

Aid to Areas of Poverty and Racial Tension—Continued

of recommendations contained in the McCone Commission Report on civil disturbance in Los Angeles.

The budget proposes the following funds:

General Fund	\$20,818,300
Department of Employment Contingent Fund	1,900,000
Federal funds	19,377,000
Total	\$41,595,300

The budget states that "these special programs are designed to cope with the problems of law enforcement, employment, training and re-training, education, health and welfare and rehabilitation in these areas."

As of the preparation of this analysis, the Governor's office and the Department of Finance have not presented to us the programs to which reference is made in the budget document.

We can make no recommendation at this time since we have been presented no program to analyze.

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

ITEM 325 of the Budget Bill

Budget page 1054

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

Amount requested	\$171,600
Estimated to be expended in 1965-66 fiscal year	171,556
Increase (0.0 percent)	\$44

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATION

This item appropriates funds under the authority of Section 635 of the Agricultural Code, which authorizes the Director of Agriculture to enter into cooperative agreements with any county for the purpose of increasing the salary of the county agricultural commissioner in recognition of enforcement of the provisions of the Agricultural Code at the county level. The state's contribution is limited to two-thirds of each salary or \$3,300, whichever is less. Fifty-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.

LOCAL ASSISTANCE**Department of Agriculture****ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT**

ITEM 326 of the Budget Bill

Budget page 1054

**FOR ASSISTANCE TO CITIES AND COUNTIES FOR LAND
UNDER CONTRACT FROM THE GENERAL FUND**

Amount requested	\$125,000
Estimated to be expended in 1965-66 fiscal year	None
Increase	\$125,000

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATION

Chapter 1443, Statutes of 1965, provides that owners of prime agricultural lands and other lands compatible with agricultural uses may enter into 10-year contracts with cities and counties for the establishment of agricultural preserves to restrict the use of such lands for agricultural purposes. The statute requires the state to pay \$1 per acre per year to cities or counties having land under contract. The \$125,000 requested under this item represents the estimated state payments to counties and cities on July 1, 1966, for lands under contract on that date.

Approval is recommended.

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

ITEM 327 of the Budget Bill

Budget page 1055

**FOR SUPPORT OF ASSISTANCE TO COUNTIES FOR CON-
STRUCTION OF JUVENILE HOMES AND CAMPS
FROM THE GENERAL FUND**

Amount requested	\$685,800
Estimated to be expended in 1965-66 fiscal year	465,400
Increase (47.4 percent)	\$220,400

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This appropriation provides for the state's share of construction costs of new juvenile home and camp facilities. The state reimburses the counties for 50 percent of construction and initial equipment costs not to exceed \$3,000 per bed. These costs generally exceed \$6,000 per bed and thus the maximum per bed subsidy of \$3,000 is claimed.

The agency makes its budget requests on the basis of information received from the counties as to their planned construction. The building plans must be reviewed and approved by the Youth Authority to determine if minimum standards established by the department have been met.

The appropriation by statute may be expended over a two-year period. The total amount requested is made up of \$180,000 in previously approved projects and \$595,000 for new projects. The new projects

Assistance to Counties for Construction of Juvenile Homes and Camps—Continued

to be approved by the Legislature include six camp and home projects. The six projects as listed below will actually call for a state expenditure of \$775,000 but \$90,000 is restricted for expenditure in the second year of this two-year appropriation.

<i>County</i>	New Camps and Homes	<i>New construction capacity</i>
Contra Costa	-----	60-boy camp
Contra Costa	-----	4 homes with 6 boys each
Los Angeles	-----	100-boy camp
Sacramento	-----	32-girl home
San Diego	-----	50-boy camp
Ventura	-----	33-girl home

We recommend approval of this item as budgeted.

Department of the Youth Authority

**ASSISTANCE TO COUNTIES FOR MAINTENANCE OF JUVENILE HOMES AND CAMPS
ITEM 328 of the Budget Bill**

Budget page 1056

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

Amount requested	-----	\$3,516,396
Estimated to be expended in 1965-66 fiscal year	-----	3,286,000

Increase (6.5 percent)	-----	\$230,396
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TOTAL RECOMMENDED REDUCTION	-----	\$359,256
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ANALYSIS AND RECOMMENDATIONS

This budget item provides for the state subsidy to the counties for the cost of operation of juvenile homes and camps. The subsidy is based on the state contributing one-half of such cost not to exceed \$95 per ward per month. An average daily population of 3,192 wards are expected in such facilities in 1966-67.

In reviewing this budget item, we ascertained funds totaling \$334,956 were included in the budget for new programs where there is a question as to whether they are legally authorized or at least whether it was the intent of the Legislature to subsidize such programs. The programs concerned are day care and treatment center programs that do not fit the traditional juvenile camp or home program for which this subsidy was established. These particular programs as listed should be specifically reviewed by the Legislature to determine whether it is legislative policy to include such programs in the camp and juvenile home subsidy if such is legally permissible.

<i>Program</i>	<i>Amount</i>
Contra Costa County	
Girls Day Treatment Center (guide)	\$10,260
Girls Treatment Center Juvenile Hall	17,100
Boys Transitional Guidance Center	17,100
Boys Day Treatment, Western Area	11,400
Girls Day Treatment Center	7,980

Item 329

Local Assistance

Assistance to Counties for Maintenance of Juvenile Homes and Camps—Continued

<i>Program</i>	<i>Amount</i>
Fresno County	
Youth Center	62,700
Los Angeles County	
Residential Family Treatment Program	45,600
Day Care Program	78,816
Marin County	
County Family Rehabilitation Center	34,200
San Bernardino County	
Boys Treatment Unit	22,800
San Mateo County	
Girls Day Care Home	27,000
Total	\$334,956

We are therefore recommending the reduction of the amount requested for this item by \$334,956 for 1966-67.

The agency also inadvertently included one program for \$24,300, which did not meet the criteria of the program. An additional \$7,200 was also included in the reestimated 1965-66 budget for this program.

The 1966-67 Governor's Budget also reflects \$129,888 has been inserted in the reestimated expenditures for 1965-66 for these same programs. Any deletion in the budget year request could also result in some adjustments in the current year.

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

ITEM 329 of the Budget Bill

Budget page 1056

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

Amount requested	\$45,500
Estimated to be expended in 1965-66 fiscal year	44,555
Increase (2.1 percent)	\$945

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This appropriation provides for a cooperative program between the state and the City of San Diego to control the crossing of unescorted juveniles into Mexico at Tijuana. The program is authorized under Section 1760(d) of the Welfare and Institutions Code to reduce juvenile delinquency. The state and city each contribute one-half the net operating costs after deducting from the total cost a percentage factor determined by the relation of unescorted San Diego juveniles to total unescorted juveniles stopped at the border.

We recommend approval of the item as budgeted.

Department of the Youth Authority

ASSISTANCE TO COUNTY DELINQUENCY PREVENTION COMMISSIONS

ITEM 330 of the Budget Bill

Budget page 1057

FOR SUPPORT OF ASSISTANCE TO COUNTY DELINQUENCY
PREVENTION COMMISSIONS FROM THE GENERAL FUND

Amount requested	\$350,000
Estimated to be expended in 1965-66 fiscal year	None

TOTAL RECOMMENDED REDUCTION	\$300,000
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ANALYSIS AND RECOMMENDATIONS

The Legislature at its 1965 session passed enabling legislation containing two provisions relating to this budget item. The legislation authorized the payment of up to \$1,000 to each county to aid in meeting the expenses of delinquency prevention commissions. The Legislature also authorized the subsidizing of delinquency prevention programs on a matching fund basis. The prevention programs could be operated by public or private agencies but funds would be allocated through the local delinquency prevention commission.

To qualify for the subsidy, the proposed program must meet minimum standards established by the Youth Authority and the program must be approved by the statewide Delinquency Prevention Commission. The tentative minimum standards proposed by the Youth Authority are very broad and general in nature. They are not restrictive on the type of program which can be initiated.

The enabling legislation originally carried a \$3,000,000 appropriation which was first reduced to \$350,000 and then eliminated entirely before final passage. The agency is now requesting \$350,000.

The \$350,000 expenditure for 1966-67 as proposed by the agency would provide \$50,000 for operating expenses of county delinquency prevention commissions. This would provide for 50 such county agencies in 1966-67. The agency's justification indicated that this represented the best estimate of needs. Whether there will be 50 such commissions established in the budget year is problematical. *We recommend approval of this portion of the total request as expenditures are limited to the number of commissions that are established in the first year.*

The second portion of the request is to provide \$300,000 in matching funds to finance delinquency prevention programs. Such programs have not as yet been developed and presented to the Legislature for review as a part of the budgetary process. The agency is requesting the matching funds for programs which may later be developed. Approval of this portion of the request in the manner proposed would preclude legislative review of such programs prior to implementation. Many programs could be initiated with the \$300,000 appropriation with a minor first year expenditure which could require substantial augmentation in subsequent years.

We believe the agency should follow the usual budgetary procedure of submitting the proposed programs and costs which meet with its approval to the Legislature for approval. By following this proce-

Assistance to County Delinquency Prevention Commission—Continued

dure, the Legislature would then be able to review and approve each program prior to committing the state to expenditures beyond what might have been originally contemplated. The Legislature would also retain control over the programs it deems worthy of subvention.

We therefore recommend the deletion of \$300,000 for program implementation.

Subventions for Education

THE EDUCATIONALLY HANDICAPPED PROGRAM

ITEM 331 of the Budget Bill

Budget page 1061

FOR SUPPORT OF THE EDUCATIONALLY HANDICAPPED PROGRAM FROM THE GENERAL FUND

Amount requested	\$8,000,000
Estimated to be expended in 1965-66 fiscal year	2,621,919
Increase (205 percent)	\$5,378,081

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The state-supported special education program for educationally handicapped pupils, authorized by Chapter 2165, Statutes of 1963, provides excess cost reimbursements for school districts and county superintendents of schools operating approved programs. Excess cost reimbursements are provided for three types of instruction: special day classes; learning disability groups; and home and hospital instruction. Chapter 1441, Statutes of 1965, increased maximum reimbursements from \$565 per pupil to \$910 per pupil enrolled in the program.

ANALYSIS AND RECOMMENDATIONS

An amount of \$8 million in General Fund support is proposed for the program in 1966-67; this represents an increase of \$5,378,081 over the present year. It is estimated that approximately 20,000 pupils will be enrolled in the program in 1966-67. *The amount budgeted appears to accurately reflect costs as increased by the 1965 legislation and enrollment growth and therefore we recommend approval.*

Subventions for Education

SPECIAL ELEMENTARY SCHOOL READING PROGRAM

ITEM 332 of the Budget Bill

Budget page 1061

FOR SUPPORT OF SPECIAL ELEMENTARY SCHOOL READING PROGRAM FROM THE GENERAL FUND

Amount requested	\$8,909,000
Estimated to be expended in 1965-66 fiscal year	None
Increase	\$8,909,000

TOTAL RECOMMENDED REDUCTION..... None

Special Elementary School Reading Program—Continued
GENERAL PROGRAM STATEMENT

The Miller-Unruh Basic Reading Act of 1965 (Chapter 1233, Statutes of 1965) authorizes special reading programs commencing in 1966-67 for elementary pupils in grades 1, 2 and 3 who have reading handicaps. The bill authorizes state support for school districts which employ specialist teachers in reading. General Fund support will be allocated to school districts on an equalization aid formula for the cost of the salaries of the specialist teachers. State support for individual districts is dependent upon the number of specialist teachers employed, which is based on the number of children having reading handicaps. The law also provides state support for scholarship grants for teachers of reading and salary allotments for professional school librarians.

ANALYSIS AND RECOMMENDATIONS

In 1965-66 an amount of \$85,000 was appropriated to the Department of Education for the initial administrative expenses for the program, primarily for the purchase of reading achievement tests for elementary pupils. An amount of \$8,909,000 is proposed for the first year operational expenditures for the special reading program in 1966-67.

We recommend approval of this item as budgeted.

**Subventions for Education
 EDUCATIONAL TELEVISION**

ITEM 333 of the Budget Bill

Budget page 1061

**FOR SUPPORT OF EDUCATIONAL TELEVISION
 FROM THE GENERAL FUND**

Amount requested	\$700,000
Estimated to be expended in 1965-66 fiscal year	500,000
Increase (40 percent)	\$200,000

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

In 1965 the Legislature enacted SB 635 (Chapter 1236, Statutes of 1965) which expanded the pilot program in educational television to all counties and school districts in the state. In addition the bill increased the level of state support for the program from \$0.25 per pupil instructed by educational television to \$0.50 per pupil. The bill appropriated an amount of \$800,000 for reimbursements to school districts operating approved programs in 1965-66.

ANALYSIS AND RECOMMENDATIONS

An amount of \$700,000 is requested for this program in the budget year; this represents an increase of \$200,000 over the amount estimated to be expended during 1965-66. The proposed \$700,000 expenditure for 1966-67 coupled with an unexpended balance of \$300,000 for the current year will provide a \$1 million program in 1966-67 which would finance the cost of educational television for two million pupils.

We recommend approval of this item as budgeted.

**Subventions for Education
COMPENSATORY EDUCATION**

ITEM 334 of the Budget Bill

Budget page 1063

**FOR SUPPORT OF COMPENSATORY EDUCATION
FROM THE GENERAL FUND**

Amount requested	\$953,893
Estimated to be expended in 1965-66 fiscal year	966,714
Decrease (1.3 percent)	\$12,821

TOTAL RECOMMENDED REDUCTION, SUBJECT TO LEGISLATIVE REVIEW	\$953,893
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Summary of Recommended Reductions

*Budget
Page Line*

Withhold approval of General Fund support for Compensatory Education pursuant to Chapter 1163, 1965 Statutes	1063 52
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GENERAL PROGRAM STATEMENT

Subventions for Compensatory Education, a new item included in the 1966 budget, is composed of two parts: federal funds for grants to school districts for special programs for educationally disadvantaged pupils authorized under the provisions of Title I of the 1965 Elementary and Secondary Education Act, and General Fund support for Chapter 1163, Statutes of 1965 (the McAteer Act). Under the federal allocation procedure the Department of Education is responsible for calculating school district entitlements for compensatory education programs. Such entitlements are based on the number of pupils from low income families who reside in the school district and attend public and private schools. After notification of their individual entitlements school districts submit project applications to the Office of Compensatory Education which are subsequently recommended for approval or disapproval to the State Board of Education. Final approval of local projects rests with the U.S. Office of Education. The second component of this subvention item, General Fund appropriation for the McAteer Act, would be appropriated to the State Board of Education for intensive compensatory education projects, for research projects not covered by the federal program, and for improving the training of teachers of educationally disadvantaged youngsters.

ANALYSIS AND RECOMMENDATIONS

In 1966-67 federal fund support for compensatory education is authorized \$78,853,865, a decrease of \$68,231 below the authorization for the current year. It is noted that Congress has not yet appropriated funds for the program for the budget year. General Fund support for special projects to be approved by the State Board of Education is proposed in Item No. 334 at \$953,893, a decrease of \$12,821 below the present level. An amount of \$1,000,000 was actually appropriated for the purposes of the McAteer Act in 1965-66 and a similar amount is proposed in 1966-67. The difference between this \$1,000,000 and the subvention amount contained in the budget (\$953,893) represents administrative expenses for the Department of Education and is reflected in Budget Item No. 95 (\$46,107) Office of Compensatory Education.

Compensatory Education—Continued

Thus the level of General Fund support for the McAteer Act is proposed at the same level as for the current fiscal year.

While we believe that additional General Fund support for the purpose of improving the training of teachers of educationally handicapped pupils represents a justifiable expenditure of state money we question some of the other purposes for which this money may be expended such as intensive education programs and other unspecified research projects. It is noted that there are several federal funding sources which could be used for these purposes such as Titles I, IV and V of the Elementary and Secondary Education Act of 1965 in the amount of nearly \$90 million for 1965-66 plus additional funds from the Economic Opportunity Act of 1964. We believe that the proposed expenditure for the McAteer Act could be most advantageously used for teacher training and perhaps for pre-school demonstration schools in disadvantaged areas. The State Board of Education has not yet considered a comprehensive proposal for the expenditure of McAteer Act appropriation for 1965-66 or for 1966-67; thus it is difficult to estimate the amount of money which will be spent for the aforementioned purposes.

Because of our reservations concerning the purposes for which the \$1,000,000 appropriation for the McAteer Act may be expended we recommend disapproval of the request for \$953,893 pending full legislative review of this issue at this session.

**Subvention for Education
CHILDREN'S CENTERS**

ITEM 335 of the Budget Bill

Budget page 1064

**FOR SUPPORT OF CHILDREN'S CENTERS
FROM THE GENERAL FUND**

Amount requested	\$7,759,948
Estimated to be expended in 1965-66 fiscal year	7,318,895

Increase (6 percent)	\$441,053
TOTAL RECOMMENDED REDUCTION	\$50,760

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
1. Reduce General Fund support for enrollment increase	\$50,760	1064	41	
2. Transfer to Department of Social Welfare for new item—				
Contractual Services—Department of Education	16,921 ¹	1064	41	

¹ Transfer to Department of Social Welfare.

GENERAL PROGRAM STATEMENT

California's children's centers, formally the Child Care Center Program, provide supervised care for children of low income parents, children of defense workers and for children of parents of more substantial income who are required to pay for the full cost of the program. In 1965 the statutory authorization for the program was amended according to Chapter 1717, Statutes of 1965 to add an instructional component to the program to permit preschool instruction for children enrolled in the centers from economically disadvantaged backgrounds.

Children's Centers—Continued

In addition Chapter 1248, Statutes of 1965, authorized the Department of Education and the Department of Social Welfare to formulate a contractual agreement to provide preschool services for children of families receiving public assistance. The cost of this component of the program will be financed by a combination of welfare and General Fund money on a 75/25 sharing basis.

Under the provisions of the amended program, parents of substantial income will pay for the full cost of the preschool services offered by the centers, parents of more modest income will pay an hourly fee for use of the facilities which will vary according to their income level, and parents receiving public assistance will have the full cost of the program paid for by the state and federal funding arrangement previously mentioned.

Under the Children's Center Program supervised by the Department of Education local school districts are not required to participate financially in the program although they are required to provide a facility. General fund support for the child care services offered by the Children's Center Program approximates two-thirds of the total hourly cost and equals \$0.28 per attendance hour, and parental support is set at \$0.14 per hour.

ANALYSIS AND RECOMMENDATIONS

An amount of \$7,759,948 is requested in 1966-67 for the operation of the children's centers and the development centers for handicapped minors in 1966-67; this represents a \$441,053 increase over the current expenditure level. The Superintendent of Public Instruction is authorized, in years in which deficits occur in the amount available for apportionment, to request the amount of the deficit in the next fiscal year. In previous years these deficits have occurred because of the department's difficulty in estimating total enrollment hours. As no deficits occurred in the program during the current year a deficit appropriation is not requested.

1. Regular Centers. An amount of \$7,233,448 is requested for the operation of the regular Children's Center Program in 1966-67; this reflects an increase of 4.9 percent or \$338,435 over current expenditures. In 1966-67 it is estimated that approximately 15,000 children will participate in the regular Children's Center Program offered by 245 centers. During 1965-66 the department reports that 10 additional centers were established in the following areas in cooperation with the Department of Social Welfare.

- | | |
|-------------------------------------|---------------------------------------|
| 1. Pittsburg Unified | 6. Los Angeles City (Normont Terrace) |
| 2. Ravenswood Elementary | 7. Sanger Unified |
| 3. Sutter County Schools—
Office | 8. Tracy Elementary |
| 4. Whisman Elementary | 9. Butte County (seasonal) |
| 5. North Monterey Union | 10. Sacramento City |

During the current year the department surveyed an 80 percent sample of one- and two-parent families enrolling children in children's

Children's Centers—Continued

centers to determine the family income levels of children participating in the program. The survey is summarized in the following table:

<i>Monthly family income</i>	<i>Number of families</i>	<i>Percent</i>
Under \$200 -----	679	8.7
201-330 -----	2,770	35.3
331-400 -----	2,023	26.0
401-500 -----	1,452	18.0
501-600 -----	465	6.0
Over 600 -----	464	6.0
Total -----	7,853	100.0

The figures illustrate that most of the one- and two-parent families earn more than \$2,600 per year, which is the cutoff point established by Social Welfare governing the state and federal financing of preschool services for parents who receive public assistance. We estimate that 1,000 to 1,500 children presently enrolled in children's centers would qualify for free preschool services under the provisions of Chapter 1248, 1965 Statutes.

In the 1965 Session of the Legislature the finance committees of both houses directed the Department of Finance, on our recommendation, to transfer an amount of \$90,000 from the child care budget to the Department of Social Welfare for the purpose of financing part of the projected child care enrollment increase with federal funds on a ratio of 25 percent state money to 75 percent federal money. Due to a delay in the initiation of the new preschool program, this money was not expended during the current year. However, this amount of \$90,000 is available for financing preschool programs in 1966-67 on the 25/75 state and federal matching purpose along with \$2 million that was appropriated by Chapter 1248, Statutes of 1965.

We are again recommending that a portion of the proposed increase in General Fund support for the Children's Center Program in 1966-67 be transferred to the Department of Social Welfare for matching purposes to maximize the utilization of available federal funds.

We recommend that a sum of \$50,760 be deleted for increased state support for anticipated enrollment increase in the Children's Center Program. We also recommend that an amount of \$16,921 be transferred from this item to a special item under the Department of Social Welfare for "contractual services—Department of Education" for the purpose of financing the portion of the enrollment increase in the Children's Center Program related to children of families on public assistance with 25/75 state and federal matching funds. By transferring \$16,921 to the Department of Social Welfare where federal participation is possible, an increased level of service will be possible at a saving of \$50,760.

2. Development Center for Handicapped Minors. SB 499, Chapter 1335, Statutes of 1965, made the Pilot Center Program for Mentally Retarded and Physically Handicapped Minors a permanent program and authorized the establishment of four additional centers in addition to the four existing centers. The law also raised state support per

Children's Centers—Continued

attendance hour from \$0.56 per hour to a maximum of \$0.83 per hour and raised transportation allowances. During 1965-66 four new centers were established in San Francisco, San Diego, Whittier and Los Angeles City. It is estimated that over 300 children will participate in the program in 1966-67.

General Fund support for this program in the budget year is proposed at \$526,500; a 24-percent increase over the present year. This amount is comprised of \$384,000 for an anticipated 60,000 enrollment hours at \$0.80 per hour and \$142,500 for weekly transportation allowances of \$475 per child.

We recommend approval of this item as budgeted.

CONTRIBUTIONS TO THE TEACHERS' RETIREMENT FUND

ITEM 336 of the Budget Bill

Budget page 1065

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

Amount requested	\$61,000,000
Estimated to be expended in 1965-66 fiscal year	59,750,000
Increase (2.9 percent)	\$1,250,000

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATION

The budget proposes an amount of \$61 million as the state's contribution to the Teachers' Retirement Fund. This is the estimated obligation of the state to pay retirement benefits to teachers for services rendered over past years. The State Teachers' Retirement System does not maintain full reserves against actuarially determined liabilities.

There is an estimated \$604,112 from the prior year, 1965-66, available for the budget year, thus the total amount in state funds estimated to be expended during 1966-67 will be \$61,604,112.

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 337 of the Budget Bill

Budget page 1072

FOR SUPPORT OF FREE TEXTBOOKS
FROM THE GENERAL FUND

Amount requested -----	\$15,000,000
Estimated to be expended in 1965-66 fiscal year -----	7,797,039
Increase (92.4 percent) -----	\$7,202,961
RECOMMENDED FOR SPECIAL REVIEW -----	\$9,630,528

GENERAL PROGRAM STATEMENT

The Constitution of the State of California, Article IX, Section 7, provides for a free textbook program for the state's elementary schools, grades one through eight. The program is adopted by the State Board of Education and administered by the Department of Education. There are three major components of the free textbook program: (a) selection and adoption of textbooks; (b) acquisition of adopted textbooks; and (c) distribution of textbooks to school districts.

1. Selection and Adoption

The State Board of Education in adopting textbooks relies heavily on the recommendations of the State Curriculum Commission, an advisory body appointed by the board. All textbooks, both basic and supplementary, are adopted for no less than four nor more than eight years. At the end of this adoption period, however, use may be extended for a maximum of four additional years. Thus, the use of a title for 12 years is possible. The Education Code prescribes areas in which books must be adopted. Although only basic books are required to be adopted, the board adopts supplementary texts as well. The board also establishes ratios for determining the distribution of textbooks.

2. Acquisition of Textbooks

Once adopted, textbooks are printed in the State Printing Plant or purchased directly from private publishers on a finished-book basis when either the right to print is refused or the rental of leased plates is not competitive with the price of finished book.

3. Distribution of Textbooks

Textbooks, whether printed at the State Printing Plant or purchased from publishers, generally are stored at the state textbook warehouse in Sacramento and then shipped to school districts between the months of April and September. After an adoption is made school districts order books from the state according to their needs and the distribution ratios established by the State Board of Education. The figures for the number of books distributed annually appear below.

	1962-63	1963-64	1964-65	1965-66	1966-67
	(Actual)	(Actual)	(Actual)	(Estimated)	(Estimated)
Number of books distributed -----	7,422,300	10,084,600	10,290,579	11,817,200	8,676,808

Free Textbooks—Continued

ANALYSIS AND RECOMMENDATIONS

Selection and Adoption

The State Board of Education is presently in the process of selecting textbooks for adoption in the areas of science, grades one through eight; health, grades one through eight; social sciences, grades two and three; and history and geography, grades five and eight. According to a newly revised adoption schedule, the selection of the basic and supplementary books will be made in May, 1966 with the adoption period commencing on July 1, 1967. The request for the 1966-67 cost of the new adoptions is \$9,630,528. Due to the fact that the adoptions have not been made, this figure should be considered tentative.

The new schedule is the result of a recommendation by our office that the schedule of adoption activities be shortened and improved. In accepting this recommendation, the Senate Finance Committee, during the 1965 General Session, requested the Department of Education, the State Curriculum Commission, and the State Printer to present a plan to "shorten and improve the selection, adoption, printing and distribution procedures for state textbooks." This plan took the form of a new adoption schedule and was presented to the board and approved on December 10, 1965.

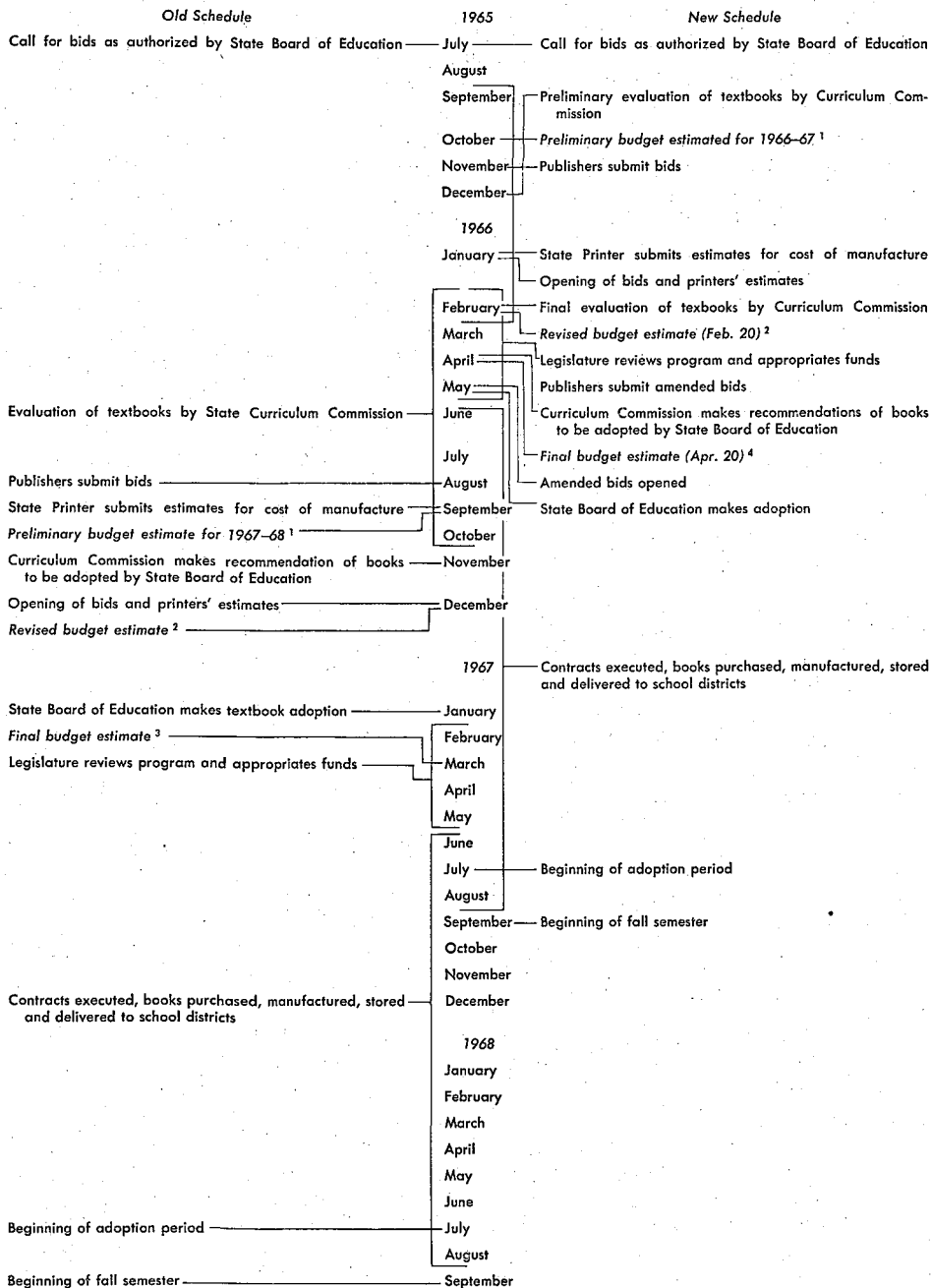
The advantages of the new schedule are discussed below:

1. The length of the adoption period is shortened. The adoption process begins with the State Board of Education making a determination that new textbooks are needed in certain subject areas. Subject criteria are then developed and a call for bids is issued. Textbooks are submitted and reviewed by the State Curriculum Commission and based upon their recommendation a textbook program is adopted by the State Board of Education. Books are then secured from private publishers or the State Printing Plant. Under the former schedule, this process required three years to complete; currently, the time has been reduced to two years. The accompanying chart shows that under the new schedule books can be placed into the school a full year earlier.

The elimination of one year in the adoption schedule is due to three factors: (1) The time between the call for bids and the beginning of the evaluation of textbooks by the State Curriculum Commission amounted to seven months under the old schedule. This has been reduced to two months. (2) The evaluation by the commission required nine months under the 1963 schedule. This has been reduced to six, three for the preliminary evaluation and three for the final evaluation. (3) The time required for execution of contracts, manufacture and delivery has been reduced from 18 months to 14. This shortens the overall time by 12 months.

2. The new schedule will reduce the time involved in estimating the cost of textbooks by the State Printing Plant. The State Printer will estimate the manufacturing cost only on those books held for final consideration. Previously, he made estimates on all books submitted to the commission. It is anticipated that the new rule

OLD AND NEW ADOPTION SCHEDULES FOR TEXTBOOKS

¹ Based only on general program to be adopted by Curriculum Commission.² Based on publishers' bids and printers' estimates of costs of program.³ Based on program adopted by State Board of Education; adoption made prior to review and appropriation by Legislature.⁴ Based on program recommended by Curriculum Commission but before final adoption by State Board of Education and late in Legislative Session.

Free Textbooks—Continued

- will substantially reduce staff time at the State Printing Plant necessary to compile the estimates.
3. The revised schedule will provide a more competitive bidding process. The publisher's bids and the printer's estimates will be opened on the same date. This will help to insure that neither the publishers nor the State Printer will be able to compare bids and estimates and adjust their own accordingly.
 4. The new schedule will require the Curriculum Commission to consider the costs of textbooks in formulating its recommendations. The commission will consider the textbooks submitted for adoption in two stages. The first is based on quality alone. All books determined to be educationally inadequate by the board will be eliminated. This feature is unchanged from the former schedule. The second review applies only to those books not rejected at the first screening. The commission will take both the price and the quality of the remaining books into consideration and will then make a recommendation to the board. This procedure did not exist in the formerly used schedule.
 5. The revised schedule will permit publishers to amend their bids once the books have been reviewed by the Curriculum Commission. Publishers are now permitted to lower their original bid if they believe that this will increase the chances of their book being recommended by the commission for adoption. This bid may not be higher than the original bid. The previous schedule contained no provision for a lowering of publisher's bids.

The one major disadvantage to the new schedule is that budgetary analysis is made difficult due to the lateness of the final adoption by the State Board of Education. Because of this difficulty, we believe a new budgetary procedure should be developed unless the final adoption by the State Board of Education can be advanced to a time prior to legislative action on the textbook budget.

We believe that the State Board of Education should be in a position to present to the Legislature a textbook program consisting of several levels of service, each level to be identified in terms of cost and accompanying justification. To illustrate the types of levels which could be developed we present the following four examples with cost factors and cost estimates accompanying each example. (It should be noted that all figures are based upon estimates of the Department of Education and are subject to change.)

The cost factors are:

- (a) **Decision to Adopt New Books.** Either the existing adoptions are continued in effect or they are replaced by new adoptions. The costs are higher if new books are used.
- (b) **Size of the Program.** The number of subject areas in which textbooks are adopted also affects cost. The greater the number of adoptions, the greater the costs.

Free Textbooks—Continued

- (c) **Distribution Ratios.** The application of various distribution ratios determines the number of students to be served by each book. The higher the ratio of books to students, the greater the cost.

The cost estimates in Table I are based on the factors discussed above. They represent this year's adoption of new textbooks in the areas of science, health, history and geography, civics, social sciences and California Government. We have not shown the actual derivation of the figures used, but by applying the cost factors in the table have arrived at the total cost estimates shown.

Level No. 1 represents the lowest level of service. No new adoptions would be made. Instead, all adoptions which are scheduled for expiration on June 30, 1967 would be extended for a period of one year and the only costs would therefore be for replacement of textbooks.

Level No. 2 represents a minimum level of service for new adoptions. New books would be adopted in those areas in which adoption periods are scheduled to expire on June 30, 1967, but there would be no increase in either distribution ratios or the number of subject areas.

Level No. 3 represents an expanded program of new adoptions but only for basic books. This is the first half of the program suggested by the State Curriculum Commission. The number of subject areas for basic books would be expanded from 19 to 22 and the distribution ratios increased from an average of 1.2 to 1.4 books per pupil.

Level No. 4 represents the full program recommended by the State Curriculum Commission. New adoptions would be made for basic books in 22 areas and for supplementary books in 16 areas for a total of 38 new adoptions, an increase of 16 over Level No. 3. The current distribution ratios for both basic and supplementary books average 1.5 books per pupil. They would be increased to 1.9 books per pupil if this program is adopted.

In summary, the above example showing several levels of service demonstrates a method that we believe the State Board of Education should use in presenting its textbook program to the Legislature. Adequate justification should accompany each level presented to include:

1. Reasons for discontinuing the present adoption.
2. Changes in educational requirements that would necessitate increases in:
 - (a) Distribution ratios.
 - (b) The number of basic books to be supplied.
 - (c) More elaborate or enriched textbook material.
3. Necessity for use of supplementary books.
4. Necessity for adoption of textbooks in areas not previously included in the state textbook program.

Therefore, we recommend that, before the requested \$9,630,528 is appropriated for this item, the State Board of Education submit to the Senate Finance Committee and Assembly Ways and Means Committee at the time the item is considered, a textbook program expressed in several levels of service with appropriate justifications as detailed above. The State Board of Education should also present its recommendation at that time.

Table I
EXAMPLE OF A TEXTBOOK ADOPTION

(With cost factors and cost estimates expressed in several levels of service)

	Cost factor			Cost estimate		
	Are new books to be adopted?	In how many subject areas are books to be adopted? ¹	Is the distribution ratio to be increased from existing levels?	In 1966-67	Over entire length of adoption	Per student over entire length of adoption
Level 1---	No	No basic No supplementary	No	\$973,160	\$21,827,575	\$3.09
Level 2---	Yes	19 basic No supplementary	No	\$11,673,143	\$24,395,618	\$3.34
Level 3---	Yes	22 basic No supplementary	Yes	\$17,394,387	\$36,606,869	\$5.00
Level 4---	Yes	22 basic 16 supplementary	Yes	\$27,405,029	\$58,028,786	\$7.10

¹For example, an adoption for science, grade 1 would be considered one subject area. Thus, an adoption for science, grades 1-8 would constitute eight subject areas.

Free Textbooks—Continued

Acquisition of Textbooks

The acquisition of textbooks includes the costs of purchasing books from publishers, printing books in the State Printing Plant, and paying royalties to publishers on the books printed by the state. The costs of acquisition in the past several years as well as the cost estimates for the current and budget years are as follows:

	1963-64	1964-65	1965-66	1966-67
Purchasing ----	\$3,627,411	\$2,876,886	\$1,898,665	\$1,073,447
Printing -----	4,968,350	5,308,366	2,059,958	1,782,815
Royalties -----	2,011,182	3,472,521	3,487,972	2,175,570
Total -----	\$10,606,943	\$11,657,773	\$7,446,585	\$5,031,832

The above costs should be separated into two groups: (a) purchasing and printing, and (b) royalties. The costs for purchasing and printing in 1966-67 do not reflect the actual costs for that year. Due to the lag between the time they are purchased and the time they are distributed, the costs for the budget year more accurately apply to 1967-68. The costs for royalty payments on books manufactured in the State Printing Plant are subject to even greater fluctuations than those for purchasing and printing. For example, the adoption for science, health, history and geography and civics alone operates under 15 different contracts, each with a different schedule for royalty payments. Some require large payments at the beginning of the adoption schedule while others require payments beyond the close of the adoption period. In general, each publisher establishes his own procedure.

In the 1966-67 budget year, \$5,031,832 is being requested for the costs of acquisition. This is a reduction of \$2,414,755 from the estimated expenditures in 1965-66 and reflects an estimated reduction in purchase and printing orders in 1967-68.

We recommend that these funds be approved as budgeted.

Distribution of Textbooks

The costs attributable to the distribution of textbooks include those for personnel at the State Printing Plant, communications, traveling, freight, cartage, express, shipping supplies, utilities, and warehouse storage. The request for 1966-67 is \$276,100, a decrease of \$2,265 from the estimate for 1965-66. *We recommend that this figure be approved as budgeted.*

According to a report presented to the State Board of Education on October 8, 1965, several textbook titles have been produced in excess of estimated requirements. Each of these titles was originally adopted for a four-year period which is scheduled to end on June 30, 1967. The titles and the relevant statistics on each appear below.

A. *The Government of a Free Nation*, Civics, grade 8, basic textbook.

B. *Great Names in Our Country's Story*, History and Geography, grades 5 and 8, supplementary textbook.

C. *Our United States in a World of Neighbors*, History and Geography, grade 8, supplementary textbook.

Free Textbooks—Continued

	Textbook A	Textbook B	Textbook C	Totals
Estimated to be on hand on June 30, 1966 -----	101,137	56,876	120,275	278,288
Estimated distribution for 1966-67 -----	35,000	18,000	35,000	88,000
Estimated number of surplus textbooks at end of four- year adoption period, June 30, 1967 -----	66,137	38,876	85,275	190,288
Estimated number of years adoption could be extended without printing new books	2	3	3	

Failure to use these books may result in large financial losses to the state. Not only is the cost of printing and storage of the textbooks lost but there is also the cost of disposal. These latter costs may be high or low depending on the provisions of the contract with the publisher. The contracts vary for each of the three previously discussed titles.

The contract for the textbook, *Government of a Free Nation*, states that at the end of the adoption period, a royalty of \$0.88 per copy must be paid on all undistributed books if they are disposed of in any manner other than destruction. In other words, to avoid royalty payments, the books would have to be burned, sold or given to a paper manufacturer for pulp, or destroyed in some similar manner. The contract for the textbook, *Our United States in a World of Neighbors*, contains similar language and requires a royalty of \$1.03 per copy. The textbook, *Great Names in Our Country's Story*, contains no provisions for payment of royalty after the end of the adoption period.

The total estimated loss to the state due to termination of the adoptions in these areas appears below.

	Textbook A	Textbook B	Textbook C	Totals
Estimated number of books on hand at end of four-year adop- tion period -----	66,137	38,876	85,275	190,288
Total cost for manufacture -----	\$52,942.67	\$28,877.09	\$95,218.07	\$177,037.83
Total cost for royalty payments -----	58,200.56	--	87,833.25	146,033.81
Total cost for all books if adop- tion terminated after four years -----	\$111,143.23	\$28,877.09	\$183,051.32	\$323,071.64

The total loss to the state by terminating the adoptions for the above titles at the end of four years could amount to \$323,000. Although the cost of manufacture would be lost regardless of the method of disposal, a substantial savings, \$146,034 would result if the board chose to destroy, rather than distribute, the surplus books. The minimum loss, therefore, of terminating the adoptions for these textbooks at the end of the four-year adoption period would be the cost of manufacture, \$177,038.

This is evidence of the need for improving textbook estimating and ordering procedures.

**SUBVENTIONS FOR EDUCATION
ASSISTANCE TO PUBLIC LIBRARIES**

ITEM 338 of the Budget Bill

Budget page 1074

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

Amount requested	\$800,000
Estimated to be expended in 1965-66 fiscal year	800,000
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

The Public Library Development Act, established in 1963 (Chapter 1802) authorizes a program of state assistance to public libraries. Three types of financial grants are authorized by the program. These are: planning grants, establishment grants and per capita grants. The two former types are designed to assist local libraries to institute a plan of service for an area and to assist in the establishment of cooperative library systems. Per capita grants are intended to defray partially the ongoing costs of cooperative library systems. The act as amended by AB 1622 (Chapter 1820, 1965 Statutes) limits the state appropriation for local assistance in 1966-67 to 4 percent of the total operating expenditures of California's public libraries from funds received from local sources for the last completed fiscal year. Under the provisions of AB 1622 this limitation will increase to 10 percent in 1969-70. Administration of the program rests with the State Librarian who is assisted by the Public Library Development Board.

ANALYSIS AND RECOMMENDATIONS

An amount of \$800,000 is requested in 1966-67 for subventions to local libraries; the same level of expenditure as budgeted for 1965-66. Table I illustrates the dollar amount of the three types of grants allocated in 1964-65 and the percentage change from the preceding fiscal year.

Table I¹
Grants Allocated Under Public Library Development

<i>Type of grant</i>	<i>Act—1963-64 and 1964-65</i>		<i>Percentage change</i>
	<i>1963-64</i>	<i>1964-65</i>	
Planning	\$165,961	\$4,000	—97.6
Establishment	247,561	335,765	35.6
Per capita	386,478	460,235	19.1
	<u>\$800,000</u>	<u>\$800,000</u>	

¹ From Second Annual Report, California Public Library Development Board.

In 1964-65 two cooperative library systems were established in addition to the five multilibrary systems that were established in 1963-64. The new systems are: the Serra Library system, including the San Diego, Carlsbad-Oceanside, and National City Public Libraries, and the San Jose-Santa Clara Municipal Cooperative Library system, including the libraries of the same name. These systems receive both establishment and per capita grants. One consolidated library system was also established: the Santa Rosa-Sonoma County Consolidated Library.

Assistance to Public Libraries—Continued

Each of the five multilibrary systems established during the first year received second year establishment grants and per capita grants. In addition, three single library systems received per capita grants; they were the Stockton and San Joaquin County Library, the San Francisco Public Library and the Los Angeles County Library.

Table II shows in detail the 1963-64 expenditures for libraries receiving state establishment grants and per capita grants.

Equalization Aid Formula for Library Assistance

AB 1622 (Chapter 1820, 1965 Statutes) made several amendments to the California Library Development Act; one of the most significant modifications was an increase in the percentage limitation of state support for local library assistance from 2 percent in 1965-66 to 10 percent in 1969-70. This provision means that in 1969-70 the state's expenditures for library support could approach \$10 million annually. In addition the bill directed the State Library to develop an equalization formula for apportioning state assistance in cooperation with the Senate and Assembly Education Committees, the Joint Legislative Budget Committee, and the Department of Finance. The State Library was directed to present the results of the equalization aid study to the 1966 Legislature.

We understand that the State Librarian intends to present a single equalization aid proposal to the 1966 Legislature although this particular proposal was not unanimously accepted by the committee members. In order to provide background information for the policy committees that will consider the proposal we are summarizing its main elements along with the unresolved issues connected with an expanded library assistance program.

Equalization Aid Formula

Under the proposed equalization formula which has been generally accepted by the committee members, the annual appropriation for library assistance is divided by a weighted population factor which considers the assessed valuation per capita of the libraries eligible for state support. This computation gives the per capita grant per library which is then multiplied by the population served by the library to compute entitlements for individual libraries within systems. Entitlements for rural libraries containing a population of 100 people per square mile or less would be increased by a factor of 0.3 so that such libraries would receive more state support on a per capita basis than would urban libraries.

Level of Local Financial Effort

To qualify for state assistance the proposed formula requires that local libraries within approved systems must demonstrate that they have expended from local sources for library services revenues equivalent to the proceeds of a \$0.15 tax rate or \$2.50 per capita, whichever is lower. This compares to the present requirement of a tax rate equivalent to 95 percent of the revenues raised by a \$0.15 tax rate or a \$2.25 expenditure per capita. We believe that these criteria should be in-

TABLE II
Estimated Expenditures from 1963-64 Establishment and per Capita Grants by Type of System and Project

	Indirect service projects			Direct service projects			All projects
	Centralized processing	Coordination and consultation	Transportation and communication	Reference materials and services	Lending materials and services	Audiovisual materials and services	
Multilibrary systems							
Alameda-Contra Costa County-----	\$56,012	\$8,972	\$3,800	\$1,085	--	--	\$69,869
Black Gold Cooperative-----	95,270	9,111	6,382	360	--	\$189	111,312
North Bay Cooperative-----	13,040	16,909	2,550	97,334	\$562	58	130,453
San Joaquin Valley-----	39,000	7,988	4,674	15,835	--	11,564	79,061
Santa Clara Valley-----	5,000	--	--	19,996	10,454	--	35,450
Project totals-----	\$208,322	\$42,980	\$17,406	\$134,610	\$11,016	\$11,811	\$426,145
Percent of all projects-----	48.9	10.1	4.1	31.6	2.6	2.7	100.0
Single-library systems							
Los Angeles Public Library-----	--	--	--	\$105,130	--	--	\$105,130
Oakland Public Library-----	--	--	--	16,971	\$10,925	\$1,508	29,404
San Diego Public Library-----	--	--	\$453	49,803	--	--	50,256
San Jose Public Library-----	--	--	--	5,537	14,952	2,615	23,104
Project totals-----	--	--	\$453	\$177,441	\$25,877	\$4,123	\$207,894
Percent of all projects-----	0.0	0.0	0.2	85.4	12.4	2.0	100.0
All systems							
Project totals-----	\$208,322	\$42,980	\$17,859	\$312,051	\$36,893	\$15,934	\$634,039
Percent of all projects-----	32.9	6.8	2.8	49.2	5.8	2.5	100.0

Assistance to Public Libraries—Continued

creased more closely to the statewide average of a \$0.165 tax rate and/or a \$3.00 per capita expenditure in order to insure that state funds are distributed only to the areas which make a reasonable effort to support library services.

Minimum Population Requirements or Higher Program Standards

The proposal to be presented to the Legislature contains substantially higher program standards than are contained in the present law. We believe that this provision is very desirable since it will encourage interlibrary cooperation and will foster improved library services in areas with inadequate services. Under the present law there are approximately 50 small and medium size libraries which could qualify for state assistance under the present program standards without demonstrating that they will cooperate with neighboring units. During the committee's meetings several proposals were considered to encourage interlibrary cooperation including a minimum population requirement for multilibrary systems and higher program standards. However, some committee members are opposed to such provisions and would prefer that state assistance be distributed to every library in the state without requiring individual libraries to participate in multilibrary systems to improve the level of services. We believe that this would be undesirable.

Concept of Equal Access

The proposal requires that libraries within library systems must provide equal access to all residents of the area served by the system to qualify for state assistance. No user charges are authorized. This provision is similar to the one contained in the present law, and we believe that it is desirable to improve levels of service and to maximize the use of existing library facilities. However, some members of the committee believe that the concept of equal access without user charges could result in an increased burden for areas with good library services because of the increased demands that would be made on the strong libraries by individuals in poor areas with inadequate services. We do not believe that this is a serious problem since the library systems presently in existence have not had difficulties working under the present law which contains equal access.

Regional Centers

The proposal also contains a provision, generally accepted by the committee members that two regional centers be established, one in San Francisco and one in Los Angeles to provide indirect library services such as interlibrary loans and research facilities for individual libraries and library systems. Commencing in 1968-69 when the total of state grants reach 8 percent of the total appropriations from local sources, funds in excess of the 8 percent would be divided equally for the two centers. To receive state assistance for the two centers the San Francisco and Los Angeles Public Libraries would be required to submit a plan of service to the State Librarian stating the objectives of the regional centers. Such plan of service would be developed cooperatively by the two major libraries with representatives of the libraries and library systems to be served.

Assistance to Public Libraries—Continued

We question both the need for regional library centers and the advisability of diverting a large amount of the state support from per capita grants for all libraries to these two units. Under the provisions of the proposal, state support for each of the two centers may eventually amount to more than \$1 million, a total cost of \$2 million out of a potential state appropriation of over \$10 million. We suggest that consideration be given to increasing library usage by the public before state funds are appropriated for indirect services for libraries. For example, supplemental grants could be made available to urban libraries for special projects designed to encourage adults and teenagers to make greater use of library facilities. Such projects would complement the Legislature's recent emphasis on compensatory education programs and the special reading program authorized by Chapter 1233, 1965 Statutes.

In summary, we have reservations concerning the local effort requirements contained in the proposal and the proposed regional centers. However, we believe that the proposal, because of higher standards, would result in a much stronger program than the present law since it would require a high degree of interlibrary cooperation.

We understand that the State Library will request increased General Fund support for the California Library Development Act when its proposed equalization formula is presented to the 1966 Legislature. *Therefore, we recommend that the fiscal committee of both houses defer action on this budget item pending approval of the proposal by the policy committees.*

Subventions for Education

VOCATIONAL EDUCATION—REIMBURSEMENTS TO SCHOOL DISTRICTS

ITEM 339 of the Budget Bill

Budget page 1077

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

Amount requested	\$1,830,271
Estimated to be expended in 1965-66 fiscal year	230,271
Increase (694.8 percent)	\$1,600,000
Increase to improve level of service	\$1,600,000
TOTAL RECOMMENDED REDUCTION	\$1,600,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Delete General Fund support for Manpower Development and Training Program	\$1,600,000	1077	75

GENERAL PROGRAM STATEMENT

Presently an annual appropriation is made from the General Fund for subventions for vocational education for the supervision and teacher training program. Under the allocation procedure, the costs of state level operations are first deducted from the total amount appropriated; the balance is then distributed to secondary school districts for supervision and teacher training. School districts qualify for these funds by maintaining approved courses in agriculture, business, home-making and industrial education. The Department of Education is re-

Vocational Education—Reimbursements to School Districts—Continued

requesting an additional amount from the General Fund in the budget year to finance the state's share of the cost of the Manpower Development and Training Program. The federal law requires that the state match one-tenth of the total cost of the Manpower Development and Training Program in cash or in kind commencing in 1966-67.

ANALYSIS AND RECOMMENDATIONS

General Fund support for vocational education subventions is proposed at \$1,830,271 for 1966-67. A sum of \$230,271 is proposed for the supervision and teacher training program which is the amount that was appropriated during the current year. An additional amount of \$1,600,000 is requested for the Manpower Development and Training Program to meet the 10 percent federal matching requirement for this program in the budget year. The federal regulations governing this matching requirement have not yet been published although it appears that the states will be allowed to meet the 10 percent requirement with services instead of cash. *We recommend disapproval of this request for matching money pending the publication of the federal regulation in order to encourage the Department of Education to use matching services to meet the federal requirements.*

Health and Welfare Subventions**MEDICAL FEE COST INCREASE**

ITEM 340 of the Budget Bill

Budget page 1079

FOR MEDICAL FEE AND RELATED SERVICES COST INCREASE FROM THE GENERAL FUND

Amount requested _____ \$1,877,830

TOTAL RECOMMENDED REDUCTION _____ None**GENERAL PROGRAM STATEMENT**

The medical fee and related services cost increase program will finance anticipated increases in medical fees in the medical assistance and medical service programs administered by the state.

ANALYSIS AND RECOMMENDATIONS

The medical fee and related services cost increase program is being proposed for the first time in the 1966-67 budget year to finance medical fees and related service increases which can be anticipated as a result of upward adjustments in the state schedule of maximum allowances for medical fees and related services. No allowance has been made for hospital or long-term facilities rate increases. The proposed cost of this program is \$5,175,984 including \$1,877,830 from the General Fund and \$3,298,154 from federal sources. These funds will be distributed by the Department of Finance to the various medical programs which are largely administered by the State Departments of Public Health and Rehabilitation and the Health Care Program.

Local Assistance**Items 341-343****Medical Fee Cost Increase—Continued**

The budget proposes \$1,877,830 in General Fund support to finance anticipated increases in medical fees and related services for these state administered medical assistance and medical service programs.

We recommend approval of the budget as submitted.

These upward adjustments in the schedule of maximum allowances have been recommended by a technical fee committee from the professions and by the principal using departments of the state.

Department of Mental Hygiene**ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES****ITEM 341 of the Budget Bill****Budget page 1080****FOR ASSISTANCE TO LOCAL AGENCIES FOR MENTAL HEALTH SERVICES FROM THE GENERAL FUND**

Amount requested	\$18,000,733
Estimated to be expended in 1965-66 fiscal year	14,336,873
Increase (25.5 percent)	\$3,663,860

Increase to improve level of service	\$3,663,860
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TOTAL RECOMMENDED REDUCTION	None
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This item is discussed under community mental health in the Mental Hygiene summary in this analysis.

DEPARTMENT OF PUBLIC HEALTH**ITEM 342 of the Budget Bill****Budget page 1091****FOR ASSISTANCE TO COUNTIES FOR CARE OF CRIPPLED CHILDREN FROM THE GENERAL FUND**

Amount requested	\$9,519,610
Estimated to be expended in 1965-66 fiscal year	9,073,104
Increase (4.9 percent)	\$446,506

TOTAL RECOMMENDED REDUCTION	\$446,506
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This item is analyzed on page 533 of our analysis.

Department of Public Health**TUBERCULOSIS SANATORIA****ITEM 343 of the Budget Bill****Budget page 1092****FOR ASSISTANCE TO COUNTIES FOR TUBERCULOSIS SANATORIA FROM THE GENERAL FUND**

Amount requested	\$3,168,857
Estimated to be expended in 1965-66 fiscal year	3,411,198
Decrease (7.6 percent)	\$242,341

TOTAL RECOMMENDED REDUCTION	None
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This item is analyzed on page 530 of our analysis.

Items 344-346

Local Assistance

Department of Public Health

COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS

ITEM 344 of the Budget Bill

Budget page 1093

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

Amount requested	\$515,463
Estimated to be expended in 1965-66 fiscal year	486,709
Increase (5.9 percent)	\$28,754
Increase to improve level of service	\$8,604

TOTAL RECOMMENDED REDUCTION..... \$8,604

This item is analyzed on page 539 of our analysis.

Department of Public Health

LOCAL HEALTH DEPARTMENTS

ITEM 345 of the Budget Bill

Budget page 1094

FOR ASSISTANCE TO LOCAL HEALTH DEPARTMENTS FROM THE GENERAL FUND

Amount requested	\$4,605,777
Estimated to be expended in 1965-66 fiscal year	4,499,729
Increase (2.4 percent)	\$106,048

TOTAL RECOMMENDED REDUCTION..... None

This item is analyzed on page 538 of our analysis.

Department of Public Health

GNAT CONTROL

ITEM 346 of the Budget Bill

Budget page 1094

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

Amount requested	\$50,000
Estimated to be expended in 1965-66 fiscal year	50,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... Delete item

Transfer \$50,000 to Item 107

This item is analyzed on page 529 of our analysis.

Local Assistance**Items 347-349****Department of Public Health
PHYSICALLY HANDICAPPED CHILDREN****ITEM 347 of the Budget Bill****Budget page 1095****FOR ASSISTANCE TO LOCAL AGENCIES FOR THE TREAT-
MENT OF PHYSICALLY HANDICAPPED CHILDREN
FROM THE GENERAL FUND**

Amount requested	\$2,209,850
Estimated to be expended in 1965-66 fiscal year	2,016,850
Increase (9.6 percent)	\$193,000
TOTAL RECOMMENDED REDUCTION	\$362,415

This item is analyzed on page 534 of our analysis.

**Department of Public Health
ALCOHOLISM****ITEM 348 of the Budget Bill****Budget page 1096****FOR ASSISTANCE TO LOCAL AGENCIES FOR ALCOHOLISM
PROGRAMS FROM THE GENERAL FUND**

Amount requested	\$1,867,092
Estimated to be expended in 1965-66 fiscal year	867,092 ¹
Increase (115.3 percent)	\$1,000,000
Increase to improve level of service	\$1,000,000

TOTAL RECOMMENDED REDUCTION	None
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This item is analyzed on page 531 of our analysis.

**Department of Public Health
MENTAL RETARDATION****ITEM 349 of the Budget Bill****Budget page 1096****FOR ASSISTANCE TO LOCAL AGENCIES FOR MENTAL
RETARDATION FROM THE GENERAL FUND**

Amount requested	\$1,513,000
Estimated to be expended in 1965-66 fiscal year	609,336 ¹
Increase (148.3 percent)	\$903,664

TOTAL RECOMMENDED REDUCTION	None
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This item is analyzed on page 533 of our analysis.

¹ This expenditure is budgeted in Item 175 during the current year.

**Department of Public Health
HOSPITAL CONSTRUCTION**

ITEM 350 of the Budget Bill

Budget page 1097

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

Amount requested	\$18,863,865
Estimated to be expended in 1965-66 fiscal year	18,369,995
	<hr/>
Increase (2.7 percent)	\$493,870

TOTAL RECOMMENDED REDUCTION	\$3,770,866
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This item is analyzed on page 536 of our analysis.

DEPARTMENT OF SOCIAL WELFARE

ITEM 351 of the Budget Bill

Budget page 1115

**FOR SPECIALIZED SOCIAL SERVICE PROGRAMS
FROM THE GENERAL FUND**

Amount requested from the General Fund	\$12,761,968
Support from federal funds	25,291,780
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Total	\$38,053,748
Estimated to be expended in 1965-66 fiscal year	32,146,322
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Increase (18.4 percent)	\$5,907,426
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TOTAL RECOMMENDED REDUCTION	None
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This item is discussed in the Department of Social Welfare summary commencing on page 565 of this analysis.

DEPARTMENT OF WATER RESOURCES

ITEM 352 of the Budget Bill

Budget page 1133

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

Amount requested	\$15,000,000
Appropriated in 1965-66 fiscal year	6,122,333
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Increase (145 percent)	\$8,877,667
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

The state has, since 1945, assumed the costs of lands, easements and relocation of utilities which federal law requires local governments to pay on any United States Corps of Engineers flood control projects involving levee and channel work. Money requested in this item is to reimburse cities, counties and districts for the above costs on such flood control projects, except those projects administered by the State Reclamation Board. The flood control projects, both major and minor, which will receive funds under this item and under remaining carry-over of prior year appropriations are shown on page 1134 of the Governor's Budget.

Department of Water Resources—Continued

In line with the change initiated last year, this item continues to include 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 budget page 1134 beginning on line 60.

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 three 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 last year took 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, appropriated only the expenditures which were reasonably expected to be made plus a reasonable overage to cover any unforeseen changes in project expenditures. This approach facilitated fiscal management by making a specific appropriation to cover only the expenditure requirements for the budget year. The previous complex system of carrying over money from previous appropriations and reappropriations was avoided. We believe this new approach has been satisfactory and concur in its continuation this year.

The appropriation requested for next fiscal year for flood control by the Department of Water Resources is \$15,000,000. This is more than twice the appropriation of \$6,122,000 made last year. The reason for the large increase next fiscal year lies in the changing nature of the budgeting for this work. Approximately \$8,500,000 was carried over in appropriations from the Budget Act of 1964 for expenditure in the current year. Many of the prior year appropriations will have reverted or will be expended by next fiscal year with the result that most of the expenditures next year will be made from appropriations for that year rather than a combination of budget year and prior year appropriations. The estimated level of cash disbursements will be substantially the same as the current year. The total available for expenditure will be approximately the same as the current year but will be almost \$13,000,000 less than the total available for the fiscal year 1964-65.

New projects being funded in the appropriation request for next fiscal year are Santa Clara and Ventura Rivers in Ventura County, Santa Ynez Watershed in Santa Barbara County, and Corte Madera Creek in Marin County. Several projects will no longer require funding because construction has been completed. Among these are Santa Ana

Department of Water Resources—Continued

River Basin and Tahehevah Creek in Riverside County, Russian River in Mendocino County, and Calleguas Creek in Ventura County.

Approval of the item is recommended.

RECLAMATION BOARD

ITEM 353 of the Budget Bill

Budget page 1135

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

Amount requested	\$5,598,786
Appropriated in 1965-66 fiscal year	5,079,992
Increase (10.2 percent)	\$518,794

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATION

The funds appropriated by this item are used by the Reclamation Board to acquire lands, easements and rights-of-way and for the relocation of utilities needed for the construction of Corps of Engineers' major levee and channel flood control projects in the Central Valley. No new projects are budgeted for next fiscal year. Expenditures on the lower San Joaquin River Flood Control Project are being reduced as work is nearing completion. This accounts for much of the reduced level of expenditure, although the Mormon Slough project in San Joaquin County will require increased expenditures next fiscal year. Although the anticipated expenditure level is about \$800,000 lower than the current year, the appropriation request is \$518,000 higher because of the reduced amount of the carryover appropriations available next fiscal year.

Approval of the item is recommended.

DEPARTMENT OF WATER RESOURCES

ITEM 354 of the Budget Bill

Budget page 1137

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

Amount requested	\$786,525
Appropriated in 1965-66 fiscal year	None

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

The subventions for beach erosion control are the state's contribution to a federal program, executed by the U.S. Corps of Engineers, to control dangerous erosion along the ocean beaches of the state. Under Sections 335 through 338 of the Water Code, the Department of Water Resources pays one-half of the project costs assigned to local interests and advances the portion of the costs assigned to the federal government. This advance is subsequently repaid when funds are appropriated

Department of Water Resources—Continued

by Congress. The actual net expenditure of state funds next year will be \$293,475. Projects which are being funded and the amounts for each are shown in the schedule under Item 354 of the Budget Bill.

Projects for which new funding is provided in the Budget Bill are Pierpoint Bay in Ventura County, Capitola in San Cruz County, and Black Point in Santa Cruz County. Other funds to be expended next fiscal year are carried over from prior year appropriations. Current year expenditures are being financed entirely from prior year appropriations.

Approval of the item is recommended.

Department of Parks and Recreation

DIVISION OF SMALL CRAFT HARBORS

ITEMS 355, 356, and 357 of the Budget Bill

Budget page 1145

FOR LOANS AND GRANTS FOR BOATING FACILITIES FROM
THE SMALL CRAFT HARBOR REVOLVING FUND

Amount requested:

(Item 355) Loans to local agencies for small craft harbor planning and construction	\$1,125,000
(Item 356) Loans to local agencies for harbor of refuge construction	325,000
(Item 357) Grants to local agencies for launching facilities	150,470

TOTAL RECOMMENDED AUGMENTATION \$2,000,000

Summary of Recommendation

Analysis page

Augmentation of \$2,000,000 in item 355 for loan to Marina del Rey from Small Craft Harbor Revolving Fund in order to secure repayment of \$2,000,000 in General Fund loan	919
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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.

Chapter 2028, Statutes of 1965, increased from \$2,000,000 to \$4,000,000 per annum the amount transferable to the Small Craft Harbor Revolving Fund from the Motor Vehicle Fuel Fund, of money attributable to taxation of boat fuel. This money and revenues from all boat registration fees, as provided by Chapter 1724, Statutes of 1963, are deposited in the Small Craft Harbor Revolving Fund, which is the source of funding for the support of the Division of Small Craft Harbors and for financial assistance programs for boating developments.

According to the Governor's Budget, page 1151, the surplus at the end of the budget year in the Small Craft Harbor Revolving Fund will be \$897,843. This is not an accurate presentation of the condition of the fund. For the second year the division is allocating funds to large projects scheduled for future construction. This allocation shows

Division of Small Craft Harbors—Continued

the local agency that the division is earmarking funds for its project and also indicates to the Army Corps of Engineers that the division is earmarking funds to projects in which the corps is a participant. However, the practice of including the allocations among the estimated withdrawals in the Statement of Condition for the revolving fund as though it were an appropriation to be expended creates an erroneous impression as to the actual fund condition. The money has not been appropriated and cannot be expended without an appropriation. The allocation is, therefore, legally ineffective. The budget shows allocations of \$1,500,000 in the current year and \$4,650,000 in the budget year for a total of \$6,150,000. The accumulated surplus of \$897,843, as shown in the Governor's Budget, plus the allocations of \$6,150,000 give a true accumulated surplus for the end of the budget year of \$7,047,843.

The \$7,000,000 surplus in the Small Craft Harbor Revolving Fund comes largely from the recent increase in the amount transferred from the Motor Vehicle Fuel Fund. Had this increase not come about, the surplus at the end of the budget year would be \$3,000,000 instead of \$7,000,000. The division expects that a number of costly projects will require expenditures of state funds in 1967-68.

Item 331.5 of the Budget Act of 1954 loaned \$2,000,000 from the State Lands Act Fund (which is essentially General Fund money) to the County of Los Angeles for the construction of harbor entrance facilities and embankment works at the Marina del Rey. The money was reappropriated by Chapter 2305, Statutes of 1957. The purposes served by this loan are now the responsibility of the Small Craft Harbor Revolving Fund. In view of the surpluses in the revolving fund, the shortage of General Fund money, and the slowness of the small craft harbors program in developing, as noted in discussion of individual items below, it is appropriate for the Small Craft Harbor Revolving Fund to assume the responsibility for the \$2,000,000 loan by repaying the General Fund.

It is recommended that the Legislature appropriate \$2,000,000 from the Small Craft Harbor Revolving Fund to the Marina del Rey and direct the Division of Small Craft Harbors to negotiate a loan with the County of Los Angeles which will permit the county to repay its General Fund loan.

Item 355 proposes the expenditure of \$1,125,000 for loans to local agencies for small craft harbor planning and construction. The budget proposes that \$50,000 be authorized for planning loans compared to \$100,000 appropriated last year. No loans have yet been made from the \$100,000 appropriated last year. It is obvious that the planning loan program is moving slowly and that the reduction in the amount of the program is justified.

The budget proposes \$750,000 for a construction loan to Avalon in Los Angeles County. The project would include three public landing floats, buoy moorage for 300 boats, slips, breakwater and fill. As of the time of this writing, the division had not concluded feasibility studies on the project. The local groups have submitted more than one project plan in the past and the division, therefore, is uncertain

Division of Small Craft Harbors—Continued

which plan for the project the local agency wishes to follow. As a result the funding is uncertain at this time. Finally, this item proposes a construction loan of \$325,000 for Monterey to extend the existing bulkhead wall and berthing facilities.

We recommend approval of Item 355, subject to agreement on the plan and financing of the Avalon project, plus the \$2,000,000 appropriation for Marina del Rey.

Item 356 provides \$325,000 for a harbor of refuge loan for the Noyo outer harbor. These funds would be used for the nonrevenue producing portions of the project in cooperation with the federal government. This amount is the local agency's obligation in the harbor of refuge construction program. This is not a new item; it is a reappropriation of an item originally approved by the Legislature in the 1962 session.

We recommend approval of Item 356 as budgeted.

Item 357 proposes \$150,470 for grants to local agencies for launching facilities. Section 5865 of the Public Resources Code authorizes the Small Craft Harbors Commission to make grants to local agencies. The program began in fiscal year 1964-65 when \$150,000 was budgeted for this purpose. Of that amount budgeted, \$85,000 was spent for one facility at Huntington Lake in Fresno County. For fiscal year 1965-66, the division requested \$247,000 for four projects. The Legislature appropriated these funds but two of the projects have been dropped and estimates for the current year are that only two facilities will be constructed, one at Alviso in Santa Clara County, and another at Shaver Lake in Fresno County. The division requests \$150,470 next year for three projects located at Lake Reddinger in Madera County, Lucerne in Lake County, and on the Napa River for the City of Napa.

We recommend approval of Item 357 as budgeted.

The division is also experiencing delays in the scheduled expenditure of Small Craft Harbor Bond funds. Last year the budget proposed \$920,000 for expenditure at Dana Point in Orange County. The budget has rescheduled the expenditure again in 1966-67. For several years the budget has proposed expenditures of \$230,000 from the bond fund for marina development at Mill Valley in Marin County. These expenditures have not been made and the budget for 1966-67 again includes the expenditure of \$230,000 for this project.

Chapter 2028, Statutes of 1965, provides for the use of not more than 12½ percent (\$500,000) annually of the \$4,000,000 transferred to the Small Craft Harbor Revolving Fund from the Motor Vehicle Fuel Fund for expenditure by the Division of Beaches and Parks for construction of boating facilities at state projects. In 1967, projects totaling \$522,145 will be financed by the boating fund for ramps and parking areas at Folsom Lake State Recreation area and the Oroville and San Luis Reservoirs.

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

ITEM 358 of the Budget Bill

**FOR SUPPORT OF DIVISION OF SMALL CRAFT HARBORS
FROM THE SMALL CRAFT HARBOR REVOLVING FUND**

Amount requested	\$100,000
Estimated to be expended in 1965-66 fiscal year	None
TOTAL RECOMMENDED REDUCTION	\$100,000
	None

ANALYSIS AND RECOMMENDATION

This item appropriates \$100,000 from the Small Craft Harbor Revolving Fund to be spent for repairs of damage at small craft harbor facilities constructed pursuant to Sections 5827, 5865 and 5823.5 of the Public Resources Code caused by such emergency conditions as severe storms. The purpose of this appropriation is to provide the Small Craft Harbor Revolving Fund as the direct source of monies for these repairs rather than calling on the General Fund, which in turn would have to be repaid by the Small Craft Harbor Revolving Fund. During the current year \$200,000 is appropriated for this purpose but no money has been spent. This request, one-half the current year appropriation, is justified.

We recommend approval of this item as budgeted.

DEPARTMENT OF CONSERVATION

ITEM 359 of the Budget Bill

Budget page 1152

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

Amount requested	\$100,400
Estimated to be expended in 1965-66 fiscal year	103,160
Decrease (2.6 percent)	\$2,760
TOTAL RECOMMENDED REDUCTION	\$33,900

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Grants to following soil conservation districts:			
Panoche (Fresno)	\$25,000	1152	59
Florin (Sacramento)	1,500	1152	35
Ulatris (Solano)	750	1153	29
Western Yolo	3,000	1153	33
Antelope Valley (Los Angeles and Kern)	2,400	1152	25
Black Mountain (Santa Clara)	1,250	1152	28

ANALYSIS AND RECOMMENDATIONS

Section 9063.1 of 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. The 1966-67 budget requests financing for 17 projects totaling \$100,400 as set out in detail on pages 1152 and 1153 of the Governor's Budget.

Department of Conservation—Continued

One of the grant items is a request for \$25,000 for the Panoche Soil Conservation District in Fresno County. These funds would be used for the enlargement of siphons and the construction of four road crossings to release drainage water now being impounded due to the inadequacy of the present siphons. About 10,000 acres needs drainage. There is no question as to the need for the siphons. However, the area is the location for the proposed detention reservoir for the San Joaquin Valley master drain, according to the plans of the Department of Water Resources. If the master drain proceeds according to these plans, the Department of Water Resources will have to replace and relocate the proposed siphons to be constructed with this grant for \$25,000. Preferably, the proposed siphons should be constructed after the route for the master drain is finally determined in order to eliminate the possibility of relocation costs.

We recommend that the grant of \$25,000 to the Panoche Soil Conservation District be deferred.

Each year the list of projects for soil conservation grants includes funds for wildlife habitat improvement projects. This year relatively small amounts are requested for three different projects as follows:

Florin Soil Conservation District (Sacramento County) -----	\$1,500
Ulati Soil Conservation District (Solano County) -----	750
Western Yolo Soil Conservation District (Yolo County) -----	3,000
Total -----	\$5,250

These funds are used to purchase shrubs, plants and trees which are planted in fence rows and corners or around farm ponds set aside for wildlife shelter, feed and in general for the promotion of upland game. Public funds are being used for the promotion of wildlife on private lands which are for the most part posted and closed to public hunting. In general, these lands are open for hunting only by invitation of the farmer. If public funds are to be used for wildlife habitat improvement projects for the promotion of upland game, some statewide interest would result if the lands were opened to public hunting under the management of the Department of Fish and Game. Otherwise, the landowners should finance these projects, themselves.

We recommend that the grants for Florin, Ulati and Western Yolo Soil Conservation Districts be deleted for a savings of \$5,250.

The Antelope Valley Soil Conservation District in Los Angeles County requests \$2,400 of grant money to match \$2,400 of local funds to replace the lathhouse at the district nursery. The nursery produces plant materials sold to other soil conservation districts. In the past the Antelope Valley district has received three separate grants for capital improvements totaling over \$9,000 from the grant funds. One of the lathhouses was damaged by snow last winter and needs replacement.

We recommend that the Antelope Valley Soil Conservation District sell its plant materials at a price which will cover maintenance and replacement of its capital improvements and that the grant be deleted for a savings of \$2,400.

Department of Conservation—Continued

The Black Mountain Soil Conservation District in Santa Clara County requests \$1,250 for publication of a report on "The Hazards of Hillside Development." Considerable residential development within the district is taking place on steep hillside lands. The district has developed information for a publication to inform the public of the hazards of hillside development and proposes to print the report with grant money. These hazards include severe erosion and siltation during the rainy seasons and the fire hazards during the summer. If the report is of statewide interest, it should be published by the division rather than the district.

We recommend that the \$1,250 grant to the Black Mountain Soil Conservation District be deleted.

We recommend that the remaining grants totaling \$66,500 be approved as budgeted.

PUBLIC UTILITIES COMMISSION

ITEM 360 of the Budget Bill

Budget page 1157

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

Amount requested	\$550,000
Estimated to be expended in 1965-66 fiscal year	625,195
Decrease (12.0 percent)	\$75,195

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

Included within the railroad safety program of the Public Utilities Commission are two railroad grade crossing protection programs, one dealing with such safety devices as crossing signals and the other with grade separations.

ANALYSIS AND RECOMMENDATIONS

Grade Crossing Protection Works

This program began with Chapter 1739, Statutes of 1953. Supporting money comes from the State Highway Fund. The state, out of the annual appropriation, may pay up to one-quarter of the cost of installing protective devices at rail crossings. The local agency involved is to pay one-quarter and the railroad one-half. This fund is administered by the Public Utilities Commission.

The proposed expenditure for grade crossing protection works in fiscal year 1966-67 is \$550,000 which is \$75,195 or 12 percent less than the appropriation for the current year.

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

Section 1231.1 of the Public Utilities Code provides a continuing appropriation out of the State Highway Fund not to exceed \$1 million in any one year for maintenance of the grade crossing protection works. The annual amount is to be set by the Highway Commission, adminis-

Public Utilities Commission—Continued

tered by the Public Utilities Commission and paid to cities and counties according to formula. For 1966-67 the allocation is \$250,000.

Grade Separations

This program began with Chapter 2091, Statutes of 1957. Support funds depend on a continuing \$5,000,000 a year appropriation from the State Highway Fund. The Public Utilities Commission prepares a priority list of dangerous crossings needing attention. Railroads meet from 10 to 15 percent of the cost of a grade separation project. The remaining cost is shared equally by the state and the local agency. This fund is administered by the State Highway Commission. When the local agency is prepared to act, projects are taken in priority order to the extent that funds are available. The fund is available only for those city or county street or road crossings not under the jurisdiction of the Division of Highways.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 361 of the Budget Bill

Budget page 1158

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

Amount requested	\$5,881,375
Estimated to be expended in 1965-66 fiscal year	5,761,118

Increase (1.5 percent)	\$90,257
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The 361 authorized superior court judges in California are state officers though they preside over local county trial courts. Salaries of these judges are shared under Government Code formulas by the state and the counties in which the judges hold court. The formula is outlined below:

County Population	Judges' Annual Salary	State Share	County
250,000 or more	\$25,000	\$15,500	\$9,500
40,000 to 250,000	25,000	17,500	7,500
Under 40,000	25,000	19,500	5,500

ANALYSIS AND RECOMMENDATIONS

The sum of \$5,881,375 is requested for expenditure in fiscal year 1966-67 to meet the state's share of the salary costs. The budget estimates that \$30,000 of the amount appropriated will be unexpended for judges' salaries and will be transferred to the Judicial Council to be used for payment of the state's share of salaries and expenses of judges especially assigned by the council chairman to assist with crowded calendars and to fill in for vacant judgeships.

We recommend approval as budgeted.

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

ITEM 362 of the Budget Bill

Budget page 1160

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

Amount requested	\$500,000
Estimated to be expended in 1965-66 fiscal year	500,000
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Increase	None
TOTAL RECOMMENDED REDUCTION	None

Summary of Policy Options

Delete entire \$500,000 state aid.

GENERAL PROGRAM STATEMENT

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. This pursuit helps insure the maximum flow of federal funds into the county and may help reduce county welfare payments. The county veterans service office carefully screens admissions to county hospitals and secures transfers to Veterans Administration hospitals for those found eligible. The counties experience a substantial savings as a result of this activity. The federal medicare program may diminish this cost-saving benefit, however.

State assistance to the counties has remained at \$500,000 per year since 1961-62. The 1965-66 appropriation first designated the Veterans' Farm and Home Building Fund as the source instead of the General Fund. The state contribution as a percent of the total cost of supporting the county veterans service offices has diminished from 34.8 percent in 1962-63 to 30.2 in 1964-65.

ANALYSIS AND RECOMMENDATIONS

The county service officers established 31,392 claims in 1964-65 compared to 26,443 in 1963-64 and arranged for 6,997 Veterans Administration hospitalizations in 1964-65 compared to 7,273 in 1963-64.

We recommend approval of the item 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 statewide action since the state and federal governments provide the grants. The counties benefit substantially from the savings made possible by reduced county hospital costs and reduced welfare payments as discussed above. 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 of claim assistance to veterans, and if curtailment in turn re-

County Veterans Service Officers—Continued

sulted 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 at least part of the \$500,000 saved by the reduction.

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

ITEM 363 of the Budget Bill

Budget page 1160

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

Amount requested	\$55,000
Estimated to be expended in 1965-66 fiscal year	59,000
Decrease (6.8 percent)	\$4,000

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

Almost all of the state's direct and immediate disaster relief efforts are organized on a local jurisdictional basis. These are manned almost exclusively by local volunteers who receive no regular compensation from the local jurisdiction or the state.

In order for these volunteer groups to be properly trained, it is necessary to hold regular training, practice and exercise sessions which involve a degree of physical hazard and occasionally result in injuries to volunteers. To encourage this volunteer service, and as a matter of equity, the Legislature has provided workmen's compensation for such injuries. Chapter 10 of Division 4 of the Labor Code provides the statutory authority for this assistance which covers between 25,000 and 40,000 volunteers operating at all governmental and private levels in California.

The staff of the Compensation Insurance Fund provides the service to these volunteers and calculates the cost requirements based on actual claims in active existence as well as projecting an incidence pattern for the ensuing year. The current estimate for the budget year is \$55,000.

ANALYSIS AND RECOMMENDATIONS

The initial budget request at the 1965 session was for \$54,000 based on estimates made before the winter floods of 1964-65. During the session, this estimate was increased by \$5,000 to \$59,000 which was the amount approved finally. Estimates for the current fiscal year indicate that probably all of this amount will be used. For the budget year, since there have been no significant occurrences of the magnitude of those which occurred on the north coast, the estimate has been reduced to \$55,000.

In view of the record of financial experience mentioned above, we believe that the current estimate of \$55,000 is reasonable.

We recommend approval.

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

ITEM 364 of the Budget Bill

Budget page 1161

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

Amount requested	\$926,800
Estimated to be expended in 1965-66 fiscal year	882,800
	\$44,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This item of appropriation is payable from a special fund made up of assessments collected on criminal fines. An assessment of \$2 for each \$20 in fine or portion thereof is authorized under Chapter 1823, Statutes of 1959. These funds are allocated by the Commission on Peace Officers' Standards and Training to local jurisdictions meeting minimum standards of recruitment and training. This program is more fully discussed in a previous portion of the analysis in connection with the analysis of the commission's budget request.

We recommend approval of this subvention item as submitted.

ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS

ITEM 365 of the Budget Bill

Budget page 1161

**FOR ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS
FROM THE GENERAL FUND**

Amount requested	\$600,000
Estimated to be expended in 1965-66 fiscal year	500,000
	\$100,000

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

Under the provisions of Chapter 1334, Statutes of 1965, the state is to contribute an amount not to exceed 10 percent of the amount budgeted by counties to provide legal assistance to indigents charged with crime.

ANALYSIS AND RECOMMENDATIONS

The sum of \$600,000 based on county budgets is requested for fiscal year 1966-67. The chapter contained an appropriation of \$500,000 to initiate the program. Payments are to be made by the Department of Finance from any state moneys available for the purpose, in accordance with rules adopted by the department, and cover both public defender counties and counties which use the assigned counsel system. Forty counties have applied for funds under this program.

We recommend approval as budgeted.