66 budget request includes \$2,622,405 for state printed books. This figure is based upon the anticipated cost of the books as estimated by the State Printer.

Included in the 1965-66 budget request are funds for the final year's printing of science and health textbooks. These two adoptions expire June 30, 1967. The orders request that the book be bound in paperback covers. This is a direct result of a recommendation made in our 1962-63 budget analysis. In that analysis it was stated that certain textbooks such as teachers' editions and books receiving little use could and should be economically bound in paperback covers. In response to this recommendation, the Department of Education, the Department of Finance and the Legislative Analyst are conducting a joint study to determine the areas in which paperback textbooks can be effectively utilized. The first-year findings of the study have supported the contention that all state-produced textbooks can be successfully bound in paper for one year. Based upon this conclusion, the Department of Education is presently requesting that all textbooks ordered for the last year of an adoption period be bound in paper covers. As the study progresses, additional findings will be reported in future budget analyses.

3. Distributing the Textbooks. Textbooks are distributed to school districts during the summer months prior to the opening of school. Distribution usually is made from the state textbook warehouse in Sacramento. The actual number of textbooks distributed is dependent upon the amounts requested by the school districts. Districts are permitted to order sufficient copies to make distribution at the ratios established by the State Board of Education and to meet anticipated growth and replacement needs. It is estimated that during the 1965-66 year approximately 11,817,200 books will be distributed to school districts.

As stated previously, certain textbook titles are printed in the State Printing Plant. In such instances, royalty payments must be made to the private publishers that have leased this right to the state. It is usual procedure to make these payments in the year in which the books are distributed. The 1965-66 budget request includes \$3,487,972 for royalty payments to be made during the budget year.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Selecting and Adopting Textbooks. The free textbook program has grown substantially 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 433 for 1965-66. The 433 titles adopted in 1965-66 include 96 basic textbooks, 198 supplementary books and 139 teacher texts. There is every indication that under existing policies the rate of growth will continue in the coming years.

Contributing to the growth of the program is the increased number of subject areas in which titles are adopted. For example the State

Free Textbooks—Continued

Board of Education has recently authorized that publishers submit books for adoption in social sciences, grades 1 and 2.

A further increase in the size of the program is due to proliferation of basic and supplemental titles in regular subject areas. As an example, in 1964 the State Board of Education adopted a basic and supplementary textbook program in math, grades 1 to 8 and a basic and supplementary textbook program in social studies grade 4. The old math adoption consisted of 16 titles, 8 pupil textbooks and 8 teachers' editions. The yearly cost of the program approximated \$0.40 per child served. The new math program approved by the board consisted of 125 titles at an estimated yearly cost of \$1.46 per child to be served. A total of approximately \$6.6 million was included in the 1964-65 budget request and \$1.1 million was added to the 1963-64 budget to fund the initial cost of the new math and social studies program. The Legislature in an attempt to limit the size of the programs reduced the amount budgeted for the two adoptions by approximately \$1.2 million. The reduction was made in the amount budgeted for the newly adopted supplementary arithmetic textbooks grades 1 through 8 and the amount budgeted for the newly adopted supplementary history and geography textbooks grade 4. The cost of the new arithmetic program as limited will approximate \$1.30 per child served each year of the adoption period. This is still an increase of 225 percent over the cost of the old math adoption.

The amount budgeted in a particular year does not accurately reflect the cost of operating the program for that particular year nor does it give a valid indication of the size or growth of the program. Although the 1965 budget request is 23 percent lower than the amount budgeted in 1963 and 34 percent lower than the amount budgeted in 1964, the number of titles under adoption has increased from 391 in 1963 to 433 in 1965.

In an attempt to accurately reflect the growth of the free textbook program over the last few years we have developed an estimated comparison of the yearly cost per pupil served. This comparison is presented in the following table.

Free Textbook Program						
	<i>1960-61</i>	<i>1961-62</i>	<i>1962-63</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>
Yearly cost per pupil served						
Basic program -----	\$3.15	\$3.10	\$3.10	\$3.35	\$3.40	\$3.60
Supplementary program -----	.65	1.00	1.00	.95	1.10	1.60
Total yearly cost per pupil served	\$3.80	\$4.10	\$4.10	\$4.30	\$4.50	\$5.20

The above table reflects a 37-percent increase in the yearly per-pupil cost from 1961 to 1965. It can be expected that this cost will continue to increase. New adoptions in health, science, music, social studies, and language are to be made during the next few years.

2. Procuring the Textbooks. The 1965-66 budget includes \$4,521,060 for the procurement of textbooks during the 1965 fiscal year. A comparison can be made between this amount and the amounts budgeted for the procurement of books in previous years.

Free Textbooks—Continued

		Textbook Acquisitions		
		1963-64	1964-65	1965-66
Printing	-----	\$4,968,350	\$5,303,727	\$2,622,405
Purchasing	-----	\$3,627,411	\$3,872,735	\$1,898,655

As stated previously, the amount budgeted, or spent, in a year for textbooks does not accurately reflect the size or cost of the program during that particular year. This is because books purchased in 1963-64 may not be distributed until 1965-66 and books purchased in 1965-66 may not be distributed until 1967-68.

3. Distributing the Textbooks. As is true with procurement, the number of textbooks distributed in a particular year does not reflect the size or growth of the program. During the first year of an adoption period the initial textbook distribution may constitute nearly 50 percent of the total number of books that will be distributed over the length of the adoption period. A yearly comparison of the number of textbooks distributed during recent budget years follows.

	1962-63	1963-64	1964-65	1965-66
Number of books distributed	7,422,300	10,084,600	9,549,100*	11,817,200*

* Estimates.

ANALYSIS AND RECOMMENDATIONS

1. *We recommend that 10 percent, or \$262,240, be deducted from the amount of \$2,622,405 that has been requested by the Department of Education for the printing of textbooks in the State Printing Plant during the 1965-66 budget year.* The \$2,622,405 represents the anticipated cost of producing the textbooks as estimated by the State Printer. The recommended budget reduction will not limit the size of the textbook orders to be placed nor the number of textbook copies to be printed. The reduction will, however, permit a more accurate budgetary projection of the cost of securing the textbooks ordered from the State Printer during the 1965-66 budget year.

A similar recommendation was made in our 1963-64 Budget Analysis. That recommendation was based upon an examination of printing orders completed between October 1961 and December 1962. The examination reflected that the original printing estimates upon which the budget was formulated exceeded by over 6 percent the actual cost of the books as charged by the State Printer. Based on this finding we recommended a budget reduction of 6.1 percent stating that such constant overestimating prohibits the developing of an accurate and valid textbook budget figure. Our recommendation was accepted and the textbook budget was reduced accordingly.

Recently this office reviewed the actual 1963-64 textbook billings in an effort to determine the validity and effect of our 1963-64 budget recommendation. The review, covering approximately \$5 million worth of textbook orders submitted to the State Printing Plant during the 1963-64 budget year, compared the estimated cost of printing as formulated by the State Printer with the actual cost of printing as billed the Department of Education. The results reflected that the 1963-64

Free Textbooks—Continued

textbook printing orders as originally estimated exceeded the actual cost of printing the books by over 20 percent or approximately \$1 million. This gives an indication as to the degree that the 1963-64 textbook program was overbudgeted since the State Printer's original estimates form the basis upon which the Department of Education develop their yearly budget request.

The State Printer has stated that since the 1963-64 estimates were made, he has taken steps to bring the original job estimates closer in line with the anticipated costs of the textbooks to be printed. In an effort to verify this statement we have recently reviewed certain textbook printing estimates contained in the 1965-66 budget request. While it may be true that the State Printer has reduced certain printing estimates, we believe that further reductions in the textbook estimates are in order. We therefore recommend that the printing costs as estimated by the State Printer and contained in the 1965-66 budget request be reduced by 10 percent or \$262,240. This reduction should more accurately reflect the true cost of printing the textbooks ordered. The 10 percent reduction is sufficiently modest to allow for any further reduction in estimates made by the State Printer and also to provide an adequate contingency for possible cost increases that might develop during the budget year.

1a. *In lieu of actual cost figures we recommend that 10 percent of the amount contained in the 1964-65 budget for the printing of textbooks at the State Printing Plant immediately be reverted to the General Fund and that when available, the Department of Education inform the Legislature as to the total "savings" realized during the 1964-65 fiscal year due to overestimating by the State Printing Plant and that this amount then revert to the General Fund.*

As stated in our first recommendation, the original 1963-64 budget request for textbooks to be printed in the State Printing Plant was overestimated by approximately 20 percent. It is possible that the 1964-65 textbook budget is also overbudgeted by a similar amount. This assumption is based upon a comparison of cost estimates for textbooks ordered in the 1963-64 year and again in the 1964-65 year. In certain instances the estimates were identical. This would indicate that if overestimating resulted in overbudgeting in the 1963-64 year, the situation would again occur in the 1964-65 fiscal year. Actual cost figures relating to the extent of the overestimating in the 1964-65 year are not yet available.

2. *We recommend that the amount budgeted for history and geography, grades 5 and 8, and for civics, grade 8, be reduced by \$156,000. This amount represents the estimated cost of procuring the additional number of textbook copies that would be necessary if the adoption period for history and geography, grades 5 and 8, and civics, grade 8 were to be extended for one year. The books were originally adopted by the state board in 1962. The adoption was for a four-year period ending June 30, 1967. At the end of the adoption period the board may either extend the adoption or adopt new texts. In originally*

Free Textbooks—Continued

adopting the books the board specified that the adoption period would be for a four-year period rather than for the usual four-to-eight-year period. This action expressed the board's dissatisfaction with the textbook material available at the time of the adoption. In adopting for four years only, the board wished to ensure that if more adequate textbook material were available at the time the adoption period expired, new textbooks could be adopted and placed in the schools.

Private publishers have recently been requested to submit all new material presently available to the State Curriculum Commission for consideration. The commission will review this material and in 1965 will inform the State Board of Education as to the desirability of adopting new textbooks in history and geography, grades 5 and 8, and civics, grade 8. To date the board has given no indication as to whether the present adoption will be discontinued or extended. Lacking this information, the Department of Education has been forced to anticipate the action of the board and order books beyond the period adopted. The additional titles ordered amount to approximately \$156,000. This amount has been included in the 1965-66 budget request. While it is possible that the adoption period may be extended, it is also possible that the board will terminate the adoption at the end of the four-year period and place a new adoption into effect. If a new adoption is placed into effect in June 1967, the additional copies ordered by the department will be unnecessary. Regardless of the board's action, it is evident that present adoption methods result in uncoordinated budgeting practices and a situation in which the Department of Education must continually attempt to second-guess the future actions of the State Board of Education. In 1964 the department found itself in a similar situation when the State Board of Education discontinued the adoption of certain math titles a year early so that new math books could be distributed to the schools in time for the 1964-65 school year (instead of the 1965-66 school year as originally scheduled). Having had no advance warning that the board would take this action the department had procured sufficient copies of the old math series to last through the regular adoption period. The termination of the adoption a year early resulted in a sizable quantity of math textbooks left undistributed in the state textbook warehouse.

The Department of Education will never be able to budget properly for the procurement of textbooks until the State Board of Education formulates a standard policy governing textbook adoption and termination practices. The policy should consist of a firm adoption schedule for each textbook program. The schedule should allow sufficient time for the coordination of the various administrative functions necessarily performed by the Department of Education. A standard procedure should also be developed that would govern any deviation from the schedule. This procedure must assure that sufficient warning be given the Department of Education any time a variance from the standard schedule is contemplated.

Free Textbooks—Continued

3. *We recommend that \$104,000 be deleted from the amount requested by the Department of Education for the printing of spelling books, grades 3 through 8; handwriting books, grades 3 through 8; and the textbook "Folk Songs of the United States."* The amount requested for the printing of these books was based upon the projected cost estimates of the State Printer. In developing the cost estimates, the State Printer scheduled the printing of the books on regular offset and letterpress equipment. Although the books have historically been printed on this equipment, the books are of the type that can advantageously be printed on the recently acquired web press. In fact, when the purchase of the web press was first under consideration, the spelling series was offered as an example of the type of text that could best be printed on the web press. Listed below are some of the reasons that make it practicable to place the two textbook series and the music book on the web press:

- a. The copies ordered of each title are sufficient in number to justify the web press's greater makeready expense;
- b. Being consumable, the books are ordered yearly thus reducing the initial engraving cost;
- c. The adoption periods are sufficient in length (the adoption period of the spelling and handwriting series has been extended to 1968 and the music book continues until 1969);
- d. The books are printed in no more than two colors; and
- e. The State Printer has indicated that printing time is available for scheduling the books on the web press.

Although we have not been able to establish the exact savings that can be realized by producing the books on the web press, past estimates of the State Printer have reflected that possible savings range from 10 percent to 58 percent. Based upon this, we recommend that the amount budgeted for the printing of the spelling and handwriting series and the music books be reduced by approximately 25 percent and the books be printed on the web press.

We further recommend that the State Printer review all other printing orders contained in the 1965-66 budget request and report to the Legislature those orders presently scheduled for printing on regular equipment that could be more economically printed on the web press.

4. *We recommend that three stock clerk positions in the amount of approximately \$14,364 and related expenses be deleted from the free textbook budget.* Presently, nine stock clerk positions are authorized for performing the functions of warehousing, packaging and shipping the free textbooks that are distributed from the textbook warehouse in Sacramento. In 1962 a merit award suggestion was submitted recommending that textbooks be packed into cartons directly off the printing plant assembly line rather than as a separate operation in the textbook warehouse. The merit award suggestion, if implemented, would result in a yearly saving of approximately 36 man-months of packers' time employed at the textbook warehouse. The monetary savings in salaries would approximate \$14,364 per year. The Department of Finance surveyed the suggestion and found it to be practical. The State Printer's

Free Textbooks—Continued

office also stated that the suggestion was feasible and would require no increase in help at the plant. The change would require approximately \$14,000–\$18,000 for the purchase of new packaging machinery. This, however, would be a one-time expense while the state would realize the \$14,364 salary savings annually.

Although the merit award suggestion was made in 1962 and the Department of Finance acknowledged the practicability of the suggestion on March 20, 1963, the Department of General Services and the Department of Education have yet to agree on a method by which the proposal could be implemented. This delay, to date, has cost the state approximately \$30,000 in salary savings. We therefore recommend that the budget of the Department of Education be reduced the equivalent of three stock clerk positions (\$14,364 plus related expenses) as a means of implementing the approved merit award suggestion. *We further recommend that the Department of General Services and the Department of Education come to an agreement as to how the proposal can be placed into operation and the change be made at the start of the 1965–66 fiscal year.*

5. *We recommend that the amount of \$251,855 budgeted by the Department of Education as the anticipated cost for communications, freight, cartage, express and shipping supplies necessary for making the required distribution of textbooks to school districts during the 1965–66 fiscal year be reduced by \$40,000.*

The sum requested by the Department of Education is based upon amounts budgeted in prior years. The request should instead be based upon actual expenditures of past years. A comparison between amounts budgeted and actually spent in prior years follows:

	1960–61	1961–62	1962–63	1963–64	1964–65	1965–66
Estimated distribution	*	15,359,800	7,422,300	10,084,600	†9,549,100	11,817,200
Actual distribution	12,041,163	9,021,616	7,596,620	10,601,575	*	*
Estimated cost of distribution	\$231,330	\$248,791	\$248,791	\$246,424	\$265,870	\$251,855
Actual cost of distribution	\$192,387	\$151,476	\$138,420	\$192,016	*	*

* Not available.

† Includes state-printed books only.

During the 1965–66 fiscal year the Department of Education anticipates distributing 11,817,200 textbooks. As reflected above, if the department's estimate is accurate this year's distribution will average the number of books distributed in 1960–61 and in 1963–64. The actual cost of distributing textbooks in those years averaged \$192,000. We therefore recommend that the requested amount budgeted for the cost of distributing textbooks to school districts during the 1965–66 fiscal year be reduced to a figure more closely related to the actual expenditure of the last comparable year. A reduction of \$40,000 will provide for a budget figure of \$211,855. This sum is \$19,839 or 10.3 percent above that actually spent in 1963–64, the last comparable year, and should allow for any change in shipping methods or shipping rates that might occur.

Free Textbooks—Continued

6. *We recommend that the \$18,265 included in the 1965-66 budget request for the leasing of new warehouse area be allowed only if the following provisions are assured.*

Included in the textbook budget request for operating expenses is \$48,000 for warehouse storage. This sum represents a \$18,265 increase (61 percent) over the 1964-65 budget figure of \$29,735. The increase reflects the Department of Education's plans for leasing, over a 10-year period, 80,000 square feet of textbook storage space to be located near the present textbook warehouse. Once the department occupies the new leased area, the existing textbook warehouse is to become an additional storage facility for the State Printing Plant.

The present textbook warehouse consists of 40,000 square feet. This facility is rent free. In addition to the state textbook warehouse, books are stored at other rented locations as the need arises. In light of the great number of textbook titles that must be distributed each year, the 80,000 square feet of warehouse area being requested is not unreasonable. We believe, however, that before the state enters into a 10-year lease contract for this area, two assurances must be given the Legislature. A guarantee must be forthcoming that the State Printing Plant can efficiently and practically make full use of the present textbook warehouse that it will occupy as a storage area. In addition, the Legislature should be assured that during the 10-year lease period, if the textbook program is substantially altered so that the 80,000 square feet of space becomes unnecessary, the state can make efficient use of the storage area for other purposes.

POLICY OPTIONS

1. As stated previously in the analysis, the State Constitution requires that "the State Board of Education . . . shall provide, compile, or cause to be compiled, and adopt, a uniform series of textbooks for use in the day and evening elementary schools throughout the State." A policy option would be to limit the state's free textbook program to the adoption of basic textbooks only. Supplementary material would be purchased with local district funds. This would reduce the number of titles under adoption by approximately 248. In addition, the yearly textbook cost per pupil served, would be reduced by approximately \$1.60. This would result in an average yearly reduction in the state's Free Textbook Program budget of roughly \$4 million.

Arguments in favor of this option are:

a. Districts would have a choice in selecting the books that they would wish to use in supplementing their basic textbook program.

b. The state textbook program would become administratively more operable at the state level.

c. A sizable General Fund savings could be realized each year.

Arguments against this option are:

a. Districts could not secure books as cheaply as the state does.

b. The state would have little control over the quality of the material selected by local districts.

c. A uniform supplementary program would not be possible.

Free Textbooks—Continued

2. A variation of the first policy option might be considered. In addition to the basic textbook program furnished by the state, districts would receive financial support for purchasing supplementary material. The yearly school apportionments, for example, could be increased \$1 per elementary school ADA (enrollment in California elementary schools, grades 1 through 8, is projected to approximate 2,673,200 in 1965-66). This apportionment increase would be utilized by the districts to secure supplementary textbook material. The yearly cost of this policy variation would depend upon the amount per ADA that school apportionments would be increased. While the option would result in a reduction of the yearly cost of the state's free textbook program, the yearly savings would not be as great as could be obtained under option number one.

Arguments in favor of this option are:

a. Additional funds for the purchase of textbooks would be made available to school districts.

b. The total cost to the state of furnishing free textbooks to California school children would still be less than under the present plan.

An argument against this option is that it would be difficult to insure that the additional funds are used to secure supplementary textbook material.

3. Another policy option for consideration would be to replace the present "single adoption" plan with a "multiple adoption" program. Essentially, a multiple adoption program is one in which a local district would be permitted to select the textbook titles (both basic and supplementary) rather than be required to use state selected textbooks. There are many types of multiple adoption plans that the state could initiate. An example of one plan is outlined below. The state would adopt one basic textbook in each subject area based on quality consideration. The state would also compile a list of alternate basic textbooks in each subject area showing quality comparisons among the books. The single adopted basic textbook would be printed or purchased by the state at the most advantageous price possible and distributed to school districts that elect to use the book. Those school districts that do not elect to use the state-adopted textbook may select a preferred title from the list of approved alternate textbooks. If the alternate textbook is chosen it would be secured by the school district either from the state or a private publisher. The price that the district would pay for the purchased textbook would not exceed the unit price as established by the State Board of Education under a contract with the private publisher. The state would provide the school district with a per book monetary allowance that could be used by the district for purchasing the alternate textbook. The per textbook allowance provided by the state would be equal to the unit cost to the state of the single adopted basic textbook (that the district elected not to use). Any additional supplementary textbooks would be purchased with district funds. However, the state might appropriate a lump sum for supplementary material if considered necessary.

Free Textbooks—Continued

The cost to the state of this multiple adoption plan would be dependent upon the number of basic textbook choices that districts would be permitted and also upon the degree to which the state appropriated funds to finance the districts' supplementary programs.

Arguments in favor of this option are:

a. School districts would have greater flexibility in choosing their textbooks. The plan would allow a district to select the textbooks that complement its own educational programs.

b. The multiple adoption plan would conceivably be easier to administer at the state level, mainly due to the reduction in the number of titles that would be procured and distributed each year.

Arguments against this option are:

a. In initiating the plan it is probable that an amendment to the State Constitution would be required.

b. A statewide uniform textbook program would not be possible under the provisions of a multiple adoption plan.

c. Districts will not be able to secure textbooks from private publishers as cheaply as the state can have the books printed at the State Printing Plant. A comparison of certain textbook titles has indicated that the state can secure textbooks from the State Printing Office at approximately 32 percent below the price that a district would pay in ordering the identical textbooks directly from private publishers. It may be possible, however, that more favorable prices could be secured if the state, with its large purchasing power, contracted directly with the publisher rather than have the individual districts purchase the books.

**Subventions for Education
ASSISTANCE TO PUBLIC LIBRARIES**

ITEM 292 of the Budget Bill

Budget page 918

**FOR ASSISTANCE TO PUBLIC LIBRARIES
FROM THE GENERAL FUND**

Amount requested	\$800,000
Estimated to be expended in 1964-65 fiscal year	800,000
Increase	None
TOTAL RECOMMENDED REDUCTION	\$800,000

PROGRAM PLANS AND BUDGET

The Public Library Development Act, added by Chapter 1802, Statutes of 1963, authorizes a program of state assistance to public libraries. The act provides for three types of state financial grants: planning grants, established grants, and per capita grants. Planning grants are made to libraries for the purpose of developing an acceptable plan of library service for a specific area. Establishment grants are made to assist in the establishment of a library system for a previously unserved county, or a system consisting of two or more libraries. Per capita grants are made for library systems and are based on the average population per square mile served by the systems; only

Assistance to Public Libraries—Continued

this last type may be granted from year to year to the same library. The act also limits the state appropriation for local assistance in any one year to 2 percent of the total operating expenses of California's public libraries from funds received from local sources for the last completed fiscal year.

The administration of this program rests with the State Librarian who receives assistance from the Public Library Development Board. Administrative support funds for this program are discussed under the Division of Libraries Section of this analysis. A subvention of \$800,000 is requested for this budget item in 1965-66; this represents the same level of support as was appropriated for the current year. Total operating expenditures of California's public libraries in 1963-64 are estimated at \$50,000,000. Thus, this subvention request of \$800,000 is within the aforementioned 2 percent limitation ($0.02 \times \$50,000,000 = \$1,000,000$).

REVIEW OF PROGRAM ACCOMPLISHMENTS

The following is a summary of the first annual report of the California Library Development Act, which covers this program's operation for 1963-64. Table I illustrates the total number of grant applications received for library assistance in 1964 and the total amount of funds which were allocated for the three designated types of grants.

Table I
Applications for, and Grants Paid From, Appropriations for
Public Library Development, 1963-64¹

<i>Type of grant</i>	<i>Applications</i>		<i>Grants</i>	
	<i>Amount requested</i>	<i>No. of libraries involved</i>	<i>Amount paid</i>	<i>No. of libraries involved</i>
Planning -----	\$172,261	93 ²	\$165,961	74 ²
Establishment -----	324,907	39 ²	247,561	31 ²
Per Capita -----	600,207	38 ²	386,478	35 ²
Total -----	\$1,097,375	170 ²	\$800,000	89 ²

¹ From First Annual Report, California Public Library Development Board, August 1964.

² Some libraries participated in more than one type of application and grant.

1. Planning Grants. During the 1963-64 fiscal year \$165,961 was allotted for 16 planning grant requests involving 74 libraries (35 percent of California's 213 public libraries). Planning grants were used to study areas such as joint acquisition, interlibrary loan systems, film centers, reciprocal borrowing privileges and central purchasing and cataloging services. As a result of these grants two library systems were established during the year, the San Joaquin Valley system, centering on Fresno, and the Black Gold Cooperative Library system, centering on Ventura County and City Library.

2. Establishment Grants. Grants totaling \$247,561 were paid involving 31 libraries in 5 cooperative library systems. Two of these also received planning grants, but three, because of previous cooperative planning experience, moved directly into approved system operations. It is estimated that 20 libraries will apply for new establishment grants during 1964-65 and 25 in 1965-66.

Assistance to Public Libraries—Continued

3. Per Capita Grants. Per capita grants are made only after other types of grants have been made. During 1963-64 a total of \$386,478 in per capita grants was allocated to 35 libraries. It is understood that five libraries which received establishment grants also received per capita grants. The State Library reports that per capita grants in 1963-64 went entirely to libraries in areas of high population density. Thus far no libraries in low population density counties located primarily in northern California have received such grants. Currently there is insufficient knowledge available concerning the pattern of the most effective types of library systems which might be formed in such areas.

Although it is reported that this program of local assistance to the state's libraries has been very effective, little qualitative data concerning its success is presented in the annual report. If this program is continued, we believe that future reviews of California's Library Development Act should attempt to answer the following questions:

a. What have the planning grants and the establishment grants accomplished that would not have been accomplished by local library cooperation?

b. How have per capita grants been used by recipient libraries to improve and extend their library services? How long is it anticipated that such per capita grants will be needed to aid local libraries?

c. How is it proposed to measure the success of this program? Can it be measured in terms of increased library efficiency, monetary savings, or greater utilization of library materials?

d. What is the possibility of introducing equalization into this program? If the program is expanded what workload standards will be used to estimate additional staffing needs?

e. What is the relationship of the state library assistance program to the federal program? What is the extent of the overlap or duplication?

f. What are the plans for an annual review of this program?

ANALYSIS AND RECOMMENDATIONS

1. *We recommend that the state's library development program be terminated and that \$800,000 be deleted from the budget. We also recommend that the federal Library Services and Construction Act be used to the extent legally possible for local library assistance.* Under the provisions of the new federal legislation, California will receive \$4,613,137 for library assistance in 1965-66. The substitution of the federal program for the California Library Development Act will result in a General Fund savings of \$800,000 for 1965-66 and additional savings thereafter. In addition this recommendation will preclude duplication of functions and staffing which would be present if California maintained a large state library assistance program and a large federal program. It would appear that California would still qualify for federal assistance if the state program were dropped. The federal law requires that state expenditures for library services must not fall below

Assistance to Public Libraries—Continued

the expenditure level for fiscal 1963. California's library assistance program was not implemented until 1964. On the basis of these reasons we recommend that the entire sum of \$800,000 for local library assistance be deleted from the budget.

2. *We also recommend that the State Library be directed to prepare a final review of the California Library Development Act. This recommendation is based upon the fact that answers to the questions in the preceding section have not been obtainable.*

Subventions for Education**VOCATIONAL EDUCATION—REIMBURSEMENTS TO SCHOOL DISTRICTS**

ITEM 293 of the Budget Bill

Budget page 921

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

Amount requested	\$230,271
Estimated to be expended in 1964-65 fiscal year	230,271

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

Subventions for vocational education are made annually from the General Fund and from federal allocations. After the costs of state-level operations have been deducted from the total amount appropriated from these sources, the balance is distributed to secondary school districts for supervision and teacher training. In order to qualify for these funds school districts must maintain approved vocational education courses in agriculture, business, homemaking and industrial education. State-level operations are discussed under Item 97 of this analysis.

General Fund support for this activity in 1965-66 is proposed at \$230,271; this is the same amount that was appropriated during the current year for this purpose. Federal support for California's vocational education program will rise from \$5,893,712 to \$5,903,468 in 1965-66; this represents an increase of \$9,756 or 0.16 percent above the current level. This budget item does not reflect an additional maximum amount of \$11,000,000 in federal funds which the state may receive in 1965-66 under the provision of the Vocational Education Act of 1963. Nor does it include additional federal support for the Manpower Development and Training Program which will accrue to the state in the budget year if one-third state matching funds are authorized by the Legislature for support of the MDTA program. The vocational educational program is discussed in greater detail under Item 97 of this analysis. *We recommend approval of the item as budgeted.*

Department of Mental Hygiene

ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES

ITEM 294 of the Budget Bill

Budget page 923

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

Amount requested	\$ 15,711,727
Estimated to be expended in 1964-65 fiscal year	11,067,416
Increase (42.0 percent)	\$ 4,644,311

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

The program discussion for this item is contained in the summary discussion of the Department of Mental Hygiene.

The budget proposes \$15,711,727 for assistance to local agencies for mental health services.

We recommend approval as budgeted.

Department of Public Health

CRIPPLED CHILDREN SERVICES

ITEM 295 of the Budget Bill

Budget page 932

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

Amount requested	\$9,848,246
Estimated to be expended in 1964-65 fiscal year	9,616,160
Increase (2.4 percent)	\$232,086

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The program plan and budget for crippled children services for 1965-66 is provided under the program plan and budget discussion for crippled children services which is included as part of Item 161, Department of Public Health.

REVIEW OF PROGRAM ACCOMPLISHMENTS

The review of program activities for crippled children services for 1963-64 is provided under the review of program activities which is included as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$9,848,246 for the crippled children's program. The proposed budget is \$232,086, or 2.4 percent, above the \$9,616,160 which is estimated to be expended on this program during the current year.

We recommend approval of the budget as submitted.

Normal program growth during the budget year accounts for the proposed increase of \$232,086.

Federal support of this program amounts to \$930,732. This is an increase of \$556,050 above the \$374,682 which is estimated to be available from federal funds during the current year.

**Department of Public Health
TUBERCULOSIS SANATORIA**

ITEM 296 of the Budget Bill

Budget page 933

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

Amount requested	\$3,271,528
Estimated to be expended in 1964-65 fiscal year	3,207,628
<hr/>	
Increase (2 percent)	\$63,900

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The program plan and budget for tuberculosis sanatoria for 1965-66 is provided under the program plan and budget discussion for communicable disease control which is included as part of Item 161, Department of Public Health.

REVIEW OF PROGRAM ACCOMPLISHMENTS

The review of program activities for tuberculosis sanatoria for 1963-64 is also provided under the review of program activities as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$3,271,528 for the tuberculosis sanatoria. This is an increase of \$63,900, or 2 percent, above the \$3,207,628 which is estimated to be subvended to tuberculosis sanatoria during the current year.

We recommend approval of the budget as submitted.

An increase of 10 cents per day, based on increased cost of care experienced by local sanatoria, accounts for the cost increase of \$63,900 for 639,000 patient-days.

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

ITEM 297 of the Budget Bill

Budget page 934

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

Amount requested	\$477,549
Estimated to be expended in 1964-65 fiscal year	495,615
<hr/>	
Decrease (3.6 percent)	\$18,066

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The program plan and budget for counties without local health departments is provided under the program plan and budget discussion for general assistance to local health departments and other community agencies which is included as part of Item 161, Department of Public Health.

Counties Without Local Health Departments—Continued

REVIEW OF PROGRAM ACCOMPLISHMENTS

The review of program activities for counties without local health departments for 1963-64 is also provided under the review of program activities relative to general assistance to local health departments and other community agencies as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$477,549 for assistance to counties without local health departments during the budget year. This is a decrease of \$18,066, or 3.6 percent, from the \$495,615 which is proposed to be expended on this program during the current year.

We recommend approval of the budget as submitted.

Section 1157 of the Health and Safety Code permits the Department of Public Health to provide public health services, under contract, to counties with less than 40,000 population. This program 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 decrease is due to a reduction of six currently budgeted positions as El Dorado County's population is expected to exceed 40,000 during the current fiscal year and, as a consequence, the county will no longer be eligible for contract health services.

Additional funds are budgeted for Item 298, Assistance to Local Health Departments, in the anticipation that El Dorado County will establish a recognized local health department during the budget year.

Department of Public Health

ASSISTANCE TO LOCAL HEALTH DEPARTMENTS

ITEM 298 of the Budget Bill

Budget page 935

FOR ASSISTANCE TO LOCAL HEALTH DEPARTMENTS
FROM THE GENERAL FUND

Amount requested	\$4,554,255
Estimated to be expended in 1964-65 fiscal year	4,363,211
Increase (4.4 percent)	\$191,044

TOTAL RECOMMENDED REDUCTION	None
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PROGRAM PLANS AND BUDGET

The program plan and budget for assistance to local health departments for 1965-66 is provided under the program plan and budget discussion for general assistance to local health departments and other community agencies which is included as part of Item 161, Department of Public Health.

REVIEW OF PROGRAM ACCOMPLISHMENTS

Program activities for assistance to local health departments for 1963-64 are reviewed as part of Item 161, Department of Public Health.

Assistance to Local Health Departments—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$4,554,255 for assistance to local health departments. This is an increase of \$191,044, or 4.4 percent, above the \$4,363,211 which is estimated to be subvented to local health departments during the current year.

We recommend approval of the budget as submitted.

The General Fund portion of the budget is proposed on the same basis as was originally approved in the Budget Act of 1962. The increase, which is necessary to maintain the allowance at 20.7 cents per capita, is a result of the estimated increase in population.

Allowance is also made for extending the subvention of El Dorado County, which is expected to establish its own health department in the budget year.

Department of Public Health

GNAT CONTROL

ITEM 299 of the Budget Bill

Budget page 935

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

Amount requested	\$50,000
Estimated to be expended in 1964-65 fiscal year	50,000
Increase	None

TOTAL RECOMMENDED REDUCTION	Delete Item
Transfer \$50,000	to Item 103

Summary of Recommended Reductions

	Amount	Budget Page	Line
From amount requested to maintain existing level of service			
Delete assistance to local agencies for gnat control	\$50,000	935	64
Transfer \$50,000 to University of California (Item 103)			

PROGRAM PLANS AND BUDGET

The program plan and budget for gnat control for 1965-66 is provided under the discussion for vector control which is included as part of Item 161, Department of Public Health.

REVIEW FOR PROGRAM ACCOMPLISHMENTS

The review of program activities for gnat control for 1963-64 is discussed relative to vector control as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$50,000 for gnat control. 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 103, the support item for the University of California.

Two gnat research programs are currently supported by this subvention. One program on the control of the valley black gnat has been carried on by the San Mateo County Mosquito Abatement District for

Gnat Control—Continued

the past six years. The amount of state assistance has been fixed at \$10,000 annually for a total expenditure of approximately \$60,000 over this six year period.

The other program on the control of the Clear Lake gnat has been carried on by the Lake County Mosquito Abatement District for the past 13 years. The amount of state assistance has ranged from \$10,000 to \$40,000 annually for a total expenditure of approximately \$220,000 over this 13 year period.

The state has accepted a degree of responsibility for supporting research which will lead to the control of the valley black gnat and the Clear Lake gnat. However, we believe that the continuance of this support should be contingent upon the transfer of this program to the research staff and environment of the University of California. The staff of the university's Division of Agricultural Sciences includes some of the leading research scientists in the country, if not the world. We believe that these gnats will be controlled at an earlier date under a university research program than will be possible if these research programs continue to be carried out on an individual basis by the San Mateo County and Lake County Mosquito Abatement Districts.

The advantages of a university-oriented program are exemplified by the following deficiencies in the local programs: lack of a comprehensive research library, nonavailability of specialized staff in many areas which might be called upon to fill research gaps; limited amount of specialized equipment and limited physical facilities.

The university will be able to expand its existing gnat control research activity to meet the research needs associated with the valley black gnat and Clear Lake gnat if the Legislature approves the transfer of the gnat control research funds to the university.

Department of Public Health**PHYSICALLY HANDICAPPED CHILDREN**

ITEM 300 of the Budget Bill

Budget page 936

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

Amount requested	\$2,109,050
Estimated to be expended in 1964-65 fiscal year	1,734,780
Increase (21.6 percent)	\$374,270

TOTAL RECOMMENDED REDUCTION	\$271,623
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Summary of Recommended Reductions

	Amount	Page	Line
From amount requested to maintain existing level of service			
1. Reduce assistance to Local Agencies for the Treatment of Physically Handicapped Children	\$271,623	936	80

PROGRAM PLANS AND BUDGET

The program plan and budget for physically handicapped children for 1965-66 is provided under the program plan and budget discussion

Item 301**Local Assistance****Physically Handicapped Children—Continued**

for crippled children services which is included as part of Item 161, Department of Public Health.

REVIEW FOR PROGRAM ACCOMPLISHMENTS

The review of program activities for physically handicapped children for 1963-64 is provided as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$2,109,050 for support of the physically handicapped children program under which the department contracts with local health departments for the employment of therapists who staff therapy units in special schools for handicapped children. A total of 295 therapy man-years is proposed to be supported during the budget year. The proposed budget is \$374,270, or 21.6 percent, in excess of the \$1,734,780 which is estimated to be expended on this program during the current year.

We recommend a reduction of \$271,623 for physically handicapped children and the approval of the balance of \$1,837,427 for support of physically handicapped children.

The department has consistently overestimated the expenditures needed to support this subvention program. During the past five years, the unexpended balance has ranged from a low of \$149,943 in 1962-63 to a high of \$457,306 in 1961-62. The unexpended balance has averaged \$271,623 annually during the last five fiscal years as shown in the following table:

	<i>Total available</i>	<i>Actual expenditure</i>	<i>Unexpended balance</i>
1960-61 -----	\$1,436,987	\$1,158,809	\$278,178
1961-62 -----	1,655,511	1,142,694	457,306
1962-63 -----	1,609,574	1,373,408	149,943
1963-64 -----	1,676,276	1,403,589	272,687
1964-65 -----	1,934,780	1,734,780 *	200,000 *

* Estimated

The approval of our recommendation for a reduction of \$271,623, which has been the average unexpended balance for the past five years, should also stimulate the department to critically review their budget estimates relative to this item so that future budget proposals will more accurately reflect the amount which is actually needed to support this program.

**Department of Public Health
HOSPITAL CONSTRUCTION**

ITEM 301 of the Budget Bill

Budget page 937

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

Amount requested-----	\$16,592,999
Estimated to be expended in 1964-65 fiscal year-----	14,224,602
 Increase (16.7 percent)-----	 \$2,368,397

TOTAL RECOMMENDED REDUCTIONS ----- \$3,050,000

Hospital Construction—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
From amount requested to maintain existing level of service			
1. Assistance to local and nonprofit agencies for hospital construction -----	\$3,050,000	937	39
2. Transfer \$50,000 of federal construction funds to Department of Public Health (Item 161) -----			

PROGRAM PLANS AND BUDGET

The program plan and budget for hospital construction for 1965-66 is provided under the program plan and budget discussion for health facilities development which is included as a part of Item 161, Department of Public Health.

REVIEW OF PROGRAM ACCOMPLISHMENTS

The review of program activities for hospital construction for 1963-64 is provided under the review of program activities discussion relative to health facilities development which is included as part of Item 161, Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$16,592,999 for hospital and related facility construction. The proposed budget is \$2,368,397, or 16.7 percent, above the \$14,224,602 which is estimated to be expended on this program during the current year.

We recommend a reduction of \$3,000,000 in General Fund support for hospital construction.

The approval of our recommendation will continue hospital construction funds in the budget year in substantially the same amount as the current year.

The state has generously provided annually increasing hospital construction funds for a number of years; however, it now seems appropriate to relate budget year support of this item substantially to the current year's support of this item.

We recommend a reduction of an additional \$50,000 in General Fund support for hospital construction; the transfer of \$50,000 of federal hospital construction funds to Item 161, the support item of the Department of Public Health; and the approval of \$13,542,999 in General Fund support of hospital construction.

Our recommendation would require the department to utilize the \$50,000 of federal construction funds which, for the first time, are made available to partially defray the state costs involved in administering the hospital construction program. The use of up to \$50,000 in federal construction funds to assist in defraying the cost of administering the hospital construction program is part of the recently enacted Hospital and Medical Facilities Amendments of 1964 (P.L. 88-443). The utilization of these available federal funds will result in an additional net savings of \$50,000 of General Fund moneys.

Item 302**Local Assistance****DEPARTMENT OF SOCIAL WELFARE**

ITEM 302 of the Budget Bill

Budget page 943

**FOR SUPPORT OF GENERAL ASSISTANCE
FROM THE GENERAL FUND**

Amount requested from the General Fund	\$209,627
County funds	160,739
Total	\$370,366
Estimated to be expended in 1964-65 fiscal year	298,875
Increase (23.9 percent)	\$71,491

TOTAL RECOMMENDED REDUCTION None**ANALYSIS AND RECOMMENDATIONS**

The program description of this item is included in the general discussion on the Department of Social Welfare.

This item provides grants to needy aged persons discharged from the MAA program for the period until they become eligible for old age security.

This item was amended into 1964 Budget Act and is proposed to be continued as a part of the 1965-66 budget at a total proposed cost of \$370,366. This is an increase of 23.9 percent above the estimated level of expenditure in the current fiscal year. Of the total, \$160,739 represents the cost to counties.

We recommend approval as budgeted.

**Department of Social Welfare
REHABILITATIVE SERVICES**

ITEM 303 of the Budget Bill

Budget page 944

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

Amount requested from General Fund	\$53,000
Federal funds	91,290
Total	\$144,290
Estimated to be expended in 1964-65 fiscal year	144,290
Increase	None

TOTAL RECOMMENDED REDUCTION None**PROGRAM PLANS AND BUDGET**

For the discussion of program plans and budget, reference may be made to the discussion in the summary of the Department of Social Welfare beginning on page 591.

REVIEW OF AGENCY ACCOMPLISHMENTS

For the discussion of review of agency accomplishments, reference may be made to the discussion in the summary of the Department of Social Welfare beginning on page 595.

Rehabilitative Services—Continued
ANALYSIS AND RECOMMENDATIONS

No increase in appropriations is requested for rehabilitative services in 1965-66.

We recommend approval as budgeted.

Department of Social Welfare
LOCAL ADMINISTRATION

ITEM 304 of the Budget Bill

Budget page 944

FOR SUPPORT OF LOCAL ADMINISTRATION
FROM THE GENERAL FUND

Amount requested from General Fund -----	\$1,418,971
Federal funds -----	67,249,275
County funds -----	46,480,700
Total -----	\$115,148,946
Estimated to be expended in 1964-65 fiscal year -----	99,372,585
Increase (15.9 percent) -----	\$15,776,361

Increase to improve level of service ----- \$26,995

TOTAL RECOMMENDED REDUCTION ----- \$1,068,827

Summary of Recommended Reductions

From amount requested to maintain existing level of service:

	Amount	Budget Page	Line
Special Projects			
Community services for older persons -----	\$107,048	949	12
Administration of public assistance and child welfare services -----	815,170	949	15
Day care projects -----	146,609	949	16

Special Projects

Community services for older persons (budget page 949, line 12) -----	\$175,000
Administration of public assistance and child welfare serv- ices (budget page 949, line 15) -----	2,716,091
Day care projects (budget page 949, line 16) -----	220,000

These expenditures are requested to support a number of special projects in the field of community services to older persons of a pilot or experimental nature in the fields of public assistance and child welfare services administration and day care.

We recommend reductions of \$107,048 in projects providing community services to older persons, \$815,170 in projects concerning the administration of public assistance and child welfare services, and \$146,609 in day-care projects for a total General Fund savings of \$541,779.

Apart from these projects which have been approved for continuation into the 1965-66 fiscal year, the department is unable to provide any specific information as to how many projects, in which areas, are proposed to be approved in 1965-66. Those projects currently approved which will continue into the budget year are estimated to amount to

Local Administration—Continued

approximately \$2,042,264, leaving a balance of approximately \$1,068,827 which is proposed solely on the premise that some proposals involving projects of an undetermined number, cost, character, or origin will be submitted for approval in the 1965-66 fiscal year, of which an unknown percentage will be approved.

The program of special projects in public assistance administration and community services for older persons originated in 1961-62, with child welfare services and day-care special projects commencing in 1962-63 and 1963-64 respectively. An estimated total amount of \$6,609,858 has been expended in support of these special projects since their respective dates of inception through the current fiscal year. As yet we have received no specific evidence which describes any measured effectiveness of or results which should have occurred from the expenditure of such a sum. If a continued expenditure at a level identical to that in 1964-65 is to be authorized in the next fiscal year, it should be done only on the basis of a demonstration of substantive improvements in the respective areas of application of these special projects.

In the absence of such information, we believe that only those projects currently approved for continuation into the next fiscal year should be supported in 1965-66.

**Department of Social Welfare
LICENSING AND ADOPTIONS**

ITEM 305 of the Budget Bill

Budget page 949

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

Amount requested from the General Fund	\$7,591,652
Federal Funds	1,019,125
Total	\$8,610,777
Estimated to be expended in 1964-65 fiscal year	7,052,204
Increase (22.1 percent)	\$1,558,573

TOTAL RECOMMENDED REDUCTION None

PROGRAM PLANS AND BUDGET

For the discussion of program plans and budget, reference may be made to the discussion in the summary of the Department of Social Welfare beginning on page 591.

REVIEW OF AGENCY ACCOMPLISHMENTS

For the discussion of the review of agency accomplishments, reference may be made to the discussion in the summary of the Department of Social Welfare beginning on page 595.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

Public Utilities Commission
GRADE CROSSING PROTECTION WORKS

ITEM 306 of the Budget Bill

Budget page 955

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

Amount requested -----	\$600,000
Estimated to be expended in 1964-65 fiscal year-----	225,573
 Increase (165.9 percent) -----	 \$374,427

TOTAL RECOMMENDED REDUCTION-----	None
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PROGRAM PLANS AND BUDGET

Railroad crossing protection is part of the safety program of the Public Utilities Commission in which the state matches funds of local agencies and railroads to cover project costs.

The Crossing Protection Fund started with Chapter 1739, Statutes of 1953, and the Grade Separation Fund with Chapter 2091, Statutes of 1957. Money for both funds is derived from the State Highway Fund. The grade separation activity depends on a continuing appropriation of \$5 million annually. Crossing protection works projects depend upon annual appropriations. The two programs are outlined below:

1. Grade crossing protection. The state, out of the annual appropriation, may pay up to one quarter of the cost of installing protective devices at railroad crossings. The local agency is expected to pay one quarter of the cost and the railroad one half. The fund is administered by the Public Utilities Commission.

The proposed appropriation for budget year 1963-64 together with actual expenditures during the past year and estimated expenditures for the current year are noted below.

Grade Crossing Protection Works		
<i>Actual</i>	<i>Estimated</i>	<i>Budget year</i>
<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>
\$307,404	\$225,573	\$600,000

We are informed that the substantial increase in the level of expenditure proposed for 1965-66 results from the fact that at the previous level the program was falling farther and farther behind in its need to meet problems at dangerous crossings. Grade crossing protection in the 43 counties of the state in which high speed railroad lines operate has become an urgent safety activity, according to commission data.

2. Grade Separation. The Public Utilities Commission prepares a priority list of crossings to which the \$5 million a year continuing appropriation can be applied. The fund may be used on a matching basis for projects on city streets and county roads which are not under the jurisdiction of the Division of Highways. Railroads meet from 10 to 15 percent of the cost of a project. The remainder is shared equally by the state and the local agency. The fund is administered by the State Highway Commission. Projects are selected in priority order to the extent that funds are available.

Grade Crossing Protection Works—Continued

REVIEW OF ACCOMPLISHMENTS

1. Grade Crossing Protection. The following tabulation indicates progress made under this part of the program:

<i>Fiscal year</i>	<i>No. of requests granted</i>	<i>Amount allocated</i>
1958-59 -----	89	\$192,546
1959-60 -----	84	273,444
1960-61 -----	91	208,957
1961-62 -----	85	210,663
1962-63 -----	72	231,084
1963-64 -----	138	353,408
Total -----	559	\$1,471,102

2. Grade separation projects. Performance under this part of the program is as follows:

<i>Calendar year</i>	<i>Projects on priority list</i>	<i>Amount allocated</i>
1958 -----	22	\$4,174,765
1959 -----	19	4,990,788
1960 -----	18	4,771,029
1961 -----	34	3,400,285
1962 -----	33	4,286,056
1963 -----	26	4,471,094
1964 -----	34	N.A.
Total projects listed -----	98	
Total completed -----	31	
Total allocation through 1963 -----		\$26,094,017

ANALYSIS AND RECOMMENDATION

We recommend approval of the proposed grade crossing works appropriation request as budgeted.

DEPARTMENT OF WATER RESOURCES

ITEM 307 of the Budget Bill

Budget page 957

FOR SUBVENTIONS FOR FLOOD CONTROL AND WATERSHED PROTECTION PROJECTS FROM THE GENERAL FUND

Amount requested -----	\$5,000,000
Appropriated for 1964-65 fiscal year -----	13,269,900
Decrease (165.4 percent) -----	\$8,269,900

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

The state has, since 1945, assumed the costs of lands, easements and relocation of utilities which federal law required 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 flood control projects, both major and minor, which will receive funds under this item and under large carryover amounts from prior year appropriations are shown on page 957 of the Governor's Budget.

Department of Water Resources—Continued

For the first time next year this item includes funds for watershed protection projects which have previously been in a separate item. 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. Projects being funded by this item are shown on page 958, beginning on line 7.

During the past few years the amount of appropriated and unexpended money for this program has been increasing 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. For the last two years the Governor's Budget has sought to reduce this excess appropriation by limiting the amount of the appropriation which could be expended during the budget year. The intent has been to bring the amount of funds appropriated each year and available for expenditure more closely in line with the actual dollar requirements and avoid overappropriation.

The Governor's Budget for next year takes another step forward and instead of appropriating large sums of money with an expenditure limitation placed on the amount which might be expended during the budget year, it is now proposed to appropriate only the expenditures which may be reasonably expected to be made plus a reasonable overage to cover any unforeseen changes in project expenditures. This approach will facilitate fiscal management by making a specific appropriation to cover only the expenditure requirements for the next year. The presently complex system of carrying over money from previous appropriations and reappropriations will be avoided.

Approval of the request is recommended.

Note: New funds are not required next year for the beach erosion control program. As a result there is no beach erosion appropriation in the budget bill.

RECLAMATION BOARD

ITEM 308 of the Budget Bill

Budget page 958

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

Amount requested	\$5,079,992
Appropriated for the 1964-65 fiscal year	7,990,406
Decrease (36.4 percent)	\$2,910,414

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS AND RECOMMENDATIONS

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. New projects funded by this item are Buchanan and Hidden Reservoir Flood Control

Item 309**Local Assistance****Reclamation Board—Continued**

Projects. The major project is the Sacramento River Bank Protection Project which is budgeted at \$2,671,361 next year. No additional funds are being requested for transfer to the Department of Water Resources for construction of the state's portion of the San Joaquin River Flood Control Project. The schedule of projects funded by this item can be found under Item 308 of the Budget Bill.

Under Item 259 for support of the Reclamation Board, will be found a discussion of important problems resulting from the award of \$6,300,000 in damages against the state for the 1955 floods along the Feather River.

Approval of Item 308 is recommended.

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

ITEM 309 of the Budget Bill

Budget page 962

**FOR LOANS TO LOCAL AGENCIES FOR SMALL CRAFT
HARBOR PLANS FROM THE SMALL CRAFT
HARBOR REVOLVING FUND**

Amount requested	\$100,000
Appropriated for the 1964-65 fiscal year	1,050,000
	\$950,000

Decrease (90.5 percent) \$950,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

The Division of Small Craft Harbors, under the policy direction of the Small Craft Harbors Commission, has the responsibility to develop boating facilities and 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 included in the budget as subventions plus one capital outlay item.

The 1963 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. Revenue to the Small Craft Harbors Revolving Fund will be further increased under legislation proposed by the administration to deposit in the fund all gasoline taxes on fuel used by small craft. This is presently estimated to increase the revenue to the fund by \$2 million annually but a final figure will be selected based on a study now underway.

The budget last year fully appropriated all funds then available from the small Craft Harbors Revolving Fund and the Small Craft Harbor Bond Fund. The small craft harbor construction loan program and the harbor of refuge construction loan program have not expended the funds provided in past years according to the budgeted schedule. For example, actual 1963-64 expenditures have amounted to only \$185,-

Division of Small Craft Harbors—Continued

500 out of \$3,530,500 available from prior year appropriations carried over and from appropriation made that year. Similarly, the current year now shows estimated expenditures of only \$2,925,000 from \$4,675,000 available and this estimated expenditure level may not be met.

Last year we commented that the schedule of expenditures for loans appeared to be committing the state to future expenditures beyond the ability of the funding now available or in prospect to finance. Since that time, the slippages in the loan program, the additional revenue proposed for the Small Craft Harbor Revolving Fund plus about \$1,100,000 to be received next year from fees for the three-year renewal of boat registrations, place the fund in an excellent condition.

Concurrent with the increase in revenue to the Small Craft Harbor Revolving Fund, the administration is proposing, as it did last year, that the funding of all launching facilities at State Water Project recreation areas should come from the Small Craft Harbor Revolving Fund. Budget Item No. 339 provides for the appropriation of \$506,420 from the fund for this purpose as follows: Folsom Lake, \$83,160; Oroville Reservoir, \$342,210; and San Luis Reservoir, \$81,050.

For next fiscal year the budget proposes additional funding for Dana Point at \$420,000, and new starts of \$465,000 at Blythe and \$397,000 at Petaluma. These three projects are funded from the Small Craft Harbor Bond Fund and require no appropriation item. Item 309 therefore contains only \$100,000 to be used for planning loans next year.

One planning loan for \$15,000 was made last year. As of January 1965 no loans have been made from the \$50,000 appropriated last year for loans. It therefore can be concluded that the planning loan program is moving very slowly and the prospect for using the full \$100,000 next year is remote. Since the loan program is difficult to forecast, is financed from a special fund, and the money is limited to expenditure for loans, the proposed overbudgeting will not create any serious problem but it should not continue as a routine practice.

General obligation bonds were issued under the Harbor Development Bond Law of 1958 in the amount of \$10 million for loans to cities, counties and districts for acquiring and constructing small craft harbors. It was contemplated that the bonds would be self-liquidating; however, loans from the General Fund to pay bond interest have been budgeted in the following amounts: 1963-64, \$63,723; 1964-65, \$46,504; and for 1965-66, \$26,727. Since the last two figures are estimates, it is possible that the deficits in payments of interest by borrowers will be larger.

The bond proceeds from the Small Craft Harbor Bond Fund are being used for purposes virtually indistinguishable from the activities now being financed from the Small Craft Harbor Revolving Fund. It therefore appears reasonable that the Small Craft Harbor Revolving Fund rather than the General Fund should provide the loans to pay interest on Small Craft Harbor Bonds. The General Fund would still have to remain the ultimate legal guarantor for the payment of prin-

Reclamation Board—Continued

cial and interest on the bonds, but the revolving fund could for all practical purposes assume the financial burden.

In addition it has been noted that the present small craft harbors program now requires three special funds. It should be possible within the restrictions of bond covenants and statutory or constitutional law to reduce this complex structure to the point that only the revolving fund would be utilized.

It is recommended that the Small Craft Harbor Revolving Fund rather than the General Fund provide loans to pay interest on small craft harbor bonds and that the Division of Small Craft Harbors attempt to simplify its special fund structure.

Approval of the item is recommended.

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

ITEM 310 of the Budget Bill

Budget page 962

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

Amount requested	\$247,000
Appropriated for the 1964-65 fiscal year	150,000
<hr/>	
Increase (64.7 percent)	\$97,000

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

This item provides for grants from the Small Craft Harbor 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.

Last year the Division of Small Craft Harbors estimated that the average cost of these launching grants would be \$50,000 and that approximately six of these facilities would be developed during the current year, although it did not know where these facilities might be constructed. As a practical matter the division was waiting for the publication of its comprehensive survey of the boating needs of California before it selected the sites. This analysis pointed out that the number and location for these launching facilities was not known at the time money was requested last year. A compromise was developed by the Legislature which reduced the number of facilities authorized to three and provided only \$150,000 instead of the \$300,000 requested.

The division has advised us that only one launching facility probably consisting of a four-lane launching ramp, parking for 200 to 300 automobiles and trailers and development of a sanitary facility, to be located at Huntington Lake in Fresno County and costing about

Division of Small Craft Harbors—Continued

\$60,000 to \$75,000 will be funded from the \$150,000 appropriated last year. The remainder of the appropriation will not be needed because the four other projects which may develop are all funded by Item 310 for expenditure next year. The four projects are Lake Wishon, \$31,000; Santa Clara County Marina, \$72,000; Shaver Lake, \$38,000; and South Lake Tahoe, \$106,000.

Approval of the request is recommended but it is also recommended that the Department of Finance impound any portion of the \$150,000 appropriated last year for the current year that is not needed for the Huntington Lake Project. This recommendation is made in this case and not for Item 309, because grant rather than loan money is involved here.

Department of Parks and Recreation
DIVISION OF SMALL CRAFT HARBORS

ITEM 311 of the Budget Bill

Budget page 965

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

Amount requested	\$30,000
Appropriated for the 1964-65 fiscal year	1,350,000
Decrease (97.7 percent)	\$1,320,000

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS AND RECOMMENDATIONS

This program is to implement Section 5823.5 of the Public Resources Code. By this section the Division of Small Craft Harbors is authorized to conduct or contract for planning, construction or improvement of any portion of coastal small craft harbors which normally are nonrevenue 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.

No new projects or additional expenditures for this program are included in the budget for next year. The only item is \$30,000 to repay an advance from the emergency fund to the Ventura Port District to replace riprap damaged by the tidal wave last year and thereby prevent permanent damage to the harbor. Although no additional funds are proposed for expenditure next year, allocations in the amount of \$1,250,000 are being made for three projects as follows: Santa Barbara, \$500,000; Monterey, \$500,000; and Bodega Bay, \$250,000. These allocations are not included in the budget as appropriations, but merely represent earmarking of funds for future appropriation for the benefit of certain projects.

Approval of the item is recommended.

**Department of Conservation
DIVISION OF SOIL CONSERVATION**

ITEM 312 of the Budget Bill

Budget page 968

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

Amount requested	\$103,160
Estimated to be expended in 1964-65 fiscal year	138,000
Decrease (33.7 percent)	<u>\$34,840</u>

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

The Public Resources Code gives the Soil Conservation Commission broad latitude in granting state funds for soil conservation projects which the commission considers necessary for the welfare of the people of the state. Commission policy is to encourage grants for projects that will advance the conservation, use, and management of soil and water resources on crop, forest, range and watershed lands.

In recent years the budget has carried a flat amount of \$100,000 for grants under this program. This procedure gave the commission latitude in allocating funds to different projects. Last year, the Legislature augmented the amount appropriated for grants by \$38,000, to take care of a backlog of requests for grants from different Soil Conservation districts. During the current year the Department of Finance has limited expenditures to budgeted projects. When some districts withdrew their requests for grants or otherwise did not carry through with their applications, about \$38,000 of the \$138,000 appropriated for the current year was not needed.

For 1965-66, the budget requests financing for 16 projects totaling \$103,160 as set out in detail on pages 968 and 969 of the Governor's Budget. Of the amount budgeted, almost half is for the final phase of projects that have been budgeted over a period of years. This will free moneys for new projects in the next fiscal year.

We recommend approval.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 313 of the Budget Bill

Budget page 972

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

Amount requested	\$5,691,235
Estimated to be expended in 1964-65 fiscal year	5,465,280
Increase (4.1 percent)	<u>\$225,955</u>

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATION

Under provisions of the Government Code the state pays a share of the salary of each superior court judge in the state. The number of such

Superior Court Judges

Item 313

Salaries of Superior Court Judges—Continued

judges presently authorized by law is 353. The amount of the state's share for each judgeship is determined by the following formula:

<i>Population of County</i>	<i>State Share</i>	<i>County Share</i>	<i>Total Salary</i>
Over 250,000 -----	\$15,500	\$9,500	\$25,000
40,000 to 250,000 -----	17,500	7,500	25,000
40,000 or less -----	19,500	5,500	25,000

Six judges have been authorized by the Legislature over the 347 which were in existence during 1963-64. Chapter 144 Statutes of 1964, First Extraordinary Session, raised the salaries of all superior court judges to \$25,000 a year.

Emergency fund money in the sum of \$89,299 was allocated to the current budget to cover salaries of the new judges. Salary increases amounted to \$1,272,081.

Payments to be made during the budget year are scheduled at \$5,691,235. This is \$225,955 or 4.1 percent more than the estimated expenditure for the current year.

We recommend approval of the item as budgeted.

Judges' Retirement Fund

This item presents a problem that should be brought to the attention of the Legislature. Page 973 of the budget document shows an expenditure from the General Fund of \$1,182,560 for contributions to the Judges' Retirement Fund. No appropriation in the Budget Act is necessary since Section 75101 of the Government Code provides for a continuing appropriation from the General Fund of an amount equal to 8 percent of the salary for each of the established judgeships of the superior and municipal courts. An amount for the justices of the supreme and appellate courts is also appropriated to the Judges' Fund.

The judges also contribute 8 percent of their salary into the fund. In 1964 both the state's and the judges' contributions were increased from 4 percent to the current 8 percent.

The following table shows the fund condition of the Judges' Retirement Fund:

	<i>Actual 1963-64</i>	<i>Estimated 1964-65</i>	<i>Estimated 1965-66</i>
Accumulated resources, July 1 -----	\$1,651,731	\$1,033,204	\$747,799
Receipts:			
Contributions from members -----	598,228	1,188,000	1,295,000
Contributions from state -----	510,260	1,166,695	1,273,360
Interest -----	40,649	28,000	20,000
Total Receipts -----	\$1,149,137	\$2,382,695	\$2,588,360
Total Resources -----	\$2,800,868	\$3,415,899	\$3,336,159
Less Disbursements:			
Retirement allowance and death benefits ---	1,762,475	2,663,100	2,947,600
Refund of contributions -----	5,189	5,000	5,000
Total Disbursements -----	\$1,767,664	\$2,668,100	\$2,952,600
Accumulated Resources, June 30 -----	\$1,033,204	\$747,799	\$383,559

Salaries of Superior Court Judges—Continued

As can be seen by the above table for 1965-66 the total disbursement will exceed total receipts by \$364,240. Even with the contributions doubling in 1964 the accumulated resources estimated as of June 30, 1966, will be at a dangerously low point.

We recommend that action be taken during the 1965 General Session of the Legislature to improve the fund condition by further increasing the judges' and the state's contribution to at least the point where receipts are equal to disbursements.

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

ITEM 314 of the Budget Bill

Budget page 973

**FOR SUPPORT OF COUNTY VETERANS SERVICE OFFICERS
FROM THE VETERANS' FARM AND HOME BUILDING
FUND OF 1943**

Amount requested	\$500,000
Estimated to be expended in 1964-65 fiscal year (from the General Fund)	500,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The 1945 Legislature enacted Chapter 1493 to establish a state policy for contributions to the support of the County Veterans Service Officers. The County Veterans Service Office serves as the initial contact for a veteran seeking a claim or right due him as a result of California or United States law and is active in securing the transfer of any eligible veteran to a Veterans Administration hospital from the county hospital that initially admitted him. The \$500,000 state contribution represents only a part of the support cost. As a percentage of the full cost experienced, this contribution has decreased from 39 percent in 1961-62, to 35 percent in 1962-63, and 33 percent in 1963-64.

REVIEW OF AGENCY ACCOMPLISHMENTS

The Department of Veterans Affairs' report to the California Veterans Board, October 16, 1964, contained the following summary of County Service Officer activity:

	1961-62	1962-63	1963-64
Number of claims established	18,581	21,722	26,433
Number of Veterans Administration hospitalizations	5,793	6,242	7,273
Total	24,374	27,964	33,706

The increase in activity from 1961-62 to 1962-63 and from 1962-63 to 1963-64 is 15 percent and 17 percent respectively. The total cost of the program including the county contribution increased 12 and 7 percent respectively for those time intervals.

ANALYSIS AND RECOMMENDATIONS

The budget proposes the Veterans' Farm and Home Building Fund of 1943 as a source of funds for this program, thus relieving the Gen-

County Veterans Service Officers—Continued

eral Fund. We recommend adoption of this change. We would like to emphasize, however, some factors we consider pertinent to the use of the Veterans' Farm and Home Building Fund of 1943 for this purpose.

1. Only the surplus in the fund can be used.

2. Part of the surplus should not be used because the department has contracted some loans that extend beyond the life of the general obligation bonds. These extended loans are issued to reduce payments for the low income veteran, and there is some interest in expanding this program.

3. Chapter 66, First Extraordinary Session of 1964, provided that up to \$5,000,000 per year from the surplus of the Veterans' Farm and Home Building Fund of 1943 could be used to refinance existing loans subject to certain provisions.

4. The surplus in the fund serves as a protection to the General Fund. The general obligation nature of the bonds used to finance the farm and home loan program requires that the General Fund make good in the event of default. This guarantee made possible the favorable terms of the farm and home loan program and thus justifies use of the surplus for any General Fund purpose chosen by the Legislature, but more particularly one which benefits veterans.

We recommend approval of the \$500,000 from the Veterans' Farm and Home Building Program as budgeted.

POLICY OPTION

The total support for the program could be deleted on the basis that there is nothing inherent in the nature of the service that requires state-wide action since the state and federal governments provide the grants. Financially, local areas are principal beneficiaries. The 1959 budget proposed deletion, the Legislature restored \$500,000, and the Governor vetoed \$150,000 for a \$350,000 appropriation that year.

It is impossible to determine what the monetary effect of such action would be. If the counties increased their support to fill the void left by the state, then the full \$500,000 reduction would represent a state saving. If the state reduction resulted in some counties curtailing the program, and if curtailment in turn resulted in eligible veterans or dependents not realizing their federal benefits, but relying more on state benefits, then there could be costs or losses to the state that would offset part or perhaps even all of the \$500,000 saved by the reduction.

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

ITEM 315 of the Budget Bill

Budget page 974

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

Amount requested	\$54,000
Estimated to be expended in 1964-65 fiscal year	52,000
Increase (3.9 percent)	\$2,000
TOTAL RECOMMENDED REDUCTION	None

**Workmen's Compensation for Disaster Service Workers—Continued
PROGRAM PLANS AND BUDGET**

The state's disaster preparedness effort relies almost exclusively on volunteer help which ordinarily receives no compensation either from the state or from local jurisdictions. Training, practice and exercise sessions carried on in the course of the year often involve a degree of physical hazard which results, from time to time, in injuries to some of the volunteers. As a matter of equity, and in order to induce volunteers to offer their services which are essential to the program, the Legislature has provided workmen's compensation for such people. This is covered by Chapter 10 of Division 4 of the Labor Code. It is estimated that there are about 25,000 to 40,000 volunteers in the program at all governmental and private levels in California.

The cost of the compensation coverage is based on calculations made by the staff of the Workmen's Compensation Fund and involves estimates of actual claims in existence and expected to continue, plus estimates of new claims that can be anticipated to arise in the course of the year. The cost estimate so arrived at is \$54,000.

REVIEW OF ACCOMPLISHMENTS

The Legislature provided \$50,000 for this purpose in the 1963 Budget Act which was almost fully expended during the 1963-64 fiscal year, there being an unexpended balance of \$508 which reverted to the General Fund. In the current fiscal year the Legislature also appropriated \$50,000, but it is now estimated that \$2,000 more will need to be allocated from the Emergency Fund because the current anticipation is a total expenditure of \$52,000.

ANALYSIS AND RECOMMENDATIONS

In view of the record of financial experience stated above, we believe that an increase to \$54,000 is reasonable. *We recommend approval.*

**Department of Justice
ASSISTANCE TO CITIES AND COUNTIES FOR PEACE OFFICERS'
STANDARDS AND TRAINING**

ITEM 316 of the Budget Bill

Budget page 974

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

Amount requested	\$792,350
Estimated to be expended in 1964-65 fiscal year	734,650
Increase (7.9 percent)	\$57,700

TOTAL RECOMMENDED REDUCTION None

PROGRAM PLANS AND BUDGET

This local assistance item in 1965-66 will continue to provide assistance in promoting peace officers' standards and training. Total resources for 1965-66 are estimated at \$1,396,291. From this, there will be estimated disbursements of \$78,042 to support the Commission on

**Assistance to Cities and Counties for Peace Officers' Standards
and Training—Continued**

Peace Officers' Standards and Training and apportionments of \$792,350 to the cities and counties. This will leave a surplus of \$525,899 available for appropriation.

REVIEW OF AGENCY ACCOMPLISHMENTS

During 1963-64, this fund provided for the operations of the commission at a cost of \$68,412. The fund also provided funds totaling \$483,856 to the cities and counties for peace officers' training.

ANALYSIS AND RECOMMENDATIONS

The amount requested for 1965-66 is to provide for local assistance for peace officers' training. The appropriation is from the Peace Officers' Training Fund. This fund is accumulated from assessments of \$2 for each \$20 fine or fraction thereof. The funds are used to provide up to 50 percent of salaries of peace officers during training. The officers and training programs must meet minimum standards prescribed by the Commission on Peace Officers' Standards and Training.

The following table presents the actual and anticipated condition of the Peace Officers' Training Fund for 1963-64 through 1965-66.

<i>Fiscal</i>	Fund Condition		
	<i>Fiscal year 1963-64</i>	<i>Fiscal year 1964-65</i>	<i>Fiscal year 1965-66</i>
Accumulated surplus July 1-----	\$385,164	\$469,990	\$496,291
Prior year adjustments-----	376	-0-	-0-
Accumulated surplus, adjusted-----	\$385,540	\$469,990	\$496,291
Miscellaneous revenues from local agencies--	636,718	840,000	900,000
Total resources-----	\$1,022,258	\$1,309,990	\$1,396,291
Less expenditures:			
Commission on peace officers' standards and training-----	68,412	79,049	78,042
Apportionment to cities and counties *-----	483,856	734,650	792,350
Total expenditures-----	\$552,268	\$813,699	\$870,392
Accumulated surplus, June 30-----	\$469,990	\$496,291	\$525,899

* Subject to determination by the Commission on Peace Officers' Standards and Training.

It is to be noted in the above table that the accumulated surplus is carried forward and is available for appropriation in the subsequent year. It is also noted that the anticipated revenues are slightly in excess of proposed expenditures which results in an augmentation of the surplus available for appropriation.