

State Treasurer—Continued

Accounting and Cashiering

This section is responsible for the redemption of warrants issued by the State Controller and accounting for deposits in the state's depository banks. This activity supplements the investment program by providing daily reporting on the state's cash position. Actual and estimated workload growth is shown in the following figures:

<i>Fiscal year</i>	<i>Warrants paid (thousands)</i>	<i>Deposit and deposit reports (thousands)</i>	<i>Total items (thousands)</i>
1964-65 -----	5,194	306	5,500
1965-66 -----	5,352	322	5,674
1966-67 (est.) -----	5,516	338	5,854
1967-68 (est.) -----	5,685	354	6,039

HEALTH AND WELFARE AGENCY ADMINISTRATOR

ITEM 119 of the Budget Bill

Budget page 432

**FOR SUPPORT OF HEALTH AND WELFARE AGENCY
ADMINISTRATOR FROM THE GENERAL FUND**

Amount requested in Budget Bill -----		\$183,664
Budget request before identified adjustments -----	\$200,914	
Increase to recognize full workload change -----	3,157	
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Budget as adjusted for workload change -----	\$204,071	
Adjustment—undetailed reduction (10 percent) -----	20,407	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET -----		\$2,000
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$18,407

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Workload adjustment, in-state travel -----	\$1,000	432	18
Workload adjustment, out-of-state travel -----	1,000	432	18

ANALYSIS AND RECOMMENDATIONS

The Health and Welfare Agency Administrator supervises, and for the Governor, coordinates the operation of the Departments of Social Welfare, Mental Hygiene, Public Health, Rehabilitation, Office of Health Care Services, the Citizens Advisory Committee on Aging, the Office of Atomic Energy Development and Radiation Protection and the Mental Retardation Services Development and Coordination Program.

The budget estimates workload costs of \$264,971 in 1967-68, composed of \$60,900 of federal funds and a General Fund amount of \$204,071 which after an undetailed reduction of \$20,407 amounts to a net General Fund appropriation of \$183,664. This can be compared to estimated costs of \$523,812 for 1966-67. The decrease is primarily the result of the termination during the budget year of the federal grant for initial mental retardation planning made available to the

Health and Welfare Agency Administrator—Continued

agency at the time of the formation of the office for Mental Retardation Services Development and Coordination.

*Increase to recognize full workload change
(budget page 432, line 17)----- \$3,157*

The 1967-68 budget proposes \$3,157 for "increase to recognize full workload change." This proposal which is undetailed in the budget, amounts to \$95 for general expense, \$1,062 for communications, \$1,000 for travel in-state and \$1,000 for out-of-state travel, and relates only to the support of the agency administrator's own budget and the Mental Retardation office. The other agencies supervised by the agency administrator are supported by separate budget items.

We recommend the deletion of \$1,000 for in-state travel.

No supporting detail concerning increased workload travel requirements has been submitted. No new personnel, programs or activities are projected in the budget, in fact the level of activity in the Mental Retardation office is expected to decrease as the result of the termination of the federal planning grant. Total in-state travel is projected in the budget at \$11,500 without this increase, and is \$1,805 more than was actually spent on travel in state in 1965-66. This latter increase is more than sufficient to take care of the increase in costs for per diems which is anticipated in the current and budget years.

We recommend the deletion of \$1,000 for out-of-state travel.

Combined out-of-state travel for the Agency Administrator and Mental Retardation office is budgeted at \$6,500 for 1967-68, exclusive of this requested increase of \$1,000. Actual out-of-state travel for these functions in 1965-66 was \$5,199. Thus, \$1,301 more is included in the regular budget for out-of-state travel, than was actually required in 1965-66, when the agency was promoting and received a federal planning grant. This request for an additional \$1,000 has not been supported by a detailed schedule of required out-of-state trips and must be considered as an increase in level of service.

**Health and Welfare Agency
OFFICE OF HEALTH CARE SERVICES**

ITEM 120 of the Budget Bill

Budget page 435

**FOR SUPPORT OF THE OFFICE OF HEALTH CARE SERVICES
FROM THE HEALTH CARE DEPOSIT FUND**

Amount requested -----	\$4,117,976
Estimated to be expended in 1966-67 fiscal year -----	3,988,597
Increase (3.2 percent) -----	\$129,379

TOTAL RECOMMENDED REDUCTION----- None

GENERAL PROGRAM STATEMENT

The Office of Health Care Services was established during 1965-66 to operate and coordinate the activities of the medical assistance program on behalf of the Health and Welfare Agency Administrator.

Office of Health Care Services—Continued

Chapter 4, Statutes of 1965, established the Health Review and Program Council which serves in an advisory capacity to the Governor and the Administration of the Health and Welfare Agency.

In 1967-68 a total of 281.3 authorized positions are requested for the Medical Assistance Program at a total cost of \$4,117,976 from the Health Care Deposit Fund. During 1966-67, 264.7 positions are authorized in this program at a total cost of \$3,988,597.

The Office of Health Care Services is divided into four functional areas. In 1967-68 it is estimated there will be 122.8 positions in these four areas at a total cost of \$1,768,879. (budget page 443, line 19.)

Executive Function: This area includes a director, deputy director, Health Review and Program Council, publications coordinator and clerical staff that have as their purpose the direct administration of the Medical Assistance Program.

Program and Planning Function: Included in this area is a social services bureau that will meet the federally identified functional areas of general social services, medical social services, and mental health social services; it also includes a medical services bureau whose activities include continuous review of regulations, benefits, program guides, and a whole gambit of related problems.

Staff Development and Training Function: This personnel is designed to move the state toward the goal of trained and qualified staff.

Fiscal and Management Control: Under the direction of the assistant director, a fiscal control unit, a management evaluation unit, and a small office services unit will have as their primary responsibility budget preparation, planning and control.

During the current fiscal year, 114.4 positions are authorized and \$1,702,261 is appropriated from the Health Care Deposit Fund for the Office of Health Care Service to administer the Medical Assistance Program.

The agency administrator, acting through the Office of Health Care Services, has assigned various functions of the Medical Assistance Program to the Departments of Social Welfare, Public Health and Mental Hygiene.

DEPARTMENT OF SOCIAL WELFARE (budget page 448, line 20)

This department has the responsibility in the Medical Assistance Program for the supervision of county welfare operations including eligibility determinations, compliance with recordkeeping, and training and staff development, case services for mental hospital patients, complaints, provision of supportive administrative services for the Office of Health Care Services, recommendations for program modification, and, the preparation of reports and studies. In 1967-68 a total of 108 Medical Assistance Program positions at a cost of \$1,486,641 are requested in the Department of Social Welfare. During the current fiscal year, the Department of Social Welfare's function is estimated to cost \$1,412,057 with 99.8 authorized positions.

Office of Health Care Services—Continued

DEPARTMENT OF PUBLIC HEALTH (budget page 452, line 48)

The responsibilities assigned to this department for implementation of the Medical Assistance Program are: consultation and certification of facilities and providers of service, monitoring of quantity and quality of care provided, collaboration with the Office of Health Care Services in monitoring the medical benefits provided and program utilization and the determination of rates and charges for services, preparation of reports and studies and recommendation of program modifications. These responsibilities are estimated to cost \$792,164 in 1967-68 with 41.8 positions. During 1966-67, the Department of Public Health is authorized the same number of positions at a cost of \$807,479.

In addition, the Department of Public Health has responsibilities under the provisions of Public Law 89-97, Title VIII (Medicare), and an agreement with the Social Security Administration. The department is required to certify hospitals, extended care facilities, home health agencies and laboratories, consult providers of service and develop needed health care resources and coordinate health insurance under the Old Age Security Program with other health programs in the state. These functions are estimated to cost the federal government \$771,413 and the department has assigned 55.1 positions to this responsibility.

DEPARTMENT OF MENTAL HYGIENE (budget page 454, line 76)

This department has the responsibility for securing mental patients' benefits from the health care programs and assuring proper reimbursement to the state where appropriate. An average of 5,000 persons in 14 hospitals are estimated to be eligible for such benefits during 1967-68 under the state and federal programs. A staff of 8.7 positions are requested for the Medical Assistance Program at an estimated cost of \$70,292 in 1967-68. In the current year, 8.7 positions at a cost of \$66,800 are authorized.

DEPARTMENT OF REHABILITATION

This department provides medical services as a part of a vocational rehabilitation plan designed to restore the individual to employment.

FISCAL INTERMEDIARY

The Health and Welfare Agency Administrator through the Office of Health Care Services is operating under a contract with a tripartite fiscal intermediary consisting of Blue Shield, Hospital Service of California (Blue Cross) and Hospital Service of Southern California (Blue Cross). The fiscal intermediary assures proper utilization and payment for vendor service, maintains records sufficient to provide control and pays all claims. This contract terminated December 31, 1966 with provision for the present month-to-month extensions until a prepayment plan is adopted or the state can assume this function as a state operation.

We recommend the approval of this item as budgeted.

CALIFORNIA COMMISSION ON AGING

ITEM 121 of the Budget Bill

Budget page 456

FOR SUPPORT OF CALIFORNIA COMMISSION ON AGING FROM THE GENERAL FUND

Amount requested in Budget Bill		\$111,646
Budget request before identified adjustments	\$124,051	
Increase to recognize full workload change	None	
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Budget as adjusted for workload change	\$124,051	
Adjustment—undetailed reduction (10 percent)	12,405	
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RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		None
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$12,405

ANALYSIS AND RECOMMENDATIONS

The California Commission on Aging was established in 1956 with the purpose of advising the Governor on action necessary to meet the needs of older persons in California, to work with communities in developing programs for the well-being of the aged, and to act as an information center for all interested individuals and organizations.

The Commission proposes to spend \$111,646 from the General Fund in 1967-68 and \$298,800 of federal funds related to the Older Americans Act which this commission has been designated to administer. There will be 11.5 support positions related to this commission's work in 1967-68.

In 1965-66 the Citizens Advisory Commission on Aging (now called California Commission on Aging) was authorized 4.8 support positions. In 1965-66, the commission spent a total of \$67,265. Of this amount, \$53,869 was from the General Fund and \$13,396 was from federal funds. The increase in federal funds from 1965-66 through 1967-68 is a result of implementing the Older Americans Act which develops programs for older adults and, in 1967-68 should affect 30 of the 58 counties in California.

OFFICE OF ATOMIC ENERGY DEVELOPMENT AND RADIATION PROTECTION

ITEM 122 of the Budget Bill

Budget page 457

FOR SUPPORT OF THE OFFICE OF ATOMIC ENERGY DEVELOPMENT AND RADIATION PROTECTION FROM THE GENERAL FUND

Amount requested in Budget Bill		\$54,008
Budget request before identified adjustments	\$56,267	
Increase to recognize full workload change	3,742	
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Budget as adjusted for workload change	\$60,009	
Adjustment—undetailed reduction (10 percent)	6,001	
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RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$60,009
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		\$54,008

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Terminate support—Office of Atomic Energy Development and Radiation Protection	\$54,008	457	60, 64

Office of Atomic Energy Development and Radiation Protection—Continued

GENERAL PROGRAM STATEMENT

The Office of Atomic Energy Development and Radiation Protection has an advisory and coordinative responsibility for atomic energy development and radiation protection in California. This activity is carried out by the coordinator who advises the Governor and the Legislature and coordinates the activities of various public agencies, both state and local, with each other, other states and the federal government.

The budget proposes a net General Fund appropriation of \$54,008 for the support of the office after an increase to recognize full workload change of \$3,742 and a 10-percent undetailed reduction of \$6,001.

We recommend a reduction of the entire budget request for support of the Office and an assignment of its functions, duties and responsibilities to the State Department of Public Health.

The first major legislation relating to control of radioactive contamination of the environment, was adopted as Chapter 1668 of the 1955 Session, while the Office of Atomic Energy Development and Radiation Protection was authorized at the 1959 session of the Legislature. The 1955 legislation vested the surveillance and control of the introduction of radioactive materials into the environment with the State Department of Public Health. The department subsequently established a Bureau of Radiological Health with a 35-man staff, including public health officers, health physicists, radiation protection specialists, and related personnel and a radiation laboratory with a 11-man staff comprised of chemists and related personnel.

The office was originally established to provide the Governor with a staff member of competence in the field of atomic energy and radiation to secure advice in all related areas. However, the original basis for the establishment of the office was altered in 1963 with the transfer of this office from the Governor's Office to the Health and Welfare Agency.

This office played a major role in reaching the agreement with the Atomic Energy Commission whereby a large part of the commission's radioactive material licensing and inspection responsibility was transferred to the State of California. However, this transfer was completed in 1962 and there has been little reason to continue this office since that date.

The staff of the Department of Public Health's radiological health unit and radiation laboratory have the competence to carry on the limited number of functions, duties and responsibilities remaining with the Office of Atomic Energy Development and Radiation Protection.

Department of Mental Hygiene

SUMMARY

Proposed total program 1967-68.....	\$232,754,419
Estimated to be expended in 1966-67 fiscal year.....	229,000,084
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Increase (1.6 percent).....	\$3,754,335

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene currently operates 10 hospitals for the mentally ill, 4 hospitals for the mentally retarded, 2 hospitals devoted to research and teaching, and provides primary support for 41 community psychiatric programs. In addition, the Department of Social Welfare, the Department of Public Health, the Department of Rehabilitation and the Department of Education provide supportive services for both the mentally ill and the mentally retarded. For purposes of program evaluation department activities can be considered to fall generally in the following program categories:

1. Departmental administration
2. Research and training
3. Hospitals for the mentally ill
4. Hospitals for the mentally retarded
5. Assistance to local programs under the Short-Doyle Act.

Departmental expenditures for 1967-68 are proposed at \$218,705,819 of state funds, \$10,250,855 of local funds, and \$3,797,745 of federal funds. The 1967-68 budget anticipates a 22 percent increase over the expenditure level of 1963-64. This increase is in marked contrast to the trend of hospital resident population during this same period.

Population Trends—1963-64—1967-68

<i>Patient category</i>	<i>Actual 1963-64</i>	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Estimated 1966-67</i>	<i>Estimated 1967-68</i>
Mentally ill	32,927	30,518	27,517	23,687	19,950
Mentally retarded	12,579	12,893	13,081	13,328	13,493
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Total population ...	45,506	43,411	40,598	37,015	33,443

Resident population for both the mentally ill and the mentally retarded has declined by over 12,000 patients or 26 percent during the most recent five-year period, 1963-64—1967-68. Perhaps even more significant is the fact that while the mentally retarded population has increased only slightly (8 percent) during this period, the mentally ill population has declined almost 40 percent.

The reduction in the mentally ill resident population reflects the national pattern for large, institutional mental hospital systems. As the following table indicates, however, California's rate of decline since 1963-64, far surpasses the national average indicating the tremendous changes in a short period of time that have taken place in the hospital programs for the mentally ill.

Department of Mental Hygiene—Continued

Percentage Decline, Resident Population, Hospitals
For The Mentally Ill, 1963-64—1967-68
(1963-64= Base Year Population of 100 Percent)

	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
U.S. average -----	--	3%	8%	14%	20%
(excludes California)					
California average -----	--	9%	18%	28%	40%

While resident population has declined substantially over the five-year period, admissions have remained relatively constant.

Admission Trends—1963-64—1967-68

<i>Patient category</i>	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
Mentally ill -----	26,777	27,252	26,816	27,060	26,860
Mentally retarded -----	909	1,270	1,232	1,400	1,100
Total, admissions --	27,686	28,522	28,048	28,460	27,960

Hospital releases have increased gradually each year, and are estimated to reach a peak of 32,245 in 1966-67 and decline to 31,560 in the 1967-68 fiscal year.

<i>Patient category</i>	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
Mentally ill -----	29,050	29,640	30,502	31,174	30,460
Mentally retarded -----	809	1,057	1,067	1,071	1,100
Total releases -----	29,859	30,697	31,569	32,245	31,560

The fact that each year net releases exceeded total admissions is indicative of reduced treatment time for virtually all patients as well as an increased ability to place long-term patients in other care situations and thus effect releases for this latter category. The estimated decline in releases for 1967-68 probably reflects the fact that the hospital population is substantially less than it was in preceding years, and that there are fewer long-term patients amenable to outside placement, particularly at Modesto State Hospital. If the resident population decline of the last five years continues, California's hospital population may approximate 22,000 in 1972-73, five years in the future. Of this population, over 14,000 would be mentally retarded patients, and the balance of 8,000 would be the mentally ill. Three of the most important factors in the overall reduction of the mentally ill resident population are:

(1) Increased use of social assistance programs to support-released patients (2) the increased use of tranquilizing drugs and (3) the adoption of positive treatment attitudes in the hospitals. In addition, the development of community psychiatric programs appears to have had some beneficial effect in reducing county commitment rates of the mentally ill to the state hospitals although this decrease has not been reflected uniformly throughout the state.

The trend of population decline, as well as the magnitude of this decline to date, requires a careful assessment of the role of the state hospital.

DEPARTMENT OF MENTAL HYGIENE

ITEM 123 of the Budget Bill

Budget page 464

FOR SUPPORT OF THE DEPARTMENT OF MENTAL HYGIENE
FROM THE GENERAL FUND

Amount requested in Budget Bill.....		\$5,335,766
Budget request before identified adjustments.....	\$5,733,199	
Increase to recognize full workload change.....	195,430	
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Budget as adjusted for workload change.....	\$5,928,629	
Adjustment—undetailed reduction (10 percent).....	592,863	
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RECOMMENDED REDUCTION FROM WORKLOAD BUDGET.....		\$477,082
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$115,781

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Office of Planning	\$50,484	466	5
Cohort Program	52,620	466	5
Bureau of Patients' Accounts.....	222,044	466	5
Insurance Billing	\$61,392		
Rating and Adjustment	89,384		
Regional Offices	71,268		
Workload Increases	117,857	464	75
Equipment	34,077	468	37

GENERAL PROGRAM STATEMENT

Departmental administration is charged with the formulation of overall policy and the administration of the statewide activities of the department. The organizational components are separated into five functional areas:

1. The executive function which includes the office of the director, public information, program review and planning.
2. The Division of State Services which is responsible for the policy formulation and administration of the care and treatment activities of the hospitals for the mentally ill and retarded.
3. The Division of Local Programs which is responsible for the administration of state-community financed programs for mental health as well as private-care institutional licensing.
4. The Division of Research and Training which is responsible for all research and training provided at the state hospitals, neuropsychiatric institutes, community training centers, and the central statistical research activity in Sacramento.
5. The Division of Administration which is responsible for department support services: fiscal, legal, data processing, nutrition, personnel, facilities planning, management analysis, patients' accounts, general services, and insurance development and coordination.

Department of Mental Hygiene—Continued

The following table charts departmental growth trends for administration for the five-year period 1963-64 to 1967-68.*

Source of funds	Actual 1963-64	Actual 1964-65	Actual 1965-66	Estimated 1966-67	Estimated 1967-68
General funds --	\$3,853,562	\$4,560,881	\$5,392,367	\$5,698,106	\$5,928,629
Federal funds --	661,325	672,636	436,634	481,892	496,124
Total -----	\$4,514,887	\$5,233,517	\$5,829,001	\$6,179,998	\$6,424,753

* In 1966, the Legislature transferred the convalescent leave program from the Department of Mental Hygiene to the Department of Social Welfare. For adequate comparative figures, these expenditures have not been included in the amounts listed for Administration 1963-64 to 1967-68.

Total support for departmental administration is estimated to increase 42 percent between 1963-64 and 1967-68. General Fund support for administration during this same period is expected to increase almost 54 percent. While a portion of this increase can be attributed to the general increase in the cost of services, the department has added an Office of Planning as a General Fund activity (this activity was previously supported entirely from federal funds) in addition to providing increased staffing for research and training and local program administration. Other increases can be attributed to normal workload activity.

ANALYSIS AND RECOMMENDATIONS

The 1967-68 budget estimates support costs of \$6,424,753 including a full workload adjustment of \$195,430 and federal funds of \$496,124, and a net General Fund appropriation amount of \$5,335,766 after an undetailed reduction of \$592,863.

Office of Planning

The single most pressing planning question in relation to the department's activities is the role of the state hospital. The changes that have taken place in recent years in both treatment methods and social services have had a tremendous impact on reducing hospital populations.

The Office of Planning was established as a General Fund program in the 1965-66 fiscal year. Previous to this time, the federal government had provided total support for a comprehensive planning program within the department. The cost to the General Fund for the planning office will exceed \$120,000 for the 1965-66 and 1966-67 fiscal years.

We recommend that the Office of Planning be eliminated

(budget page 466, line 5) ----- \$50,484

Planning, in the Department of Mental Hygiene, should perhaps more properly be labeled management decision-making. Management planning information for projecting future program needs and directions is adequately available through a number of sources: research and statistics, office of program review, and the administrative offices of state services and local programs. Physical plant planning is provided by the office of facilities planning.

The Office of Planning has not so far addressed itself to the major problems of the organizational scheme best suited to the provision of mental health services in California, but rather has served as a supple-

Department of Mental Hygiene—Continued

mentary source for information which was equally or even more appropriately available through regular departmental channels. Realistic program planning in terms of operations is an implicit function of the Divisions of Local Programs and State Services, and cannot successfully be delegated as a staff function to a quasi-research office. The management decision function as it relates to the future of the department likewise cannot be delegated, consequently it does not appear that the Office of Planning has a useful role to perform in relation to the department's problems.

Cohort Program

The Cohort Program was established in 1957-58 in order to develop comprehensive data tracing the history of various patient groups as they move in and out of hospitals for the mentally ill. The total cost of developing this data, since its inception, has been approximately \$460,000. Cohort data has now been brought up to date and incorporated into the department's regular statistical system.

We recommend that the positions budgeted for updating and completing cohort data be terminated.

7 positions (budget page 466, line 5)----- \$52,620

These positions have been approved by the Legislature during the period the cohort program has been in existence. The job is now completed and these positions are no longer required for the purpose for which they were originally authorized.

Bureau of Patients' Accounts

This bureau is responsible for administering the department's program of:

- (1) Securing individual patient benefits such as social security, insurance, and retirement allowances and maintaining these payments in individual trust accounts;
- (2) Determining whether a patient can contribute all or a portion of the cost of care received, and charging his estate in those cases where there is an ability to pay; and
- (3) Maintenance of a billing operation for proper recovery of patient care benefits under the Federal Social Security Act.

A total of 259.5 positions (101.5 positions in headquarters and 158.0 positions at the hospitals) are budgeted for 1967-68 to perform the patients' accounts function at an estimated support cost of \$2,210,000. The functional organization of the Bureau of Patients' Accounts divides workload activities between the hospitals and central administration.

The Insurance Claims Unit, located in Sacramento, has a budgeted staff of one patients' estates and accounts supervisor, two estates and accounts specialists and eight clerical positions. This unit is responsible for processing and billing insurance claims received by the hospitals.

Department of Mental Hygiene—Continued

We recommend that the insurance claim function be decentralized to the state hospitals and the following positions deleted from the budget:

1 Patients' estates and accounts supervisor	\$8,952
2 Patients' estates and accounts specialists	\$16,248
8 Intermediate clerks	\$36,192
11 Positions, total salaries and wages (budget page 466, line 5)	\$61,392

The insurance claim process begins as soon as a patient is admitted to a state hospital. If a patient is covered by insurance, the necessary information is gathered at the hospital and then forwarded to Sacramento for routing and review. The bill is then prepared in Sacramento and sent to the insurance carrier. The only functional workload performed in Sacramento is the preparation of the bill. The bill could have been sent directly from the hospital without duplicating time and effort. Only in cases of extreme complexity would the claim need to be sent to Sacramento for evaluation.

The Rating and Adjustment Unit, located in Sacramento, has a budgeted staff of one patients' estates and accounts supervisor, six patients' estates and accounts specialists and seven clerical positions. This unit is responsible for the determination of a patient's ability to pay all or part of the cost of care. The determination of particular patient charges is predicated on two factors:

(1) A schedule of charges used as a guideline for assessing patient liability, and

(2) The individual assessment of a patient's financial status by the patients' estates and accounts specialist reviewing that particular case.

We recommend that patient liability rating be decentralized to the state hospitals and that the department establish a schedule of patient charges to govern patient liability, and delete the following positions:

1 Patients' estates and accounts supervisor	\$8,952
6 Patients' estates and accounts specialists	\$48,744
7 Intermediate typist-clerks	\$31,688
14 Positions, total salaries and wages (budget page 466, line 5)	\$89,384

The rating function has a work-flow process similar to insurance billing. Initial information is gathered at the time of admission to a state hospital. The patient information is then sent to Sacramento for processing and determination of patient liability. This process should be performed entirely in the hospitals. The reduction in treatment time for virtually all newly admitted patients requires that assessment and collection take place as soon as possible.

The department is currently decentralizing this function to the state hospitals on a trial basis. They plan to transfer rating and adjustment personnel in Sacramento to perform the same activity in the hospitals. The need to transfer personnel to perform this activity is unnecessary if the department establishes a schedule of charges according to ability

Department of Mental Hygiene—Continued

to pay that would be applicable for all patients, rather than serving just as a guideline which is subjected to additional individual interpretation. The present method of using a rate schedule as a guideline and then subjectively establishing a rate has led to patient complaints over unequal charges. The utilization of a schedule that removes the individual subjective factor should alleviate the cause of many complaints as well as eliminate the need for additional review and evaluation.

The Bureau of Patients' Accounts maintains three regional offices in Los Angeles, San Francisco and Oakland, for the purpose of providing casework follow-up in these areas. The total regional office field staff consists of 3 supervisors, 13 specialists and 8 clericals.

We recommend that the Bureau of Patients' Accounts regional offices be reduced, by:

1 Patients estates and accounts supervisor.....	\$8,952
6 Specialists	\$48,744
3 Clericals	\$13,572
10 Positions (budget page 466, line 5).....	\$71,268

Caseload referrals to the field office locations have been declining steadily since December of 1963. In December, 1963 there were 2,220 case referrals; in December 1965, 1,472 case referrals; in June 1966, 1,026 case referrals. This is a 58 percent reduction since December of 1963, without a reduction in personnel. Our proposed reduction would reflect this decline in workload.

Increase to Recognize Full Workload

Departmental administration is requesting \$195,430 for workload increases for 1967-68. \$48,843 is requested to meet price increases in accordance with the Department of Finance price letter for operating expense categories: general expense, travel, communications, rent, utilities and training. \$146,587 is requested for new positions in the Division of Local Programs:

1. One program consultant is requested to service the Fresno regional office. The Fresno regional office is currently the only regional office without a program consultant.

2. Two positions are requested for additional staffing of the San Francisco regional office on the basis that the cost of the local community programs reviewed by this office will increase from \$10,629,528 to \$14,325,097.

We recommend disapproval of: one assistant regional mental health administrator and one intermediate stenographer (budget page 464, line 78) \$32,566.

There is no anticipated increase in the number of local programs in the area to be serviced by this regional office in 1967-68. The increased costs are not indicative of increased workload. The programs are simply more costly, but retain the same characteristics and relationship to the supervisory function of the regional office. Most of the programs in

Department of Mental Hygiene—Continued

this region have been established for a number of years and present no unusual problems requiring added effort. In fact, they should require less than in their formative years thus freeing staff to concentrate on any changes or special problems which may occur.

3. Eight positions (two mental health nursing consultants, four program consultants, and two intermediate clerks) are requested to "carry [out] the workload in the private institutions section of surveying and upgrading institutions licensed by the department." Workload, in terms of institutions to be licensed, is anticipated to increase from 567 in 1966-67 to 625 in 1967-68, an increase of 11 percent.

We recommend approval of one program consultant only, and disapproval of the remaining seven proposed new positions (budget page 464, line 78) \$85,291.

The department estimates workload increases of 11 percent over the 1966-67 level. The staff budgeted for this activity in 1966-67 consists of five positions. The proposed staff increases for 1967-68 would amount to 160 percent of the 1966-67 staff level and would provide an increased level of service to the extent that it exceeds the actual workload increase.

Equipment

The Department of Mental Hygiene is requesting \$58,130 for equipment purchases in 1967-68. \$34,077 is requested for the purchase of additional equipment and \$24,053 for the purchase of replacement equipment items.

We recommend approval of only the replacement equipment requests for a savings of \$34,077 (budget page 468, line 37).

The proposed budget for administration projects the same program level for 1967-68 that is estimated for 1966-67. New, additional equipment requests are not related either to new programs or increased workload, and are not justified for continuing programs.

DEPARTMENT OF MENTAL HYGIENE

ITEM 124 of the Budget Bill

Budget page 464

FOR SUPPORT OF RESEARCH FROM THE GENERAL FUND

Amount requested in Budget Bill		\$1,177,190
Budget request before identified adjustments	\$1,307,989	
Increase to recognize full workload change	none	
Budget as adjusted for workload change	\$1,307,989	
Adjustment—undetailed reduction (10 percent)	130,799	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$164,104
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		\$33,305

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduce Project Expenditures	\$164,104	472	15

Department of Mental Hygiene—Continued

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene conducts research into the cause, nature, prevention and treatment of mental illness and mental retardation. The department maintains research staffs at the two neuropsychiatric institutes, the hospitals for the mentally ill and the mentally retarded. The Division of Research and Training provides overall administration and direction to the total research program. The research activity may be viewed in two program categories:

(1) Continuing research at the various hospital locations that deal with all phases of mental illness and mental retardation.

(2) Special projects, in large part supported by federal funds, that are generally reflective of the department operational research program which undertakes research training, hospital improvement projects and compensatory education projects as well as general research into causes of mental illness and retardation.

The following table charts departmental growth trends for research activities for the five-year period, 1963-64 to 1967-68.

<i>Program category</i>	<i>Actual 1963-64</i>	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Est. 1966-67</i>	<i>Est. 1967-68</i>
Continuing Research					
General Fund -----	\$1,042,929	\$1,104,913	\$1,714,824	\$1,305,489	\$1,307,989
Federal funds -----	---	179,020	198,490	250,000	250,000
Special Projects					
Federal funds -----	1,495,464	2,337,571	2,530,879	3,674,359	2,882,603
Total -----	\$2,538,493	\$3,621,504	\$4,444,193	\$5,229,848	\$4,440,592
General Fund -----	1,042,929	1,104,913	1,714,824	1,305,489	1,307,989
Federal funds -----	1,495,464	2,516,591	2,729,369	3,924,359	3,132,603

Total support for departmental research is estimated to increase 75 percent from 1963-64 to 1967-68. General Fund support for research is estimated to increase 25 percent during this same period. Research expenditures vary from year to year, usually depending on the number of federally financed projects operating at one time. The state funds a permanent research staff at each hospital that provides the continuity for ongoing research not necessarily directed to one project.

ANALYSIS AND RECOMMENDATIONS

The budget estimates support of research at \$4,440,592, including \$3,132,603 of federal funds, and requests a net General Fund appropriation of \$1,177,196 after undetailed reduction of \$130,799.

Project Expenditures

The project expenditure category (budget page 472, line 15) proposes \$582,046 for support of specialized research for fiscal 1967-68. Of this amount \$417,942 has been allotted to 36 proposed projects, 7 related to mental illness, 12 related to mental retardation and 17 uncategorized. Project funds totaling \$164,104 have not been allocated to projects. The department proposes to allocate these funds to projects after the budget has been reviewed and approved.

Department of Mental Hygiene—Continued

We recommend that project expenditures be reduced by the amount currently unallocated in the 1967-68 budget (budget page 472, line 15)—\$164,104.

The purpose of maintaining continuing research staffs at the hospitals and neuropsychiatric institutes is to allow the research program the freedom to pursue research generally, without being necessarily related to specific projects. For 1967-68 the state is committing \$975,943 to such research activity, but on an organized basis. The existence of an unallocated fund of \$164,104 can lead to the approval of essentially low priority or poorly conceived projects in the sheer interest of utilizing available funds, rather than as part of a total high quality research program with attainable goals which can maximize the return to the state for its research investment. The requirement (inherent in our recommendation) that project applications be submitted sufficiently far in advance to permit their review and presentation in the regular departmental budget should not preclude the inclusion of any worthwhile research, but may have the beneficial effect of precluding poor, hastily conceived projects.

DEPARTMENT OF MENTAL HYGIENE

ITEM 125 of the Budget Bill

Budget page 477

FOR SUPPORT OF THE NEUROPSYCHIATRIC INSTITUTES
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$7,895,057
Budget request before identified adjustments	\$8,476,208	
Increase to recognize full workload change	296,078	
	\$8,772,286	
Budget as adjusted for workload change	\$8,772,286	
Adjustment—undetailed reduction (10 percent)	877,229	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET ---- \$158,832

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$718,397

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Reduce workload increase	\$130,132	477	11
Reduce equipment	28,700	478	39

GENERAL PROGRAM STATEMENT

The department operates two neuropsychiatric institutes which serve three major functions:

(1) Provide training in psychiatry, psychology, social work, nursing and other mental health specialities,

(2) Maintain a continuing research activity into all aspects of mental illness and mental retardation, and

(3) Provide hospital patient services to the extent that they relate to training and/or research.

The two neuropsychiatric institutes are operated in conjunction with the University of California Medical Centers at San Francisco and Los Angeles. Both facilities are currently engaged in additional facili-

Department of Mental Hygiene—Continued

ties planning in order to increase class size and provide an enlarged research and training program in the area of mental retardation.

The following table charts departmental growth trends for support of neuropsychiatric institutes for the five-year period, 1963-64 to 1967-68.*

	1963-64	1964-65	1965-66	1966-67	1967-68
General Fund -----	\$6,817,528	\$7,440,215	\$7,727,047	\$8,326,042	\$8,772,286
Other funds -----	179,621	89,981	46,658	59,940	--
Total -----	\$6,997,149	\$7,530,196	\$7,773,705	\$8,385,982	\$8,772,286

Support expenditures for the neuropsychiatric institutes are estimated to increase 25 percent from 1963-64 to 1967-68. General Fund support during this same period is expected to increase 29 percent. In 1967-68 the department estimates that the workload activity of the hospital will consist of:

(1) 81,100 hospital inpatient days at an average cost of \$81 per patient day for 26,400 patient-days at Langley Porter and \$73.34 per patient-day for 54,700 patient days at U.C.L.A.

(2) 7,736 hospital days of day care at an average cost of \$24.63 per patient day for 6,200 patient-days at Langley Porter and \$35.30 per patient day for 1,536 patient-days at U.C.L.A.

(3) 58,200 outpatient interviews at an average cost of \$34.09 per interview for 22,400 interviews at Langley Porter and \$37.86 per interview for 35,800 interviews at U.C.L.A.

ANALYSIS AND RECOMMENDATIONS

The budget estimates support costs for the neuropsychiatric institutes at \$8,772,286 for fiscal 1967-68, and requests a net General Fund appropriation of \$7,895,057 after adjustment of \$296,078 to allow for full workload and undetailed reduction of \$877,229.

Increase to Recognize Full Workload

Of the \$296,078 for 1967-68 workload increases for the two neuropsychiatric institutes, \$171,622 is requested to fund 41 proposed new positions at U.C.L.A. Ten of these positions are requested to staff and maintain an enlarged outpatient department and the remaining 31 positions are requested for the new mental retardation center. In addition, the department is requesting \$34,456 for price increases and \$90,000 for augmentation of the medical care allotment.

Present construction plans call for completion of the enlarged outpatient clinic area by January 1, 1968 and completion of the new mental retardation wards and research areas by the end of 1968. The mental retardation outpatient program should commence in early 1968; however, the total mental retardation program will not be operational until at least early 1969.

* Expenditures for research are not included in support costs of the neuropsychiatric institutes. Research expenditures for all hospitals and both institutes are presented in the department's research budget.

Department of Mental Hygiene—Continued

We recommend that the positions budgeted for the new Mental Retardation Center be delayed for approval until 1968-69.

<i>Accounting (2 positions)</i> -----	\$3,839
<i>Personnel (2 positions)</i> -----	11,673
<i>Storage (2 positions)</i> -----	6,464
<i>Research (10 positions)</i> -----	60,200
<i>Residencies (11 positions)</i> -----	21,781
<i>Executive (2 positions)</i> -----	18,899
<i>Library (2 positions)</i> -----	7,276
<i>Total, 31 positions (budget page 477, line 11)</i> -----	\$130,132

The positions requested to staff the Mental Retardation Center have been budgeted as half-year positions in the 1967-68 budget. It is anticipated that only the mental retardation outpatient activity will begin in the 1967-68 fiscal year. We have recommended approval of the 10 proposed new positions for staffing of the outpatient department. The Mental Retardation Center currently has a director and staff which have been coordinating program development in anticipation of construction completion in early 1969. The resubmission of staffing requests for the Mental Retardation Center in the 1968-69 budget would still give the program six months lead time before completion of facilities. Approval at this time would be premature and unjustified on the basis of program activity.

The price increase request of \$34,456 is in accordance with the 1967-68 Department of Finance price letter for increases in various operating expense categories: general expense, communications, travel, medical care, rehabilitation therapy, maintenance and utilities. The request of \$90,000 for additional funds for medical care relates to two factors:

- (1) The U.C.L.A. Medical Center has increased salary costs for services purchased by the Neuropsychiatric Institute; and
- (2) The U.C.L.A. Medical Center method of billing for radiological services has been changed. The Neuropsychiatric Institute will now be billed for services previously billed the patient directly. To the extent that these added costs will be reflected for patients covered by medical insurance, there will be a reimbursement offset to the General Fund.

Equipment

The neuropsychiatric institutes are requesting \$45,000 for the purchase of equipment in 1967-68. Of this \$16,300 is requested for replacement of old equipment and \$28,700 for the purchase of additional new equipment.

We recommend approval of only replacement equipment requests for a savings of (budget page 478, line 39) \$28,700.

The proposed 1967-68 budget for the neuropsychiatric institutes projects the same program level as estimated for 1966-67, with the exception of an enlarged outpatient department at U.C.L.A., which was

Department of Mental Hygiene—Continued

requested under the increase to recognize the full workload item above. This new, additional equipment request, however, is not related to the outpatient program, new programs or increased workload.

DEPARTMENT OF MENTAL HYGIENE

ITEM 126 of the Budget Bill

Budget page 479

FOR SUPPORT OF HOSPITALS FOR THE MENTALLY ILL FROM THE GENERAL FUND

Amount requested in Budget Bill	\$113,260,273
Budget request before identified adjustments	\$125,754,366
Increase to recognize full workload change	90,382
 Budget as adjusted for workload change	 \$125,844,748
Adjustment—undetailed reduction (10 percent)	12,584,475
 RECOMMENDED REDUCTION FROM WORKLOAD BUDGET	 \$25,265,934
 RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST	 \$12,681,459

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Day care clinics	\$712,763	various	
Outpatient clinics	784,663	various	
Reduction in hospital overhead	6,378,000	various	
Staff-patient ratios	17,019,975	various	
Workload increases	18,122	479	19
Equipment	352,411	482	54

ANALYSIS AND RECOMMENDATIONS

The largest single program in the Department of Mental Hygiene is the care and treatment of the mentally ill. Services are offered at ten residence hospitals: Agnews, Atascadero, Camarillo, DeWitt, Mendocino, Metropolitan, Modesto, Napa, Patton and Stockton; three day-care clinics: Los Angeles, San Diego and San Francisco, as well as outpatient services in Berkeley, Fresno, Los Angeles, Long Beach, Sacramento and San Diego. Aftercare and preadmission services are also provided by community psychiatric programs, the Department of Social Welfare, other public and private agencies, in addition to the Department of Mental Hygiene.

The following table charts the trend in costs for the hospitals for the mentally ill for the five-year period 1963-64 to 1967-68.

Cost Trends—Hospitals for the Mentally Ill
1963-64—1967-68

	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
State funds ----	\$104,203,744	\$108,882,127	\$115,504,346	\$124,957,767	\$125,844,748
Federal funds --	--	--	--	165,485	169,018
	<u>\$104,203,744</u>	<u>\$108,882,127</u>	<u>\$115,504,346</u>	<u>\$125,123,252</u>	<u>\$126,013,766</u>

Total support for the hospitals for the mentally ill is estimated to increase 21 percent from 1963-64 to 1967-68. Because of the rapid de-

Department of Mental Hygiene—Continued

cline in average resident population, yearly per-patient costs are estimated to increase 80 percent during this same period.

	Average Yearly Per-Patient Costs, 1963-64—1966-67				
	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
Mentally ill ---	\$3,160	\$3,382	\$3,990	\$4,886	\$5,702

Total costs and current and future estimates have not been reduced at all despite a 40-percent decline in average resident population (13,000 resident patients).

The budget estimates support costs for the hospitals for the mentally ill at \$126,013,766 including a full workload adjustment of \$90,382 and \$169,018 of federal funds, and requests a net General Fund appropriation of \$113,260,273 after an undetailed reduction of \$12,584,475.

Day Care Treatment Centers

The Department of Mental Hygiene operates three day-care treatment centers in Los Angeles, San Diego and San Francisco. The average yearly caseload for 1967-68 is estimated at 688 patients. The cost of all centers is estimated at \$712,763 for the 1967-68 fiscal year.

We recommend the termination of the day-care treatment centers and the deletion of the following:

<i>Salaries and wages (budget page 481, line 4)</i> -----	\$522,084
<i>Operating expenses (budget page 482, line 24)</i> -----	178,679
<i>Equipment (budget page 482, line 56)</i> -----	12,000
<i>Total reduction</i> -----	<u>\$712,763</u>

The department is providing day-care services in population areas currently served by Short-Doyle programs expending nearly \$16 million. San Francisco operates a community psychiatric program of over \$4 million offering outpatient services at 13 communitywide locations. Los Angeles maintains a program of over \$10 million, offering outpatient services at 14 communitywide locations, and San Diego operates a program of nearly \$2 million providing outpatient services at five locations.

Los Angeles, San Francisco and San Diego all provide community programs offering comprehensive services. The combined expenditures of these programs comprise nearly 50 percent of the total statewide Short-Doyle budget. It is costly and unnecessary for the department to provide state programs that duplicate and compete with this community effort. The assumption of caseloads currently served at the day-care centers by Short-Doyle programs may result in increased subventions by the state to those programs.

Outpatient Clinics

The Department of Mental Hygiene operates six outpatient clinics located in Berkeley, Fresno, Los Angeles, Long Beach-San Pedro, Sacramento and San Diego. The Berkeley clinic is maintained as a center for

Department of Mental Hygiene—Continued

child psychiatry and the cost, \$169,000 for fiscal 1967-68, is financed entirely from federal funds. The other five clinics are supported from state funds, at an estimated 1967-68 cost of \$784,663 and operate as prescreening and aftercare clinics.

We recommend the termination of the prescreening and aftercare outpatient units and the reduction of the following:

<i>Salaries and wages (budget page 481, line 4)</i> -----	\$660,341
<i>Operating expenses (budget page 482, line 12)</i> -----	118,472
<i>Equipment (budget page 482, line 55)</i> -----	5,850
 <i>Total reduction</i> -----	 <hr style="width: 100%; border: 0.5px solid black;"/> \$784,663

The Department of Mental Hygiene maintains prescreening and aftercare units at each hospital for the mentally ill, (excluding Atascadero) at an estimated 1967-68 cost of \$1,023,204. Aftercare services are also provided by the Department of Social Welfare for all patients on leave of absence from the state hospitals. In addition, the Short-Doyle program provides financing for 41 community programs which could provide preadmission screening and aftercare. The total 1967-68 program expenditures for Short-Doyle clinics serving the same geographical areas as the state operated prescreening and aftercare clinics is estimated at \$13,326,000. The provision of prescreening and aftercare at each hospital location and the existence of extensive community programs in these areas precludes the necessity for the state to maintain duplicative outpatient services.

Reduction in Hospital Overhead Expenses

In 1963-64 California's resident population of mentally ill patients was approximately 33,000; in 1967-68, the resident population is estimated at less than 20,000. The 1967-68 population is proposed to be housed in the same number of institutions as the 1963-64 population in spite of the fact that the 13,000 patient decline is larger than the population of our three largest institutions.

We recommend that the Department of Mental Hygiene close three state hospitals and transfer patients and related treatment staff to hospitals with available capacities. Estimated savings in overhead expenses \$6,378,000.

California's mentally ill population has been as high as 37,000 resident patients. A number of factors have operated in concert to substantially affect both hospital commitment rates and length of treatment. The result has been a significantly reduced resident population. The department apparently expects this trend to continue in the future. Under these circumstances, it is costly and inefficient for California to continue to operate ten large hospitals with grossly reduced populations. The closing of three hospitals with a total population of between 5,000 and 6,000 patients would still provide the remaining seven hospitals with a per-hospital resident population 13 percent less than 1963-64. Each year that the resident population continues to decline and the state continues to maintain this reduced population in the

Department of Mental Hygiene—Continued

same number of hospitals, substantial amounts of money will be spent for overhead expenses which contribute little to the quality of patient care.

Both California's educational system and penal system need and will continue to need land and facilities in order to meet their current rates of growth. The state should consider, in this respect, the efficiencies inherent in converting available resources to meet these needs, rather than continue a costly system that could be revised in accordance with the decline in workload and still maintain a high quality level of service in the hospitals for the mentally ill.

Staff-Patient Ratios

The staff-patient ratio of the hospitals for the mentally ill has been significantly increasing in recent years as a result of the declining resident population.

Staff-Patient Ratio—Five Year Trend 1963-64—1967-68					
Total	1963-64	1964-65	1965-66	1966-67	1967-68
Staff-Patient Ratio	1- 2.4	1- 2.3	1- 2.0	1- 1.8	1- 1.5
Employee Category					
Administration	1-32.2	1-29.5	1-26.4	1-22.7	1-19.5
Care and Welfare	1- 3.3	1- 3.0	1- 2.7	1- 2.4	1- 2.0
Support and Subsistence	1-23.1	1-21.4	1-19.0	1-16.3	1-14.0
Plant Operation	1-42.5	1-39.5	1-35.1	1-30.8	1-26.5

As the above table illustrates, the department has significantly increased staff-patient ratios in all employee categories. Hospital populations most directly affect the workload demands for care and welfare personnel and support and subsistence personnel. Plant operation is generally unrelated to the population, inasmuch as most of the workload is related to the maintenance of the physical plant.

Since 1963-64 administration staff-patient ratios have increased by 39.4 percent, care and welfare by 39.4 percent, and support and subsistence by 39.3 percent. The average increase for all areas in 1965-66 was 18 percent over the base year of 1963-64. The increase between 1965-66 and 1967-68 is estimated at 25 percent.

We recommend that the actual staff-patient ratios of the 1965-66 fiscal year be maintained in 1967-68 in the areas of Care and Welfare and Support and Subsistence and the following positions deleted.

<i>Care and Welfare, Total 2,710 positions</i>	
1,355 (effective July 1, 1967)	\$10,243,800
1,355 (effective January 1, 1968)	5,121,900
<i>Support and Subsistence, Total 390 positions</i>	
195 (effective July 1, 1967)	1,102,850
195 (effective January 1, 1968)	551,425
Total 3,100 positions	\$17,019,975

The use of the actual staff-patient ratio of the 1965-66 fiscal year would continue a level of staffing for 1967-68 approximately consistent with that currently prevailing in the state hospitals. Even at 1963-64

Department of Mental Hygiene—Continued

staff-patient ratios the department was able to decrease the patient population significantly. If the recommendation to adjust staff-patient ratios consistent with the declining workload is coupled with the closing of hospitals, it would generally result in the maintenance of seven hospitals at their current staff levels, with only slightly increased resident populations in these seven hospitals for 1967-68. The accrual of vacant positions as a result of the position freeze in 1966-67 should result in a minimum of employee disruption. There is a scarcity of, and need for, medical and medical related personnel throughout the state as a result of the increased use of medical resources under the recently enacted Medicare and MediCal programs.

Drug Utilization and Control

The Department of Mental Hygiene currently spends \$2,788,616 for drugs in both the hospitals for the mentally ill and the mentally retarded. Of this amount \$1,443,978 is spent for tranquilizing drugs.

We recommend that the department develop a system of drug utilization and control common to all hospital pharmaceutical operations that insures both efficiency and security of drug use.

Our hospital field surveys indicated that the means of dispensing and controlling drugs varied substantially among the individual hospitals. Most hospitals maintained individual patient records of dosage requirements, but only in a few instances were the ward prescription requirements reconciled with the total amount dispensed by the hospital pharmacy. At two hospitals, the pharmacist was aware of discrepancies between amounts dispensed by the pharmacy and ward utilization. One hospital that ran a specific inventory count concluded that some amounts of tranquilizing drugs were unaccounted for somewhere between the pharmacy and the patient. This inventory was a one-time check, however, and there were no procedures for evaluating the utilization of drugs on a routine basis. The department should immediately develop the necessary procedures for proper control.

Workload Increases

The department is requesting \$90,382 for workload increases for the hospitals for the mentally ill. Of this \$45,067 is requested for seven additional positions and \$45,315 is requested for price increases and special repairs.

Four food service assistants are requested at DeWitt State Hospital in order. "to provide personnel to meet the increased workload . . . for approximately 400 mentally retarded patients." The ratio of food service assistants to patients at DeWitt State Hospital has been steadily increasing since 1963-64.

	1963-64	1964-65	1965-66	1966-67	1967-68
Population total	2,105	2,087	1,998	1,842	1,694
Mentally ill	1,020	1,053	976	822	674
Mentally retarded	1,085	1,034	1,022	1,020	1,020
Food service personnel	37	37	37	37	37
Food service staff-patient ratio	1-57	1-56	1-54	1-50	1-46

Department of Mental Hygiene—Continued

While total food service personnel has not increased, the number of patients served by the same number of personnel has decreased by 20 percent from 1963-64 to 1967-68.

We recommend that the food assistant positions not be approved.

4 positions (budget page 479, line 19) ----- \$18,122

No increase in population is contemplated at this hospital. In fact, average population is estimated to decrease by 148 patients from the current year. Workload, in terms of resident population is estimated to decrease 8 percent from 1966-67 and 20 percent since 1963-64. The decline in population in the last year is equivalent to an increase of three positions and the decline since 1963-64 is equivalent to an increase of seven positions. It is apparent that any food service personnel problem at this hospital can be met by appropriately assigning the presently authorized staff; any increase would be an increased level of service.

Equipment

The department requests \$794,550 for the purchase of equipment for the hospitals for the mentally ill in fiscal year 1967-68. Of this amount \$442,139 is requested for the purchase of replacement equipment and \$352,411 for the purchase of additional new equipment.

We recommend approval of only the replacement equipment request for a savings of \$352,411. (budget page 482, line 54)

The proposed budget for the hospitals for the mentally ill in 1967-68 requests no new program augmentations. Workload, in terms of patient population, is estimated to decrease 14 percent between 1966-67 and 1967-68. In view of a workload decrease and the continuation of existing programs, there is no justification for approving additional equipment.

POLICY OPTIONS

Farming and Processing

The Department of Mental Hygiene maintains farming operations at six hospital locations. Listed below are the hospitals engaged in farming activities as well as particular categories of production for each hospital.

Hospital	Swine	Dairy	Field crops	Fruit/Truck crops	Cannery
Agnews -----	Yes	--	Yes	--	--
Camarillo -----	--	Yes	Yes	Yes	--
Mendocino -----	Yes	Yes	Yes	--	Yes
Napa -----	--	Yes	--	--	--
Patton -----	Yes	Yes	Yes	Yes	--
Sonoma -----	Yes	Yes	--	--	--
Totals -----	Four	Six	Four	Two	One

The total net income from all farming operations has been declining substantially in recent years. In 1963-64, total net income from all operations was \$543,304; in 1964-65 it had declined to \$370,295; and in 1965-66 it had declined even further to \$277,825. In assessing the decrease in net income there are a number of factors to be considered:

Department of Mental Hygiene—Continued

(1) The average daily population has declined considerably since 1963-64. This decline is solely reflected in the hospitals for the mentally ill. Five of six farming operations are located in the hospitals for the mentally ill and there has been a substantial decrease in the patient population food requirements at these hospitals.

(2) The average length of treatment time per patient has declined substantially since 1963-64. Average treatment stays are less than three months for new admissions. The treatment stay is devoted primarily to treatment, as it properly should be.

(3) Net income as calculated from the budget is a simple comparison of operating costs and revenues and does not take into account depreciation, interest on investment, or present or salvage value of assets.

If net income for 1967-68 is reflective of resident population food requirements, and resident population declines substantially as is estimated, it is questionable whether the value of farming productivity will exceed the cost of operating this activity. It is apparent, whatever the value of profit or loss, that farming, as a hospital activity, has a questionable role in the state hospital.

The total discontinuance of farming operations should be considered in view of: the questionable therapeutic value of farming as a treatment activity, the rapid decline in resident population, reduced food requirements, and the reduction in available patient help.

The consolidation of farming may be an alternative with a view toward regionalization at two or three central locations. If farming is still considered valuable in terms of net productivity, then considerable efficiencies could be effected by consolidating operations and reducing overhead.

The value of the Department of Mental Hygiene's farming operations could be considered in connection with similar activities of the Departments of Corrections and Youth Authority. The use of hospital farming facilities for other purposes should be explored as resident populations decline and space becomes available. A youth camp for delinquent minors might be a better use of hospital farming facilities.

In conclusion, we suggest that the questions raised might appropriately be referred for legislative interim study.

DEPARTMENT OF MENTAL HYGIENE

ITEM 127 of the Budget Bill

Budget page 483

**FOR SUPPORT OF HOSPITALS FOR THE MENTALLY
RETARDED FROM THE GENERAL FUND**

Amount requested in Budget Bill	-----	\$46,342,039
Budget request before identified adjustments	-----	\$51,307,833
Increase to recognize full workload change	-----	183,322
	-----	-----
Budget as adjusted for workload change	-----	\$51,491,155
Adjustment—undetailed reduction (10 percent)	-----	5,149,116
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET	-----	\$278,409
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING	-----	\$4,870,707

Department of Mental Hygiene—Continued

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Workload Increases -----	\$132,484	483	49
Equipment -----	\$145,935	485	50

ANALYSIS AND RECOMMENDATION

The Department of Mental Hygiene operates four hospitals exclusively for the care and treatment of the mentally retarded: Fairview, Pacific, Porterville and Sonoma. Three hospitals, designated as hospitals for the mentally ill, also provide care and treatment for mentally retarded patients: Agnews, DeWitt and Patton. Additional programs providing various services for the care, treatment, and training of the mentally retarded are administered by the Department of Public Health, Department of Social Welfare, Department of Rehabilitation, and the Department of Education.

Below is the trend of support of the hospitals for the mentally retarded for the five-year period 1963-64-1967-68.

	Actual 1963-64	Actual 1964-65	Actual 1965-66	Estimated 1966-67	Estimated 1967-68
Total support.....	\$39,343,644	\$42,523,196	\$46,259,549	\$49,710,795	\$51,491,155

Per capita costs for all mentally retarded patients during this same period are:

	1963-64	1964-65	1965-66	1966-67	1967-68
Per-patient costs....	\$3,501	\$3,745	\$4,441	\$4,529	\$4,739

Total support for the hospitals for the mentally retarded is estimated to increase 31 percent from 1963-64 to 1967-68. Average yearly patient costs are estimated to increase 35 percent during this same period. In addition to Department of Mental Hygiene expenditures for care and treatment, \$850,000 is budgeted in the Department of Social Welfare for placement of 315 patients in private medical facilities who are on hospital waiting lists or who are in hospitals for the retarded and are amenable to placement in outside care situations.

The budget estimates support costs at \$51,491,555 including a full workload adjustment of \$183,322, and a net appropriation of \$46,342,039 after an undetailed reduction of \$5,149,116.

Workload Increases

The department is requesting \$183,322 for workload increases related to the hospitals for the mentally retarded for fiscal 1967-68. Of the amount requested, \$2,527 is requested to fund a part-time clerical position, \$80,845 is requested for price increases in the various operating expense items and \$99,950 is requested for additional special repairs and maintenance.

We recommend that the price increase request be reduced by \$32,534 (budget page 483, line 49).

The price increase request of \$80,845 is in accordance with the 1967-68 Department of Finance price letter, with the exception of \$32,534, which we understand is an inadvertent error overstating the total amount of the request.

Department of Mental Hygiene—Continued

An amount of \$99,950 is requested for additional special repairs and maintenance.

We recommend that the request for additional repairs and maintenance not be approved (budget page 483, line 49) ----- \$99,950

The department has budgeted \$137,500 for special repairs and maintenance for both the 1966-67 and 1967-68 fiscal years. This amount represents an increase of almost 70 percent over actual expenditures for this activity in 1965-66. The additional request of \$99,950, added to the budgeted amount of \$137,500 would amount to a 230 percent increase over the most recent actual year expenditures for 1965-66. The department is proposing no new programs or increased workload that justify an increased need for special repairs and maintenance.

Equipment

The proposed 1967-68 budget for the hospitals for the mentally retarded requests \$329,590 for the purchase of equipment, of which \$145,935 is requested for the purchase of new, additional equipment and \$183,655 is requested for purchase of replacement equipment items.

We recommend approval of the replacement equipment request only, for a savings of \$145,935 (budget page 485, line 50).

The proposed workload budget for the hospitals for the mentally retarded projects the same program level for 1967-68 that is estimated for 1966-67. New, additional equipment requests are not related either to new programs or increased workload, and are not justified to maintain the existing level of service.

DEPARTMENT OF PUBLIC HEALTH

ITEM 128 of the Budget Bill

Budget page 486

FOR SUPPORT OF THE DEPARTMENT OF PUBLIC HEALTH FROM THE GENERAL FUND

Amount requested in Budget Bill.....		\$10,895,077
Budget request before identified adjustments.....	\$11,899,464	
Increase to recognize full workload change.....	206,177	
	<hr/>	
Budget as adjusted for workload change.....	\$12,105,641	
Adjustment—undetailed reduction (10 percent)	1,210,564	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$749,132
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$461,432

Summary of Recommended Reductions

	<i>Amount</i>		<i>Budget</i>	
	<i>General Fund</i>	<i>Federal</i>	<i>Page</i>	<i>Line</i>
1. Dental Health—Delete Division of Dental Health	\$58,707	\$13,517	490	28, 29
2. Air Sanitation—Reduce State Vehicle Pollution Laboratory	74,935	--	491	77
3. Occupational Health—Delete Bureau of Occupational Health	360,515	--	495	19

Item 128

Public Health

Department of Public Health—Continued

	Amount		Budget	
	General Fund	Federal	Page	Line
4. Delete additional equipment -----	102,850	--	496	63
5. Delete increase to recognize full workload change:				
Division of Administration				
1. Additional positions				
1 Stock clerk -----	5,364	--	486	22
1 Telephone operator -----	4,638	--	486	22
2. Operating expenses				
Rent—building space -----	4,626	--	486	22
d. Division of Laboratories				
1. Additional position				
1 Laboratory assistant II -----	4,035	--	486	22
2. Operating expenses				
Delete technical and scientific -----	2,280	--	486	22
e. Division of Patient Care Facilities and Services				
1. Additional positions				
2 Hospital field representative -----	16,656	--	486	22
2 Intermediate typist-clerk -----	9,732	--	486	22
1 Consultant in hospital administration	9,876	--	486	22
2. Operating expenses				
Traveling—in-state -----	7,200	--	486	22
f. Equipment				
Delete replacement equipment for Divisions of Administration, Community Health Services, Environmental Sanitation, Laboratories and Preventive Medical Services -----	87,718	--	486	22

GENERAL PROGRAM STATEMENT

The State Department of Public Health has a continuing responsibility for the prevention of disease and the provision of a healthful environment for the people of California. The department performs five major public health functions including environmental control, preventive medical services, medical care, health facilities and services, and general assistance and services to other agencies and individuals. These five functions are carried out through 18 programs. The programs are alcoholism (terminates March 1, 1967), chronic diseases, communicable diseases, crippled children services, dental health, health facilities and services, maternal and child health, mental retardation, other specialized medical care, air sanitation, food and drug, occupational health, radiological health, vector control, water sanitation, assistance to local health departments and other community agencies, vital statistics registration and general services to other agencies.

The department proposes to support only 17 of the above programs during the 1967-68 budget year in view of the March 1, 1967, termination date of the McAteer Act, Chapter 1431, Statutes of 1965, which authorized the department to carry on an alcoholism program.

Total public health expenditures of \$92,340,687 are proposed for fiscal 1967-68. This is \$6,855,190 or 7.4 percent less than the \$99,195,877 which is estimated to be expended for this purpose during the current year.

Department of Public Health—Continued

The \$6,855,190 decrease in expenditures in the budget year over the current year is largely attributable to the absence of any support for the alcoholism program which is budgeted at \$1,602,456 during the current year and a \$6,242,428 reduction in health facilities construction funds under the health facilities and services program.

ANALYSIS AND RECOMMENDATIONS

The Department of Public Health proposes total support of \$25,776,543. This includes a net General Fund appropriation of \$10,895,077, after an increase to recognize full workload change of \$206,177 and a 10 percent undetailed reduction of \$1,210,564, and additional support of \$14,881,466 from federal funds and privately financed foundations.

This is \$716,228 more than the \$25,060,315 which is estimated to be expended for support during the current year.

The budget proposes only \$34,894 to support the cancer fraud activity due to the December 31, 1967 termination date of the cancer law enabling legislation. The budget also proposes only \$4,803 to support the phenylketonuria testing activity due to the anticipated September 30, 1967 termination date of the heritable disorder enabling legislation.

There is a net increase of \$1,777,560 in special project expenditures from \$9,376,884 in the current year to a proposed \$11,154,444 in the budget year.

Our analysis includes a section titled "Not Identifiable by Program" to encompass those recommendations which have an impact on a number of programs and cannot be analyzed as part of any one program, a "Workload Change" section to cover those recommendations which relate to the budgeted increase to recognize full workload change and a final section titled "Special Projects Program" to cover those recommendations which relate to the special projects area and to aid the Legislature in assessing the impact on the department of the special projects activity which has experienced a rapid growth in recent years.

The budget proposes a total of 23.3 new positions of which 10.3 positions are included in the "increase to recognize full workload change" and the 13 new positions which were added during the current year to carry out the department's assigned health facilities and related services program responsibilities under Title XVIII of the Federal Medicare Act (Public Law 89-94). These latter positions are wholly supported from federal funds.

1. Dental Health Program

The budget proposes \$72,224 to support the dental health program including \$58,707 from the state General Fund and \$13,517 from federal funds.

Division of Dental Health (budget page 490, line 28)----- \$58,707

The 4.4-man division staff carries on a program which is intended to protect and improve the dental health of the public. This involves relationships with federal agencies, other state agencies and assistance

Department of Public Health—Continued

to local health departments, schools and community organizations.

We recommend that the support of the Division of Dental Health be deleted for a General Fund savings of \$58,707 and a federal fund savings of \$13,517 plus the cost of related services provided to the division by other units of the Department of Public Health.

The 1965 session of the Legislature reduced the program of the Division of Dental Health by 50 percent effective as of July 1, 1965. This reduction was based, in part, on our analysis of the 1965-66 budget which stated, that “—the program of this division is largely promotional and educational in nature and the type of information which is disseminated by this unit is also available from the American Dental Association or other professional dental organizations.” We also stated, that “—It appears that this division has little effect in the areas of extending or improving dental care in California.” No discernible changes have been made in the program of the Division of Dental Health, and the situation described in our 1965 analysis still obtains.

During the hearings on the department's 1965-66 budget, the role of the division in working with local communities, on request, in the area of fluoridation was stressed. However, the October 1966 issue of the “Public Affairs Report” a bulletin of the Institute of Governmental Studies, University of California, Berkeley in an article titled “Fluoridation in California: An Unsolved Public Policy Issue,” states, in part, “more than most Americans, Californians have so far failed to take advantage of a proven nutritional aid that would confer major dental health benefits, cost only pennies per person annually, and be administered with the greatest ease under appropriate public policies.” The bulletin goes on to state, in part, that of all Americans using public water supplies about 45.8 percent are receiving sufficient natural or controlled fluorides. In California, the figure is only 12.8 percent. Thus the state that ranks first in population is 42nd in fluoridation. This is the way it compares with other big urban states: in Illinois, natural and controlled fluoridation serves 74.2 percent of the people on public water supplies; in New York, 66.6 percent; in Pennsylvania, 43.2 percent; and in Ohio, 40.2 percent.

We should also point out that the State of California expects to spend in excess of \$37,000,000, from state and federal funds, on dental care in 1966-67. This includes expenditures for residents and wards of our Mental Hygiene, Corrections and Youth Authority institutions as well as the large dental care expenditure for welfare recipients. The widespread utilization of fluoridation now could be expected to reduce the need for such expenditures in the future.

The division has had very limited success in initiating fluoridation and other dental health programs which might serve to reduce dental care expenditures for residents and wards of state institutions and recipients of public assistance. We can only conclude that the Division of Dental Health which was created by Chapter 710, Statutes of 1949 has outlived its usefulness and should therefore be abolished.

Department of Public Health—Continued

2. Air Sanitation

The air pollution program supports a continuing surveillance of air pollution studies directed towards the nature, cause and effects of air pollution, and the establishment of air quality standards and emission requirements which will meet these standards.

This latter activity is carried out in the Los Angeles State Vehicle Pollution Laboratory which tests devices used to reduce motor vehicle emissions and also tests motor vehicles in connection with standards setting. The Department proposes to continue the Vehicle Pollution Laboratory and its existing 32.5 man staff.

State Vehicle Pollution Laboratory
(budget page 491, line 77)----- \$224,807

The budget proposes \$472,561 to support the State Vehicle Pollution Laboratory less a \$247,754 reimbursement from state and federal funds for services provided, under contract, to the Motor Vehicle Pollution Control Board for a net General Fund cost of \$224,807.

We recommend a reduction of \$74,935 and the approval of \$149,872 as the Department of Public Health's share of the support of the State Vehicle Pollution Laboratory.

Our recommended reduction of \$74,935 is one-third of the \$224,806 which is proposed as the Department of Public Health's share of the support of the State Vehicle Pollution Laboratory.

The budget does not take into account the substantial impact on California's vehicle pollution control program resulting from the adoption of the Clean Air Act (P.L. 89-272) by the 89th Congress. The act requires 1968 model and later vehicles nationwide to be equipped with exhaust and crankcase control systems. The federal regulations relative to emission requirements which were adopted to implement this federal legislation are similar in many respects to California's current requirements. As of the date of this analysis, it appears that the federal government has preempted the area of pollution control system installation on new vehicles with the state retaining authority for pollution control system installation, surveillance and enforcement on used vehicles.

During the past five years the department has carried on an extensive motor vehicle pollution control research program in the laboratory involving motor vehicle testing and laboratory activity as part of the departments' standards-setting responsibility. The entry of the federal government into the motor vehicle pollution control field will obviously lessen the need for the current level of state support of this research program, particularly since the federal government will shortly have national laboratories equipped to do this kind of work.

We are also recommending a \$68,084 reduction in the Motor Vehicle Pollution Control Board's General Fund support of contractual services from the State Vehicle Pollution Laboratory. This is one-third of the \$204,254 which is proposed as the board's General Fund share of the motor vehicle pollution control system testing function at the laboratory. The approval of these two recommended reductions will still allow

Department of Public Health—Continued

for a total of \$329,078 from state and federal funds to support the State Vehicle Pollution Laboratory during the 1967-68 budget year.

3. Occupational Health

The occupational health program provides investigative, consultative and advisory services in connection with industrial health hazards.

Bureau of Occupational Health (budget page 495, line 19) - \$360,515

The department proposes to maintain the occupational health program which is carried out by the 32-man staff of the Bureau of Occupational Health.

We recommend that the support of the Bureau of Occupational Health be deleted for a General Fund savings of \$360,515 in salaries and wages plus savings from related operating expenses and equipment for the bureau and savings in related services provided to the bureau by the Divisions of Administration, Community Health Services, Laboratories and Research.

The Bureau of Occupational Health, State Department of Public Health, has no specific statutory authority in the occupational health area and is therefore largely restricted to an advisory and consultative role while the Division of Industrial Safety, State Department of Industrial Relations, exercises statutory authority in this area through the promulgation and enforcement of occupational health safety orders. The State Department of Public Health, however, sometimes accepts complaints directly or acts on complaints which are channeled through the local health departments to the department. In these instances the bureau investigates places of employment and recommends corrective action and follows up to see that corrective action is taken. This is an obvious overlap and duplication of the activity of the Division of Industrial Safety.

Our recommendation would take greater advantage of the existing capability of the Division of Industrial Safety including its nine-man environmental engineering unit and the division's 215-man field staff of safety engineers who are located in every area of the state. The Division of Industrial Safety has been assigned the responsibility for carrying out the field aspect of the state's occupational health activity and it is to the state's advantage to eliminate the existing duplication of service and conflict of program between the Bureau of Occupational Health and the Division of Industrial Safety.

Laboratory support would continue to be provided by the 10.5-man staff of the industrial hygiene segment of the Department of Public Health's Air and Industrial Hygiene Laboratory inasmuch as the Division of Industrial Safety does not now have and should not have an industrial hygiene laboratory which would duplicate Public Health's laboratory activity. Public Health would continue to provide industrial hygiene laboratory services to not only the Division of Industrial Safety but local health departments and other agencies with occupational health activity.

Department of Public Health—Continued**B. Division of Community Health Services**

The Division of Community Health Services workload proposal includes \$2,270 for operating expenses related to printing. This increase is in accordance with the Department of Finance's June 15, 1966 price letter.

C. Division of Environmental Sanitation

The Division of Environmental Sanitation workload proposal totals \$21,250, including \$2,530 for salaries and wages to support temporary help and \$18,720 for operating expenses.

1. Temporary Help

The budget proposes \$2,530 for the support of special investigators on a temporary basis in the Fraud Section of the Bureau of Food and Drug Inspections.

2. Operating Expenses

The budget proposes \$18,720 for contractual services to cover payments to the Division of Industrial Safety, Department of Industrial Relations and local health departments who are participating in the radiological health program. This reimbursement is based on a 1962 contractual agreement between the department and these agencies for payments based on the number of radiation machines registered and the amount of license fees paid by the facilities inspected by these contracting agencies.

D. Division of Laboratories

The Division of Laboratories workload proposal totals \$6,635 including \$4,035 for salaries and wages and \$2,600 for operating expenses.

1. Additional Positions

The budget proposes \$4,035 for the support of a laboratory assistant II to assist the toxicologist in the Food and Drug Laboratory.

We recommend a reduction of \$4,035 in salaries and wages for one laboratory assistant II.

The proposed laboratory assistant would spend some 43 percent of his time in relieving the toxicologist of his current animal care duties; however, the actual savings in toxicologist time would only be 25 percent with the difference being that the toxicologist now works more than 40 hours per week and carries out a minimum of cage cleaning. If the toxicologist position, which was first filled in 1963, should be relieved of animal care duties, the Division of Laboratories should provide such relief from the central laboratory services unit which has a 31.5-position laboratory assistant staff. The Division of Laboratories can take administrative action to provide the toxicologist with any required laboratory assistant services from this central laboratory services unit.

2. Operating Expense

The budget proposes \$2,600 for operating expenses of the Division of Laboratories including \$320 for traveling-in-state on the basis of the

Department of Public Health—Continued

Department of Finance's June 15, 1966 price letter. The workload proposal also provides for an additional expenditure of \$2,280 for technical and scientific expenses.

We recommend a reduction of \$2,280 for technical and scientific expenses.

The proposal does not include any workload or price increase information which would justify an additional \$2,280 for technical and scientific expenses.

E. Division of Patient Care Facilities and Services

The Division of Patient Care Facilities and Services workload proposal totals \$42,871, including \$35,671 in salaries and wages for five positions and \$7,200 for operating expenses.

1. Additional Positions

The budget proposes \$26,388 to support two hospital field representatives and two intermediate typist clerks who will be assigned to the Bureau of Licensing and Certification.

We recommend a reduction of \$26,388 in salaries and wages for two hospital field representatives and two intermediate typist-clerks.

During the current year 33 positions were authorized, under the provisions of Title XVIII, Public Law 89-97 (Federal Medicare Program), for the Bureau of Licensing and Certification. This authorization was based on a wholly reimbursable contract with the Federal Social Security Administration wherein the State Department of Public Health assumed the responsibility of surveying potential providers of services and recommending certification or denial for participation in the Federal Health Insurance Benefits Program. Included among the 33 authorized positions were 26 professional and technical and 7 clerical positions. Included among the 26 professional and technical positions were 2 supervising hospital field representatives and 7 hospital field representatives, added to the staff for the purpose of surveying facilities, assisting potential providers in meeting the conditions of participation and processing the requests for participation. These nine hospital field representatives represent an additional resource which must have assisted the bureau in carrying out its inspection, consultation and enforcement activity to the extent of obviating the need for the two hospital field representatives which are included in the workload proposal.

Any additional clerical workload can be met from within the limits of the existing 10.5 position clerical staff so as to obviate the need for the two intermediate typist-clerks included in the workload proposal.

The budget proposed \$9,876 to support one consultant in hospital administration in the Bureau of Health Facilities, Planning and Construction.

We recommend a reduction of \$9,876 in salaries and wages for one consultant in hospital administration.

The Bureau of Health Facilities Planning and Construction currently has a 28 man staff, including 21 professional and 7 clerical

Department of Public Health—Continued

positions. The workload assigned to this staff will not increase in the future since there is a proposed reduction in federal and state expenditures for Assistance to Local and Nonprofit Agencies for Hospital Construction (Item 283) in the budget year. This program, which currently provides \$43,970,180 in construction moneys from state and federal sources, is proposed to be held to a \$37,727,730 expenditure level in the budget year. We are recommending that the state terminate its financial participation in Assistance to Local and Nonprofit Agencies for Hospital Construction (Item 283). The approval of this recommendation would tend to further reduce the workload of the Bureau of Health Facilities, Planning and Construction and the justification for an additional consultant in hospital administration.

2. Operating Expenses

The budget proposes \$7,200 in traveling-in-state operating expenses for the three proposed positions.

We recommend a reduction of \$7,200 for traveling-in-state operating expenses.

We have recommended against the approval of the two hospital field representatives and one consultant in hospital administration. If our recommendation for the deletion of these three positions is approved this travel money will not be required.

F. Equipment

The budget proposes a workload increase of \$87,718 for replacement equipment for the Divisions of Administration, Community Health Services, Environmental Sanitation, Laboratories and Preventive Medical Services.

We recommend a reduction of \$87,718 for replacement equipment.

It is our understanding that the "increase to recognize full workload change" item has been included to provide for increases and additions to existing workload which the agency estimates they will be required to perform during the budget year. However, since such proposals are in addition to the department's regular workload it does not appear that additional workload justifies the replacement of equipment which is already being used to support the basic workload of the department. The addition of new workload may require and justify additional equipment, but it cannot justify replacement equipment.

6. Special Projects Program

The budget proposes to continue the special projects program involving research, investigation, demonstration and special service in public health.

The budget proposes an expenditure of \$11,154,444 from federal and privately financed foundation funds to support 52 special projects during fiscal 1967-68. This proposal is \$2,545,258 above the \$8,609,186 which the Legislature actually approved for the current year and \$1,777,560 above the \$9,376,884 budget reestimate for the current year. At \$11,154,444 the support of special projects in 1967-68 exceeds the \$10,895,077 net General Fund support of the Department of Public Health.

Department of Public Health—Continued

The budget proposal includes two basic types of special projects including administered or "flow through" special projects, and departmental staffed special projects. The budget proposal includes \$6,132,025 for six administered or "flow through" special projects or funds which the Department of Public Health largely passes on to local agencies. The acceptance of these projects is left to the determination of local agencies. The balance of the budget proposal includes \$5,022,419 to support 46 special projects to be staffed by 265 employees of the Department of Public Health.

The budget proposal is the total of the amount which was authorized for the current year and all Section 28 Budget Act letters affecting special projects after July 1, 1966. Departmental-staffed special projects have had a virtually unchecked growth from the \$2,498,195 which was approved by the 1965 Session of the Legislature to the \$5,022,419 which is being proposed for next year, an increase of \$2,524,224 or 101 percent in only two years.

The rapid growth in departmental staffed special projects raises the still unresolved issue of the impact of this activity on departmental operations and the appropriateness of the location of this extensive research activity in a state department of public health rather than a research oriented agency.

We have yet to receive, as of the date of this analysis, any definitive information as to the future of federal support for the California Cancer Field Research special project which is proposed to be supported with \$990,000 in federal funds and a 51-man staff in the budget year. We have been advised by the director, in part, that the federal "review committee has recommended support at this time for one year only, that is, for the calendar year 1967" and also, in part, that the department has "not received official word on the application for five-year renewal of support, for which we applied, to begin January 1, 1968." The California Cancer Field Research special project comprises almost 20 percent of the dollar value of the departmental staffed special projects and is housed in the Berkeley cancer facility which was constructed with the support of \$353,650 of state General Fund moneys, to date, to supplement the federal funds which were originally represented as financing the full cost of this facility.

In view of the many uncertainties which are associated with the special projects program:

We recommend that the Legislature direct the Department of Public Health by including limiting language in the Budget Act to limit expenditures for departmental staffed special projects to the budgeted amount of \$5,022,419. This limitation should not apply to funds which flow through the department to local agencies.

We further recommend that the Legislature direct the department to limit its special project activity in 1967-68 to those projects presented in the budget and to annually thereafter present its program of special projects in the budget for approval or disapproval, and only initiate new projects through the mechanism of its annual budget request.

Department of Public Health—Continued

Departmental-staffed special projects should be subject to the same type of legislative control as any other departmental activity and should be handled within the existing framework which provides for legislative review of other activities of the Department of Public Health.

Department of Public Health
HANDICAPPED PERSONS PILOT PROJECT

ITEM 129 of the Budget Bill Budget page 497

FOR SUPPORT OF THE HANDICAPPED PERSONS PILOT
PROJECT FROM THE GENERAL FUND

Amount requested in Budget Bill		\$159,559
Budget request before identified adjustments	\$177,288	
Increase to recognize full workload change	None	
	\$177,288	
Budget as adjusted for workload change.....	\$177,288	
Adjustment—undetailed reduction (10 percent)	17,729	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$17,729

ANALYSIS AND RECOMMENDATIONS

The budget proposes a net General Fund appropriation of \$159,559 for support of the handicapped persons project after a 10-percent undetailed reduction of \$17,729.

The handicapped persons pilot project was authorized by Chapter 1491, Statutes of 1965 to initiate and carry out a pilot project in two areas of the state for the purpose of determining the extent of the needs of severely handicapped persons of normal mentality for residential care and how these needs can be met. A report will be made to the 1969 Session of the Legislature and the project will terminate as of June 30, 1969.

Department of Public Health
REGIONAL DIALYSIS CENTERS

ITEM 130 of the Budget Bill Budget page 496

FOR SUPPORT OF REGIONAL DIALYSIS CENTERS
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$275,390
Budget request before identified adjustments	\$306,027	
Increase to recognize full workload change.....	None	
	\$306,027	
Budget as adjusted for workload change.....	\$306,027	
Adjustment—undetailed reduction (10 percent)	30,637	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$30,637

ANALYSIS AND RECOMMENDATIONS

The budget proposes a net General Fund appropriation of \$275,390 for support of the regional dialysis centers after a 10-percent undetailed reduction of \$30,637.

Regional Dialysis Centers—Continued

Regional dialysis centers were authorized by Chapter 1968, Statutes of 1965. The State Department of Public Health acts only as a granting agency for state funds which are appropriated for the establishment and continuation of the two centers for treatment of persons suffering from chronic uremia (kidney disease), located in two metropolitan areas of the state.

The General Fund appropriation only partially provides for the support of these regional dialysis centers. The balance of the support, \$500,000, should come from federal rehabilitation funds which the State Department of Rehabilitation will grant directly to the dialysis centers if this support is approved by the federal Vocational Rehabilitation Administration. These funds are included in the Department of Rehabilitations budget under the grants to public and private organizations and individuals for workshop or rehabilitation facilities and dialysis centers segment of the cooperative rehabilitation services program.

**Department of Public Health
MOTOR VEHICLE POLLUTION CONTROL BOARD**

ITEM 131 of the Budget Bill

Budget page 498

**FOR SUPPORT OF THE MOTOR VEHICLE POLLUTION
CONTROL BOARD FROM THE GENERAL FUND**

Amount requested in Budget Bill -----		\$438,178
Budget request before identified adjustments -----	\$479,152	
Increase to recognize full workload change -----	7,713	
	<hr/>	
Budget as adjusted for workload change -----	\$486,865	
Adjustment—undetailed reduction (10 percent) -----	48,687	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET ---		\$72,183
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST -----		\$23,496

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Reduce contractual services—State			
Vehicle Pollution Laboratory -----	\$68,084	498	52
Delete additional equipment -----	599	498	58
Increase to recognize full workload change			
Contractual services, other -----	3,500	486	22

GENERAL PROGRAM STATEMENT

The Motor Vehicle Pollution Control Board is primarily responsible for the reduction of vehicular-caused air pollution in California. It was established by Chapter 23, Statutes of 1960. The board consists of nine members who are appointed by the Governor with the consent of the Senate and four exofficio members including the Director of Public Health, Director of Agriculture, Commissioner of the Highway Patrol and Director of Motor Vehicles.

Two separate emission control systems are installed on new automobiles which are sold in California. The first of these is the crankcase control system. These systems were first voluntarily installed by manu-

Motor Vehicle Pollution Control Board—Continued

facturers of new automobiles which were sold in California starting with 1961 models and were required by board order starting with 1963 models. Additionally, used vehicles going back to 1955 models must be equipped with crankcase control systems prior to being transferred in most metropolitan areas of the state. Approximately 6,500,000 California vehicles are currently equipped with crankcase control systems.

The second of these is the control system for the emission of hydrocarbons and carbon monoxide from the exhaust. These systems were first installed under board order on new automobiles of United States manufacture sold in California starting with 1966 models and approximately 1,200,000 California vehicles are currently equipped with exhaust control systems. The Clean Air Act (P.L. 89-272) provided for federal control of emissions from new vehicles and federal regulations require that 1968 and later vehicles sold nationwide must be equipped with crankcase and exhaust controls. Exhaust control systems for used vehicles are not now available and it does not appear that such systems will be available at the \$65 maximum cost (including cost of installation), as required by Section 24386 of the Health and Safety Code.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$604,152 to support the Motor Vehicle Pollution Control Board, including a net appropriation of \$479,152 from the state General Fund, after an increase to recognize full workload change of \$7,713 and a 10 percent undetailed reduction of \$48,687, and \$125,000 from a federal air pollution surveillance grant.

Contractual services from State Vehicle Pollution Laboratory (budget page 498, line 52)----- \$204,254

The board proposes to continue its contract with the Department of Public Health for the testing of control systems at the department's Los Angeles State Vehicle Pollution Laboratory in the amount of \$204,254.

We recommend a reduction of \$68,084 and the approval of \$136,170 as the General Fund's share of contractual services with the State Vehicle Pollution Control Laboratory.

This reduction of \$68,084 is one-third of the \$204,254 which is proposed as the Motor Vehicle Pollution Control Board's share of the support of the laboratory.

The budget does not take into account the substantial impact on California's motor vehicle pollution control program resulting from the Clean Air Act (P.L. 89-272). As of the date of this analysis, it appears that the federal government has preempted the area of pollution control system installation on new 1968 and later model vehicles and has adopted regulations which are similar to California's requirements. The Motor Vehicle Pollution Control Board retains authority for the installation, surveillance and enforcement of control systems on used vehicles although there now appears to be little likelihood of any requirement for the installation of exhaust control systems on used cars.

Our recommendation for a reduction in funds for contractual services from the State Vehicle Pollution Laboratory is based on the fact that the motor vehicle pollution control systems testing program is largely

Motor Vehicle Pollution Control Board—Continued

completed and that federal government certification of the control systems to be installed on 1968 and later model vehicles will further lessen the need for the testing of control systems. In addition the federal government will shortly have national laboratories capable of performing this kind of work.

It appears that the remaining testing activity relative to surveillance can be carried on within the limits of the contractual service funds which are recommended for approval. These include approval of emission control systems for forklift and other internal combustion engines used indoors and testing of systems which are under development for the control of diesel truck and bus smoke and odor and to reduce the emission of oxides of nitrogen.

Our recommendation provides the Motor Vehicle Pollution Board with \$224,204 to carry out its testing activity including \$136,170 for the testing of control systems in the Vehicle Laboratory, \$45,000 for contracts with outside laboratories and \$43,036 of federal funds for the surveillance testing of motor vehicle emission control systems in the Vehicle Laboratory.

Equipment (budget page 498, line 58) ----- \$599

The budget proposes \$599 for the purchase of additional equipment.

We recommend a reduction of \$599 for additional equipment.

In view of the fact that no additional positions are proposed and the absence of new programs, the \$599 which is proposed for additional equipment is not justified.

*Increase to recognize full workload change
(budget page 486, line 22) ----- \$7,713*

The budget proposes \$7,713 for increase to recognize full workload change. The workload proposal, which is undetailed in the budget, includes \$209 for general expenses, \$4,004 for traveling—in-state and \$3,500 for contractual services—other.

We recommend a reduction of \$3,500 for contractual services—other.

The proposal does not qualify as workload and should be considered an increased level of service inasmuch as the proposal represents a \$3,500 increase above the \$45,000 which is included in the proposed budget for contractual services—other and is the same amount estimated to be expended for this purpose in the current year. It is \$4,000 in excess of the \$41,000 which was expended on this item during the last actual year. This \$3,500 increase would be in addition to the \$224,206 in contractual services funds, which would be available to the board under our previous recommendation.

Department of Rehabilitation
GENERAL ACTIVITIES

ITEM 132 of the Budget Bill

Budget page 506

FOR SUPPORT OF THE DEPARTMENT OF REHABILITATION
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$3,781,974
Budget request before identified adjustments	\$4,072,599	
Increase to recognize full workload change	129,594	
<hr/>		
Budget as adjusted for workload change	\$4,202,193	
Adjustment—undetailed reduction (10 percent)	420,219	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET ---		\$30,850
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$389,369

Summary of Recommended Reductions

	Amount		Budget	
	General Fund	Federal funds	Page	Line
Delete additional equipment	\$5,614	\$16,843	526	49
Increase to recognize full workload change:				
2. Establishment of two additional Districts	16,722	50,166	507	61
4. Clerical support for assistant chief, Division of Rehabilitation of the Blind	1,364	4,093	507	61
5. Price Increase				
Traveling-out-of-state	900	2,700	507	61
Purchase of consultative services-sheltered workshops	6,250	18,750	507	61

GENERAL PROGRAM STATEMENT

The State Department of Rehabilitation is responsible for assisting and encouraging handicapped individuals to prepare for and to engage in gainful employment to the full extent of their capabilities.

The department's rehabilitation activity is carried on through six programs including vocational rehabilitation of the disabled; cooperative rehabilitation services; prevocational and personal adjustment; training and employment; disability determination and special rehabilitation services.

Total rehabilitation expenditures of \$41,367,006 are proposed for fiscal 1967-68. This is \$5,042,438 or 15 percent more than the \$36,324,567 which is estimated to be expended for this purpose during the current year.

The \$5,042,438 increase in expenditures in the budget year over the current year is largely attributable to a proposed \$4,687,650 increase in expenditures for special rehabilitation services.

Vocational rehabilitation is a joint state-federal program and is generally financed on a 75 percent federal-25 percent state funds basis.

ANALYSIS AND RECOMMENDATIONS

The department's budget for general activities proposes total support of \$30,139,671, including a net General Fund appropriation of \$3,781,974 after an increase to recognize full workload change of \$129,594 and

Department of Rehabilitation—Continued

a 10 percent undetailed reduction of \$420,219 and support of \$26,357,697 from federal funds, to assist and encourage handicapped individuals to prepare for and engage in gainful employment to the extent of their capabilities.

The budget proposes a total of 45.7 new positions of which 21.2 positions are included in the "increase to recognize full workload change" proposal. In addition seven positions are requested to staff a new state-wide planning unit. This unit, to be fully financed from federal funds, is to develop a comprehensive vocational rehabilitation program, including the orderly development of services and public and nonprofit resources so that by July 1, 1975, or sooner, vocational rehabilitation services can be available to all handicapped individuals in California. Eight new workload clerical positions are proposed for the Division of Disability Determination. These positions are fully supported from federal Social Security Trust Funds. The remaining 9.5 new positions are allocated among the various organizational units of the Department of Rehabilitation.

The budget also proposes to continue a net total of 32.5 positions which were administratively established during the current year. This includes 20 positions which were administratively established in the Division of Management Services to handle additional workload resulting from the establishment of the State Service Centers. Twelve positions were also administratively established to staff the new research and statistical unit. The activity of this unit will be discussed in our analysis of the cooperative rehabilitation services program. The remaining 0.5 position, results from intra- and interdepartmental transfers as reflected in the department's budget.

Our analysis includes a section titled "Not Identifiable by Program" to cover those recommendations which have an impact on a number of programs and cannot be analyzed as part of any one program and another section titled "Workload Change" to cover those recommendations which relate to the increase to recognize full workload change proposal.

Cooperative Rehabilitation Services Program

The cooperative rehabilitation services program was authorized in 1965 and limited by the Legislature to a two-year period, ending June 30, 1967. The program has developed cooperative rehabilitation units which work in such diverse areas as state hospitals for the mentally ill and mentally retarded; youth and correctional institutions and in local or community based activity such as the Short-Doyle program. The program also makes grants to public and private organizations for workshop or rehabilitation facilities and dialysis centers. The program utilizes existing staff of the cooperating agencies in combination with vocational rehabilitation staff to provide coordinated rehabilitation services aimed at promoting the vocational functioning of disabled individuals who are the responsibility of these cooperating agencies.

Department of Rehabilitation—Continued

The budget proposes \$8,197,000 in federal rehabilitation funds to support this program. This is the same amount which was authorized for the current fiscal year.

The 1965 session of the Legislature directed the Department of Rehabilitation to report annually to the Legislature on the impact of this program and the results obtained by cooperating state agencies. The department was directed to measure the results of the addition of approximately \$5,000,000 of vocational rehabilitation funds to the existing vocational rehabilitation programs of the cooperating state agencies through the development of goal-centered criteria for evaluating this program on the same basis as the department's existing program and criteria for evaluation was to be included as part of each contract with cooperating agencies. The department was directed to report in terms of reduced numbers of patients of the Department of Mental Hygiene; reduced caseload of the Department of Social Welfare; reduced numbers of students supported by the Department of Education and reduced numbers of wards, inmates and parolees of the Youth and Adult Corrections Agency. Although this report has not been completed as of the date of this analysis, it is anticipated that the report will be made available to the Legislature as a result of the efforts of the department's new research and statistical unit when the budget is considered by the Legislature.

We are reserving any recommendation on this program pending the receipt of the department's report relative to the impact of this program on cooperating state agencies.

Not Identifiable by Program

Equipment (budget page 526, line 49)----- \$204,735

The budget proposes \$204,735 for the purchase of equipment, excluding \$5,000 which is proposed for the purchase of equipment under the federally funded Disability Determination Program.

The equipment proposal falls into the three categories of replacement, new positions and additional equipment. The Business Enterprise Program equipment proposal of \$142,000 is almost 70 percent of the total equipment proposal of \$204,735.

We recommend a reduction of \$22,453 for additional equipment.

While the purchase of new equipment to replace obsolete or worn-out equipment and for new positions may be justified, the addition of equipment for existing programs projected to operate at current levels is not justified.

The bulk of the additional equipment proposal involves office equipment which would be utilized by the various district and branch offices which are currently equipped and functioning. On the basis of the generally prevailing 75 percent federal-25 percent state sharing for support of departmental activity the federal share of this additional equipment is \$16,843 and the State General Fund share is \$5,614.

Department of Rehabilitation—Continued

Workload Change

Increase to recognize full workload change (budget page 507, line 61)----- \$129,594

The budget proposes \$518,337, including a net General Fund appropriation of \$129,594 from the State General Fund and \$388,783 from federal rehabilitation funds, for "increase to recognize full workload change." The workload proposal, which is undetailed in the budget, consists of the following five major elements:

1. Additional 13.2 positions related to the current pattern of one vocational rehabilitation counselor for each 75,000 of the state's population between the ages of 14 and 64 years.

The total cost of the proposal to continue the existing staffing pattern is \$232,712, including \$58,178 from the State General Fund and \$174,534 from federal funds.

2. Establishment of two additional districts.

The total cost of the proposal to establish two additional districts is \$66,888, including \$16,722 from the State General Fund and \$50,166 from federal funds.

The proposal includes seven positions which would be needed to staff the two additional district offices. These district offices would be established by separating Contra Costa and Solano Counties from the Oakland District to form one new district and separating San Mateo County from the San Jose District to form the second new district.

We recommend a reduction of \$66,888 to establish two additional districts.

This proposal does not qualify as workload and should be considered as an improved level of service. The department has increased the total number of districts from 11 in 1964-65 to 19 in the current 1966-67 fiscal year or an increase of eight districts over this short interval of two fiscal years. The department has an additional 22 branch offices which are located within these 19 districts.

The proposal points out that the only expense involved is new district administration staff since the office space and supporting staff are developed on the basis of increases in the number of counselors. However, Contra Costa and San Mateo areas are now adequately served from branch offices and the proposal would only result in additional district administration staff and do little to further the department's basic responsibility for vocationally rehabilitating those individuals with a physical or mental disability or a behavioral disorder.

3. Equipment for blind operators vending stands in Office Buildings 8 and 9 which are currently under construction in Sacramento.

The total cost of the proposal to provide vending stands for blind operators who will operate as part of the department's Business Enterprise Program for the Blind in Office Buildings 8 and 9 is \$175,000, including \$43,750 from the State General Fund and \$131,250 from federal funds.

4. Intermediate stenographer-clerk for assistant chief, Division of Rehabilitation of the Blind.

Department of Rehabilitation—Continued

The total cost of the proposal to provide clerical support to the assistant chief, Division of Rehabilitation of the Blind is \$5,457 including \$1,364 from the State General Fund and \$4,093 from federal funds.

We recommend a reduction of \$5,457 in salaries and wages for one intermediate stenographer-clerk.

This position lacks adequate justification on a workload basis and should be considered an improved level of service. The assistant chief position has been provided with clerical assistance since it was established in 1965-66.

5. Price increase.

The total cost of the proposal to support price increases is \$38,320 including \$9,580 from the State General Fund and \$28,740 from federal funds.

The major components of this proposal include \$9,720 to support price increases for traveling-in-state and general expense, \$3,600 for traveling-out-of-state and \$25,000 for purchase of consultative services-sheltered workshops.

We recommend a reduction of \$3,600 for traveling-out-of-state.

The traveling-out-of-state proposal does not qualify as workload and should be considered an improved level of service which would allow more out-of-state trips. On the basis of the prevailing 75 percent federal-25 percent State General Fund sharing for support of the department the federal share of this proposal is \$2,700 and the State General Fund share is \$900.

We recommend a reduction of \$25,000 for purchase of consultative services-sheltered workshops.

The proposal does not qualify as workload and should be considered an improved level of service inasmuch as the proposal represents a 33 $\frac{1}{3}$ -percent increase above the \$75,000 which is included in the proposed budget for consultative services for sheltered workshops. This is the same amount which is estimated to be spent for this item during the current year and \$13,270 in excess of the \$61,730 which was actually expended on this item during the 1965-66 year. On the basis of the prevailing state-federal departmental sharing formula the state General Fund share of this proposal is \$6,250 and the federal share is \$18,750.

Department of Rehabilitation
SPECIAL REHABILITATION SERVICES

ITEM 133 of the Budget Bill

Budget page 528

FOR SUPPORT OF SPECIAL REHABILITATION SERVICES
FROM THE GENERAL FUND

Amount requested in Budget Bill.....		\$1,202,941
Budget request before identified adjustments.....	\$1,336,601	
Increase to recognize full workload change.....	None	
Adjustment—undetailed reduction (10 percent).....	\$133,660	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$133,660

Special Rehabilitation Services—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$7,737,164 to support special rehabilitation services including a net appropriation of \$1,202,941 from the General Fund after a 10 percent undetailed reduction of \$133,660. Support from federal funds is proposed at \$6,534,223 and not the \$7,958,027 reported in the budget.

The budget proposes \$4,987,082 including \$886,849 from the state General Fund and \$4,100,233 from federal funds (including the \$1,122,733 service center part of the federal Los Angeles Poverty Project Economic Youth Opportunity grant) to support the department's current level of participation in the five State Service Centers located at South Los Angeles, East Los Angeles, San Francisco, San Diego and Richmond. This program is detailed on budget page 832 which describes the state service center program.

The budget proposes \$1,217,372 including \$267,368 from the state General Fund and \$950,004 from federal funds to maintain six rehabilitation service units in Fresno, Bakersfield, Vallejo, San Bernardino, Stockton and Oakland to provide intensified rehabilitation services to disabled people with particular emphasis on the disabled in poverty areas.

The budget further proposes \$1,295,469 including \$25,000 from the state General Fund and \$1,270,469 from federal funds (including the \$1,145,469 outside of the service center part of the Los Angeles Poverty Project EYO federal grant) to support poverty reduction efforts which are centered in Venice.

The budget also proposes \$237,241 including \$23,724 from the state General Fund and \$213,517 from federal funds to support the Rehabilitation Services to Welfare Recipients special program which stresses the rehabilitation of welfare recipients.

Department of Rehabilitation
INDUSTRIES FOR THE BLIND

ITEM 134 of the Budget Bill		Budget page 529
FOR SUPPORT OF INDUSTRIES FOR THE BLIND FROM THE GENERAL FUND		
Amount requested in Budget Bill		\$301,655
Budget request before identified adjustments	\$334,041	
Increase to recognize full workload change	1,131	
Budget as adjusted for workload change	\$335,172	
Adjustment—undetailed reduction (10 percent)	33,517	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$67,034
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		\$33,517
Summary of Recommended Reductions		
	<i>Amount</i>	<i>Budget Page Line</i>
Reduce support—Industries for the Blind	\$67,034	529 12

Industries for the Blind—Continued

GENERAL PROGRAM STATEMENT

The Industries for the Blind consists of production or manufacturing centers located in Berkeley, Los Angeles and San Diego and a central administrative office located in Sacramento. These centers offer paid factory employment and a limited amount of training to blind, partially sighted and other physically handicapped individuals.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a net General Fund appropriation of \$301,655 for partial support of the Industries for the Blind, after an increase to recognize full workload change of \$1,131 and a 10 percent undetailed reduction of \$33,517.

Industries for the Blind (budget page 529, lines 12, 17) \$335,172

The Industries for the Blind is supported from the State General Fund and the Industries for the Blind Manufacturing Fund. The administrative and physical plant operating expenses are largely financed from the working capital in the Industries for the Blind Manufacturing Fund and the General Fund support for all intents and purposes serves only as a subsidy to cover the continuing net deficit in the operations of the Industries for the Blind.

We recommend a reduction of \$67,034 and the approval of the remaining \$268,138 for support of the Industries for the Blind. We further recommend that General Fund support be reduced gradually over a period of five years, including the budget year, with the objective of developing earnings capacity which will permit elimination of all General Fund support to the industries after the 1971-72 fiscal year.

Our recommended reduction of \$67,034 is one-fifth, or 20 percent, of the \$335,172 which is proposed as the General Fund workload budget request share of the support of the Industries for the Blind.

Most of the varied activities and functions of the Department of Rehabilitation qualify for support from federal rehabilitation funds on the basis that they are to assist, encourage and prepare handicapped individuals, including the blind, to engage in gainful employment. However, the industries has not met with any real success in qualifying for continued support from federal funds and the proposed budget does not contemplate any support from federal rehabilitation funds. There is a question therefore as to whether this activity is appropriate to a rehabilitation department. The very fact that the operation has been unable to meet the standards for continued support from federal rehabilitation funds must lead to the conclusion that the basic objective of the industries is to provide employment on a continuing basis.

The Industries for the Blind should be able to operate without General Fund support within five years. As a state agency, it has the benefit of exemption from such normal costs of doing business as property and corporation taxes. It has preferential access to sales to agencies of the federal government, which are required by law to purchase certain of their requirements from workshops for the blind, and also has access to sales to such public entities as school districts, municipalities, counties and the State of California.

Industries for the Blind—Continued

The approval of our recommendation should provide the necessary stimulation to the department to manage the industries as a sound and efficient production program which will result in the production of goods on a more competitive and more profitable basis. This should include mechanization of certain production lines, the development of product lines which can be sold at a reasonable profit, and the discontinuation of product lines which have produced operating losses.

The development of a comprehensive sales program was set as a major goal by the management consulting firm of Booz, Allen and Hamilton in its 1959 marketing survey of the Industries for the Blind. The report called for a substantial improvement in its marketing program citing a trend toward federal government sales. These sales are made through the National Industries for the Blind which serves as a clearinghouse for sales of blind-made merchandise to the federal government. Some 62 percent of the Industries 1957-58 sales of \$2,550,000 were made to the federal government. In our analysis of the 1964-65 budget we pointed out that 75 percent of the Industries 1962-63 sales of \$2,527,418 were now made to the federal government and stated that the Industries were too heavily dependent on federal orders. However, sales figures for the 1965-66 fiscal year, the latest year for which actual sales figures are available, show that the percentage of sales to the federal government has again increased to 78 percent on total sales of \$3,229,969. While this most recent increase in percentage of sales to the federal government can be attributed to the conflict in Vietnam the future of the organization cannot help but be jeopardized by such heavy dependence on federal sales.

Additional economy and efficiency of operation can be achieved by a reorganization of the administrative structure of the Industries for the Blind. One obvious example of such reorganization would be the consolidation of the decentralized order taking function, which is now carried on in each of the centers, into one unit in the Sacramento headquarters office.

Another problem which has hampered the Industries by creating problems of morale and efficiency and which apparently results in added costs being borne by the taxpayers of California is the differing public assistance practices of the county welfare departments which furnish blind aid to blind clients who are at the same time employees of the Industries for the Blind. It appears that certain of these jurisdictions continue paying full or partial blind aid to an employee even while he is employed on a regular basis and is earning at rates comparable to those in private industry.

We recommend that the Legislature direct the State Department of Social Welfare to establish and enforce uniform standards for welfare assistance to blind workers in rehabilitation programs, taking into full account the ability of such workers to provide self-support from such programs.

**Department of Rehabilitation
ORIENTATION CENTER FOR THE BLIND**

ITEM 135 of the Budget Bill

Budget page 534

**FOR THE SUPPORT OF THE ORIENTATION CENTER FOR
THE BLIND FROM THE GENERAL FUND**

Amount requested in Budget Bill -----		\$78,110
Budget request before identified adjustments -----	\$86,423	
Increase to recognize full workload change -----	366	
	<hr/>	
Budget as adjusted for workload change -----	\$86,789	
Adjustment—undetailed reduction (10 percent) -----	8,679	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET ----		\$315
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$8,364

Summary of Recommended Reductions

	<i>Amount</i>		<i>Budget</i>	
	<i>General</i>	<i>Federal</i>	<i>Page</i>	<i>Line</i>
	<i>Fund</i>	<i>Funds</i>		
Delete additional equipment -----	\$315	\$947	535	10

GENERAL PROGRAM STATEMENT

The Orientation Center for the Blind which is located in Albany assists students to become more self-sufficient and may partially prepare them for useful and remunerative work in a trade, profession, private business, private industry or public service. The center served a total of 71 blind persons during 1965-66, at an average cost per student of \$4,014. Average enrollment that year was 21 students. It is estimated that 76 persons will be served in 1966-67 and that average enrollment will be 25. In view of these statistics it is unlikely that the 1967-68 projections of 100 students and average enrollment of 40 will be reached.

ANALYSIS AND RECOMMENDATION

The Orientation Center for the Blind budget proposes total support of \$337,739, including a net General Fund appropriation of \$78,110 after an increase to recognize full workload change of \$366 and a 10 percent undetailed reduction of \$8,679, and additional support of \$259,269 from federal funds.

Equipment (budget page 535, line 10)----- \$5,587

The budget proposes \$5,587 for the purchase of equipment including \$4,325 for replacement equipment and \$1,262 for additional equipment.

We recommend a reduction of \$1,262 for additional equipment.

The equipment proposal falls into the two categories of replacement and additional equipment. Our recommendation allows for the full amount of \$4,325 which is proposed for replacement equipment. However, in view of the fact that no additional positions are proposed and the absence of any new programs we cannot justify the \$1,262 which is proposed for additional equipment.

On the basis of the prevailing 75 percent federal-25 percent state General Fund sharing for support of the center the federal share of this additional equipment is \$947 and the state General Fund share is \$315.

SOCIAL WELFARE SUMMARY

Amount estimated for 1967-68 fiscal year.....	\$1,954,774,932
Estimated to be expended in 1965-66 fiscal year.....	1,227,936,133
Increase (59.2 percent)	\$726,838,799

GENERAL PROGRAM STATEMENT

Social welfare has as its objectives providing money for food, clothing, housing and medical care to dependent adults and children who are in need, rendering assistance to dependent persons so they may become self-supporting and the prevention of dependency.

The social welfare programs in this state are supervised and administered by the Health and Welfare Agency Administrator, the Office of Health Care Services, the State Department of Social Welfare and the 58 counties in California.

Under the supervision of the Health and Welfare Agency Administrator, the Office of Health Care Services and the State Department of Social Welfare, in 1967-68 an estimated 1,575,389 persons will receive aid and assistance amounting to \$1,954,774,932. These estimated expenditures will be supported in 1967-68 with \$960,016,623 in federal funds, \$670,258,312 from the state's General Fund and \$324,499,997 in county funds.

Additional amounts will also be spent to provide health and welfare support and assistance for the people in California in Public Health, Mental Hygiene, Rehabilitation, Corrections, Youth Authority, and poverty prevention.

Following are four tables showing the number of welfare recipients in California in relation to the civilian population, the total welfare and General Fund expenditures for welfare in California, and the per capita costs for social welfare.

Civilian Population—Welfare Recipients

	<i>Civilian population *</i>	<i>Percentage increase</i>	<i>Welfare recipients</i>	<i>Percentage increase</i>	<i>Percent of welfare recipients in civilian population</i>
1960-61	15,865,000		601,952		3.8%
1961-62	16,450,000	3.7%	638,626	0.6%	3.9
1962-63	17,043,000	3.6	743,168	16.4	4.4
1963-64	17,625,000	3.4	831,626	11.9	4.7
1964-65	18,159,000	3.0	944,524	13.6	5.2
1965-66	18,632,000	2.6	1,141,863	20.9	6.1
1966-67	19,126,000	2.7	1,302,179 *	14.0	6.8
1967-68	19,692,000	3.0	1,575,389 *	21.0	8.0

* Estimated.

Social Welfare

Summary

General Program Statement—Continued

Total Social Welfare Expenditures in California

<i>Fiscal year</i>	<i>Amount</i>	<i>Dollar increase from preceding year</i>	<i>Percentage increase from preceding year</i>	<i>Percentage increase from 1960-61</i>
1960-61 -----	\$542,847,674			
1961-62 -----	619,966,028	\$77,118,349	14.2%	14.2%
1962-63 -----	719,915,386	99,949,363	16.1	32.7
1963-64 -----	835,369,494	115,454,563	16.0	54.0
1964-65 -----	988,619,246	153,249,297	18.3	82.0
1965-66 -----	1,227,837,238	239,217,992	24.2	126.2
1966-67 (est.) ---	1,715,908,486	488,071,248	39.8	216.1
1967-68 (pro.) --	1,954,302,718	238,394,232	13.9	260.0

General Fund Expenditures for Social Welfare

<i>Fiscal year</i>	<i>Amount</i>	<i>Dollar increase from preceding year</i>	<i>Percentage increase from preceding year</i>	<i>Percentage increase from 1960-61</i>
1960-61 -----	\$220,618,239			
1961-62 -----	248,823,424	\$28,205,185	12.8%	12.8%
1962-63 -----	280,810,956	31,987,532	12.9	27.3
1963-64 -----	318,307,906	37,496,950	13.4	44.3
1964-65 -----	375,157,538	56,849,632	17.9	70.0
1965-66 -----	445,638,899	70,481,361	18.9	102.0
1966-67 (est.) ---	566,570,243	120,931,344	27.1	156.8
1967-68 (pro.) ---	670,084,898	103,514,655	18.3	203.7

Per Capita Costs for Social Welfare

<i>Fiscal year</i>	<i>Per capita social welfare expenditures in California</i>	<i>Per capita General Fund expenditures for social welfare</i>
1960-61 -----	\$34.19	\$13.91
1961-62 -----	37.69	15.13
1962-63 -----	42.24	16.48
1963-64 -----	47.69	18.06
1964-65 -----	54.44	20.66
1965-66 -----	65.90	23.92
1966-67 (estimated) -----	89.72	29.62
1967-68 (proposed) -----	99.24	34.03

The following table shows the growth of state and county personnel in the field of social welfare. In 1966-67, there were 626 positions in the Division of Protective Social Services transferred from the Department of Mental Hygiene to the Department of Social Welfare. This transfer accounts for part of the large increase in state personnel from 1965-66 to 1966-67.

State-County Personnel in Social Welfare

(includes administrative staff, caseworkers, supervisors, field representatives, specialists, clerical employees)

	<i>State personnel (positions)</i>	<i>County personnel (positions)</i>	<i>Total</i>
1960-61 -----	622	9,240	9,862
1961-62 -----	652	10,339	10,991
1962-63 -----	722	10,988	11,710
1963-64 -----	748	13,570	14,318
1964-65 -----	843	14,900	15,743
1965-66 -----	902	16,500	17,402
1966-67 (authorized) -----	1,741	16,300	18,041
1967-68 (proposed) -----	1,871	19,100	20,971

Summary

Social Welfare

General Program Statement—Continued

The following tables show the nationwide, California and New York State monthly averages in 1965-66 relating to the number of recipients in each categorical aid program, the total payments to those recipients and the average payments to those recipients.

Old Age Security Program

	<i>Nationwide</i>	<i>California</i>	<i>New York</i>
Recipients -----	2,126,491	278,048	58,779
Payments (total) -----	\$168,249,957	\$28,941,493	\$5,168,316
Payments (average) -----	\$79.11	\$104.13	\$88.41

In 1965-66, for the Old Age Security Program (OAS), California was number one in the nation in numbers of recipients and total payments to recipients and number three behind Wisconsin and New Hampshire in average payments to recipients.

Aid to the Blind Program

	<i>Nationwide</i>	<i>California</i>	<i>New York</i>
Recipients -----	91,584	12,447	3,113
Payments (total) -----	\$8,209,349	\$1,673,740	\$352,065
Payments (average) -----	\$89.65	\$134.44	\$112.80

In 1965-66, in the Aid to the Blind Program (AB), California was number one in the United States in the number of recipients and total payments and number two behind Massachusetts in average payments to recipients.

Aid to the Totally Disabled Program

	<i>Nationwide</i>	<i>California</i>	<i>New York</i>
Recipients -----	574,191	81,170	35,340
Payments (total) -----	\$48,237,073	\$9,235,779	\$4,303,960
Payments (average) -----	\$84.02	\$113.91	\$118.06

In the Aid to Totally Disabled Program, in 1965-66, California was number one in the nation in number of recipients and total payments and was behind Massachusetts, Indiana, Wisconsin, North Dakota, Kansas, New Hampshire, and New York in the average payments to recipients category.

Aid to Families With Dependent Children Program (including the unemployed parent portion)

	<i>Nationwide</i>	<i>California</i>	<i>New York</i>
Number of families -----	1,070,855	147,398	131,975
Payments (total) -----	\$154,921,187	\$26,676,910	\$27,425,896
Payments (average) -----	\$144.65	\$181.04	\$207.77

In 1965-66, California was number one in the nation in the number of families and number two, behind New York, in total payments to recipients. In average payments California was behind New York, New Jersey, Illinois, Wisconsin, Connecticut, and Massachusetts.

Aid to Families With Dependent Children (unemployed parent)

	<i>Nationwide</i>	<i>California</i>	<i>New York</i>
Number of families -----	58,843	16,408	12,701
Payments (total) -----	\$11,509,369	\$3,457,759	\$2,705,070
Payments (average) -----	\$195.96	\$209.96	\$214.79

General Program Statement—Continued

In 1965-66 there were 21 states in this program and California was number one in the nation in both number of families and total payments and behind Hawaii, Illinois, Kansas, Massachusetts, New York, and Oregon in average payment.

The most recent statistics relating to this program indicate that California has more than one-third of the total caseload in the United States (16,600 of a total of 49,700) and has taken Oregon's place as number six in rankings in average payment.

The three basic programs in the field of Social Welfare are discussed in three sections of this analysis under separate headings. The programs are: (1) those activities which provide direct support for dependent persons and which meet specific needs such as food, clothing and housing, (2) those activities of a specialized social service nature directed toward improving the lives and capabilities of dependent persons and alleviating dependency causing conditions, and (3) those activities concerned with medical assistance and health care services for welfare recipients and others who are considered medically indigent.

Direct Support to Dependent Persons Program

This program provides grants to eligible persons to the extent necessary to provide a basic standard of assistance and meet specific needs such as food, clothing and housing.

The program of direct support for dependent persons amounts to \$1,205,459,756 or 61.7 percent of the total social welfare expenditures proposed for California in 1967-68. An estimated average of 1,314,832 cases per month will receive such support.

This program is to be funded with \$583,698,334 in federal funds, \$410,974,358 from the General Fund and \$210,787,064 in county funds.

State-federal and county-federal administrative expenditures amount to \$6,710,058 and \$166,724,098 respectively for a total of \$173,434,156. This is 14.4 percent of the total 1967-68 expenditures for this program. The remainder, \$1,032,025,600, or 85.6 percent is the amount proposed for the direct support of dependent persons.

This program is separated into the following activities with 1967-68 estimated expenditures and services to be rendered including administrative costs.

Old Age Security

To provide an average assistance payment of \$98.92 to an average of 293,475 persons per month ----- \$381,634,562

Aid to the Potentially Self-Supporting Blind

To provide an average assistance payment of \$46.44 to an average of 866,550 family group persons per month and an average payment of \$105.10 to an average of 25,430 foster home children per month ---- 626,923,783

Aid to the Blind

To provide an average assistance payment of \$131.21 to an average of 12,230 cases per month ----- 21,462,157

Aid to the Potentially Self-Supporting Blind

To provide an average assistance payment of \$167.33 to an average of 240 cases per month ----- 481,900

Aid to the Needy Disabled

To provide an average assistance payment of \$106.12 to an average of 116,875 cases per month ----- 174,857,354

Summary

Social Welfare

General Program Statement—Continued

Aid to Victims of Crimes of Violence

To provide financial assistance to needy children deprived of parental support because of a crime of violence in which the parent was killed or incapacitated. To provide an average monthly payment of \$260.41 to an average of 32 cases per month-----

100,000

Total -----\$1,205,459,756

In 1965-66 a total of \$1,039,931,108 was expended for the program of direct support of dependent persons, including eight months of public assistance medical care and medical aid to the aged. This amounted to 84.7 percent of the total social welfare expenditures in that year. An average of 1,017,043 cases per month received such support in 1965-66.

The total expenditure for this program in 1965-66 was provided by \$493,576,990 federal funds, \$372,216,857 state funds and \$174,137,261 county funds. State-federal and county-federal administrative expenditures amounted to \$6,467,596 and \$113,255,850 respectively or 11.5 percent of the total expenditures for this program. The remaining 88.5 percent or \$920,207,662 is the amount expended for the direct support of persons.

This program was separated into the following activities with the 1965-66 actual expenditures and services rendered including administrative costs.

Old Age Security

Provided an average assistance payment of \$96.88 to an average of 275,235 cases per month-----

\$377,530,511

Aid to Families with Dependent Children

Provided an average assistance payment of \$42.94 to an average of 603,578 family group persons per month and an average monthly payment of \$96.30 to an average of 21,239 foster home children per month-----

418,489,580

Aid to the Blind

Provided an average assistance payment of \$124.92 to an average of 12,329 cases per month-----

22,101,668

Aid to the Potentially Self-Supporting Blind

Provided an average assistance payment of \$155.06 to an average of 69 cases per month-----

133,427

Aid to the Needy Disabled

Provided an average assistance payment of \$101.00 to an average of 83,294 cases per month-----

128,437,127

Medical Assistance to the Aged

Provided an average vendor payment of \$11.29 to an average out-patient caseload of 1,400 and an average vendor payment of \$551.60 to an average in-patient caseload of 19,893-----

92,789,487

Aid to Victims of Crimes of Violence

Provided an average assistance payment of \$64.18 to an average caseload of six-----

4,621

Medical Assistance Program—Support-----

444,687

\$1,039,931,108

Specialized Social Service Program

The object of these activities is to provide services directed toward promoting self-care, rehabilitation, economic independence and strengthened family life. The Specialized Social Service Program

Social Welfare

Summary

General Program Statement—Continued

amounts to \$57,484,682 or 2.9 percent of the total social welfare expenditures for 1967-68. These programs are to be supported in 1967-68 by \$29,671,400 of federal funds and \$27,813,282 from the General Fund.

The proposed administrative expenditures for this program are \$16,546,027 or 28.8 percent of the total proposed budget for specialized social services. The remaining \$40,938,655 or 71.2 percent is to be expended for services under this program.

In 1966 the Legislature transferred the Bureau of Social Work from the Department of Mental Hygiene to the Department of Social Welfare, where it is now designated as the Division of Protective Social Services. Support for this division is found in Item 137 which is a separate budget item. Our analysis and recommendations of this function begins on page 623 of this report.

The following listing shows the 1967-68 proposed expenditures for this program, including administration costs.

Specialized Social Services in Public Assistance

Division of Protective Social Services

The objective of this activity is to prevent the unnecessary commitment of persons to state mental hospitals and facilitate the release of patients from mental hospitals ----- \$13,490,497

Adult Protective Services

Provides support to the program of social services in county welfare departments directed toward aged persons who suffer mental illness and adult mentally retarded persons with the objective of facilitating their release from state hospitals or preventing their unnecessary commitment ----- 355,685

Special Project on Aging

To provide public welfare services to the aging by training professional staff in county welfare departments. This activity is entirely supported by a grant from the American Public Welfare Association ----- 22,853

County Administration of Assistance Programs

This function is to administer a workman's compensation insurance policy for all counties so they can operate the Title V, E.O.A. programs ----- 5,884

Work Experience and Training Program

To provide for training services, transportation and child care in county community programs ----- 10,268,257

TOTAL—Specialized Social Services in Public Assistance ----- \$24,120,323

Specialized Services for Children

Preschool Compensatory Education

For children ages three to five in low-income families in order to improve their motivation, performance and ability to learn in the public school system ----- \$15,529,147

County Specialized Services for Children

For maintaining services for children concerned with returning a child to his own home and protecting a child from neglect ----- 760,000

State Assistance to County Welfare Departments

For counties unable to provide child welfare services ----- 185,568

Day Care Services

To promote the welfare of children whose mothers are employed and provide rehabilitative and preventive services to children ----- 401,000

Summary

Social Welfare

General Program Statement—Continued

Private-Public Activities

Assistance to counties seeking new methods of dealing with childrens' problems ----- 50,000

Adoptions

Section 16101, Welfare and Institutions Code, authorizes the state to reimburse the counties for the costs of establishing and operating public adoption agencies and providing for 11,491 relinquishment adoptions, 2,615 independent adoptions and 1,840 services to other agencies ----- 8,831,408

TOTAL—Specialized services for children ----- \$27,734,482

Local Inspection and Licensing Programs

Licensing and inspection of public and private agencies, maternity and boarding homes, day nurseries and institutions for children and aged persons ----- \$2,708,386

Social Services Administration—Improvement Programs

Training

At a social work training center serving 28 counties ----- \$239,918

Educational Leave Stipends

To provide an adequate supply of professionally competent personnel for the state's welfare programs ----- 1,151,457

Field Instruction Units

To provide for 43 units located in the schools of social work allowing field experience ----- 541,800

Local Agency Special Training

To keep county welfare department staff abreast of new developments in the field of social welfare ----- 92,239

County Improvement Programs

To provide funds for projects designed to improve welfare administration ----- 618,660

Welfare Simplification Study

To study the procedural system for the administration of welfare in California at both the state and county level ----- 261,742

TOTAL—Social services administration—improvement programs-- 2,905,816

Civil Defense Activities ----- 15,675

TOTAL—All specialized social service programs ----- \$57,484,682

In 1965-66 a total of \$23,513,367 was expended for the program of specialized social services which amounted to 1.9 percent of the total social welfare expenditures during that year.

This program was supported in 1965-66 by \$11,982,627 in federal funds, and \$11,530,740 from the General Fund.

The cost of administering this program was \$2,558,662 or 10.9 percent of the total budget for the program. The remainder, \$20,954,705 or 89.1 percent, was expended for services to the specialized social service program.

This program is separated into the following activities to show the services rendered and actual expenditures, including administration costs.

Specialized Social Services in Public Assistance

Sheltered Employment for Disabled Persons

Vocational evaluation and work training center experience for mentally retarded disabled recipients ----- \$120,000

Social Welfare**Summary****General Program Statement—Continued***Prevention of Blindness*

Surgery or treatment to persons applying for or receiving aid to the blind -----	13,123
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Adult Protective Services

The development of a program for releasing mentally ill patients from hospitals -----	255,430
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Special Project on Aging

This activity was entirely supported by the American Public Welfare Association which provided for the training of professional staff in county welfare departments -----	17,909
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Self-Direction—Self-Care—Self-Support

Provided public assistance recipients an opportunity to become more self reliant and self supporting -----	448,701
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Family and Child Development

For the purpose of encouraging a better home environment -----	308,589
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Welfare Dependency Project

Provided studies concerned with the dependency problem in low-income families -----	28,225
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Community Planning and Development

For programs concerned with community participation -----	240,314
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Medical Care Resources and Utilization Project

Provided information concerned with the medical assistance program in the counties -----	45,589
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County Administration of Assistance Programs

Provided administration to operate Workman's Compensation Insurance Policy -----	1,886
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Work Experience and Training Program

For county community work training programs -----	3,981,645
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TOTAL—Social Services in Public Assistance -----	\$5,443,502
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Specialized Services for Children*Preschool Compensatory Education*

For children ages three to five in low-income families -----	\$4,440,931
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County Specialized Services for Children

For county projects concerned with returning children in foster homes to their own homes and protecting them from neglect -----	773,961
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State Assistance to County Welfare Departments

Provided support to counties unable to provide child welfare services --	121,858
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Day Care Services

Provided preventive and rehabilitative services to children -----	473,826
-------------------------------------------------------------------	---------

Adoptions

For the operation of public adoption agencies and provided for 8,867 relinquishment adoptions, 2,460 independent adoptions and 1,465 services to other agencies -----	6,235,774
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TOTAL—Social Services for children -----	\$13,656,267
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Local Inspection and Licensing Programs

Provided for the licensing and inspecting of public and private agencies, maternity and boarding houses and institutions for children and aged persons -----	\$2,636,584
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Community Services for Older Persons

For projects advanced by local agencies to promote local community activities for older persons -----	\$67,950
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Summary**Social Welfare****General Program Statement—Continued****Social Services Administration—Improvement Programs***Training*

For a social work training center to serve the counties-----	\$168,836
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Education Leave Stipends

To assure an adequate supply of professionally competent personnel for the state's welfare programs-----	827,534
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Field Instruction Units

Provided units of social work allowing field experience-----	68,686
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Local Agency Special Training

Kept county welfare departments abreast of new developments in the field of social welfare-----	29,415
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County Improvement Programs

Provided funds for projects designed to improve welfare adminis- tration-----	386,892
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Welfare Simplification Study

Provided contractual services to improve the procedural system for the administration of welfare-----	215,000
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TOTAL—Social Services Administration—Improvement Program...	\$1,696,363
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Civil Defense Activities-----	\$12,701
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TOTAL—All specialized social services programs-----	\$23,513,367
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Medical Assistance Program (Medi-Cal)

This program provides medical benefits to recipients in a Cash Grant Program and for recipients in a Medically Needy Program. The recipients in the Cash Grant Program are those persons receiving cash aid payments through the Public Assistance Programs of the state and they will receive Group I scope of medical benefits. The recipients in the Medically Needy Program are separated into two groups—those persons who receive Group I scope of medical benefits and who are included in this group because they are “just like” the Cash Grant recipients except, for example, they lack durational residence requirements, and, those persons who receive Group II scope of medical benefits simply because they are medically indigent.

The Medical Assistance Program expenditure for 1967–68 amounts to \$691,358,280 or 35.4 percent of the total social welfare expenditures proposed to be spent in California in 1967–68. The Office of Health Care Services estimates that 1,575,389 persons will be eligible for medical services under Medi-Cal in 1967–68.

This program is to be funded with \$346,348,089 in federal funds, \$231,297,258 from the General Fund, and \$113,712,933 in county funds. The proposed state administrative support for this program is \$4,117,976 or 0.6 percent of the total proposed cost for the program. The estimated county cost for administration is \$9,261,000 or 1.3 percent. The proposed fiscal intermediary cost is \$7,762,500 or 1.1 percent of the total estimated amount to be spent in 1967–68 in the Medical Assistance Program. The proposed state, county and fiscal intermediary administrative costs amount to 3 percent of the total Medical Assistance Program. The remaining 97 percent, or \$670,216,804 is for health services to welfare recipients and medical indigents.

Social Welfare

Summary

General Program Statement—Continued

The Medical Assistance Program is separated in the following manner to show the total number of certified persons in the Cash Grant and Medically Needy Programs, the average monthly cost and the estimated annual expenditures for the two programs in 1967-68.

	<i>Certified persons</i>	<i>Average monthly cost per cer- tified person</i>	<i>Annual expenditure</i>
CASH GRANT PROGRAM			
<i>Old Age Security</i> -----	299,104	\$37.03	\$132,927,200
<i>Aid to the Blind</i> -----	12,845	42.92	6,615,400
<i>Aid to the Disabled</i> -----	120,031	80.24	115,569,800
<i>Aid to Families With Dependent Chil- dren</i> -----	944,009	13.62	154,257,400
Total -----	1,375,989	\$24.79	\$409,369,800
MEDICALLY NEEDED PROGRAM			
Group I Scope of Benefits			
<i>Aged</i> -----	46,200	\$227.98	\$126,389,900
<i>Blind</i> -----	300	324.00	1,166,400
<i>Disabled</i> -----	7,400	293.71	26,081,800
<i>Families and children</i> -----	26,700	8.82	2,827,500
Total -----	80,600	\$161.77	\$156,465,600
Group II Scope of Benefits			
<i>Aged</i> -----	12,200	\$258.77	\$37,884,600
<i>Blind</i> -----	500	200.17	1,201,000
<i>Disabled</i> -----	7,200	340.25	29,397,700
<i>Families and children</i> -----	98,900	20.97	24,886,000
Total -----	118,800	\$65.49	\$93,369,300
Other medical services (hospital-based physicians; free standing clinics)			\$48,450,700
Title XVIII(b) offset -----			-13,978,700
TOTAL COST OF CARE -----			\$693,676,700
Add—Administration (state administration, fiscal intermediary, county administration) -----			\$21,141,476
Add—Estimated net accrued expenditures—June 30, 1968 -----			24,000,000
Subtract—Reduction in program expenditures necessary to remain within statutory limitations -----			-47,459,896
TOTAL EXPENDITURES—HEALTH CARE DEPOSIT FUND ..			\$691,358,280
The following separation is made to show the Medical Assistance Program expenditures by type of service in 1967-68.			
Physicians' services			
<i>Visits, total</i> -----			\$59,964,300
<i>Surgery</i> -----			43,620,200
<i>Other physicians' services</i> -----			24,367,900
<i>Prescription drugs</i> -----			38,998,200
<i>Dentist</i> -----			35,569,300
<i>General hospital outpatient</i> -----			12,933,400
<i>General hospital inpatient</i> -----			194,293,800
<i>State mental hospitals</i> -----			21,959,800
<i>Nursing homes</i> -----			194,551,600
<i>All other services</i> -----			81,396,900
<i>Total XVIII(b) offset</i> -----			-13,978,700
Total cost of care -----			\$693,676,700

Summary

Social Welfare

General Program Statement—Continued

Add—Administration	21,141,476
Add—Estimated net accrued expenditure—June 30, 1968	24,000,000
Subtract—Reduction in program expenditure necessary to remain within statutory limitation	—47,459,896
Total expenditures, Health Care Deposit Fund	\$691,358,280

During 1966-67 the Medical Assistance Program is separated into the following groups which show the estimated total number of certified persons, average cost, and estimated annual expenditures for the program in the current year. It is important to note for comparative purposes, that we are not using the 1965-66 actual year experience because the Medical Assistance Program was only in effect from March 1, 1966, to June 30, 1966.

	Certified persons	Average monthly cost per certified person	Annual expenditure
CASH GRANT PROGRAM			
Old Age Security	291,485	\$37.73	\$131,984,100
Aid to the Blind	12,835	45.06	6,940,800
Aid to the Disabled	105,556	80.47	101,924,000
Aid to Families With Dependent Children	781,660	11.71	109,851,700
Total	1,191,536	24.53	350,700,600
MEDICALLY NEEDY PROGRAM			
Group I Scope of Benefits			
Aged	41,357	\$211.23	\$104,828,100
Blind	225	270.04	729,100
Disabled	2,893	274.29	9,522,400
Families and children	19,539	4.85	1,136,216
Total	64,014	151.29	\$116,215,816
Group II Scope of Benefits			
Aged	11,679	\$229.63	\$32,182,000
Blind	214	279.83	718,600
Disabled	2,893	325.73	11,308,200
Families and children	31,843	10.34	3,950,504
Total	46,629	\$86.07	\$48,159,304
Other medical services (hospital-based physicians; free standing clinics)			\$46,500,000
Title XVIII(b) offset			—4,327,600
TOTAL COST OF CARE			\$557,248,120
Add—Administration (state administration, fiscal intermediary, county administration)			19,763,117
Add—Estimated net accrued expenditures—June 30, 1967			10,133,427
Subtract—Reduction in program expenditures necessary to remain within statutory limitations			—15,507,434
Add—Adjustment of expenditures between the 1965-66 and 1966-67 fiscal years per Attorney General opinion			47,531,993
TOTAL EXPENDITURES, HEALTH CARE DEPOSIT FUND			\$619,169,223

The following separation is made in the current fiscal year to show the Medical Assistance Program expenditures by type of service.

Physicians service	
Visits, total	\$50,072,484
Surgery	34,387,620
Other physicians service	20,361,120

Social Welfare

Summary

General Program Statement—Continued

<i>Prescription drugs</i> -----	35,183,592
<i>Dentist</i> -----	30,412,804
<i>General hospital outpatient</i> -----	10,283,524
<i>General hospital inpatient</i> -----	121,731,404
<i>State mental hospitals</i> -----	23,753,200
<i>Nursing homes</i> -----	159,631,100
<i>All other services</i> -----	75,758,872
<i>Title XVIII(b) offset</i> -----	-4,327,600
TOTAL COST OF CARE -----	\$557,248,120
<i>Add—Administration</i> -----	19,763,117
<i>Add—Estimated net accrued expenditures—June 30, 1967</i> -----	10,133,427
<i>Subtract—Reduction due to statutory limitation</i> -----	-15,507,434
<i>Add—Adjustment of expenditures between 1965-66 and 1966-67 fiscal years per Attorney General opinion</i> -----	47,531,993

TOTAL EXPENDITURES, HEALTH CARE DEPOSIT FUND \$619,169,223

Aid to Families With Dependent Children

*Total cash payments to recipients (budget page 928,
line 32)* ----- **\$514,971,800**

This amount is being requested on the basis of an estimated monthly average caseload in the family and unemployed parent group of 866,550 at an average monthly payment of \$46.44 and in the foster home care group at an estimated monthly average caseload of 25,430 with an average payment of \$105.10.

The unemployed parent portion of this program is estimated to cost \$74,308,200 of which \$25,609,200 is state General Fund cost, approximately \$37,154,000 is federal funds, and \$11,545,000 is county cost.

Section 407 of the Federal Social Security Act provides for the termination of federal financial participation in the Aid to Families with Dependent Children—Unemployed Parent Program on June 30, 1967.

Welfare and Institutions Code Section 11454 would appear to require that aid continue to be paid in accordance with the code even if no federal grant-in-aid is available. The pertinent language in the last sentence of that section reads:

“Aid granted under provisions of this section shall be paid without federal participation in the cost thereof whenever such federal participation is not provided by the laws of the United States or rules and regulations promulgated thereunder.”

There is no assurance that Congress will appropriate money for the continuation of this program. In the six years the program has been in effect, there have only been 20 states that have participated in the program. The most recent statistics show that in the current year California alone has average approximately one-third of the total national caseload of 49,000 families. The unemployment rate both nationwide and in California has continually declined in the past several years while conversely this program has grown at a tremendous rate in California.

We recommend the Legislature place language in the Budget Bill to preclude participation in this program during 1967-68 during such time as federal funds are not available.

General Program Statement—Continued

Failure to take some action in connection with the possible federal termination of support for this program could result in added cost of \$25.6 million, the state share, or even as much as \$37,154,000, the full amount of federal participation, if further interpretation of the law were to preclude increasing the county share.

Without this program the AFDC-UP recipient will be in the same circumstances he was prior to its start in 1963. There is no information concerning individual characteristics of the caseload, to determine what those circumstances were or would be if the program was terminated. We suggest that if this program is unavailable by reason of lack of federal support, all AFDC-UP recipients be referred to the Department of Employment for special job referrals.

One of the basic reasons for adopting the AFDC-UP program was to solve the problem of deliberate desertion of a father in order to qualify a family for aid payments. As far as we can ascertain, desertions continue and this problem has not been solved by the adoption of the AFDC-UP program.

Aid to the Needy Disabled

*Total cash payments to recipients (budget page 926,
line 45) ----- \$148,838,400*

This amount is requested on the basis of an estimated monthly average caseload of 116,875 at an estimated average monthly assistance payment of \$106.12.

We recommend that the budget estimate of payments to recipients of Aid to Needy Disabled be reduced by \$6,208,020 for a General Fund reduction of \$2,849,401.

The budget states that caseload growth in this category will occur at a stabilized rate of 1,150 cases per month during both 1966-67 and 1967-68. At this rate of growth only 13,800 cases will be added to the 91,300 reported in the budget as of June 1966 for a June 1967 caseload of 105,100 rather than 109,400 as shown. This rate of growth will result in an average caseload of 98,200 rather than 102,780 as shown in the budget for 1966-67. The same rate of growth is projected in 1967-68 and will result in a June 1968 caseload of 118,900 rather than 123,200 and an average caseload of 112,000 for 1967-68. This is 4,875 cases less than the estimate of 116,875 upon which the budget requirement of \$148,838,400 is based and indicates that the requirement should only be \$142,630,380 or \$6,208,020 less.

While the budget states that the June 1966 caseload was 91,300, the department's regular statistical report for that month states a total caseload of only 86,953. This difference should be reconciled or the budget may be overstated by an additional 4,347 cases, or an estimated total cost of \$5,535,636.

We also recommend that the Legislature direct the Department of Social Welfare to refer all ATD applicants and recipients to the Department of Rehabilitation for screening for vocational rehabilitation potential. We further recommend that the Department of Social Welfare be directed to consider the results of such findings in determining eligibility for this program.

General Program Statement—Continued

In summary, if the \$18.25 statutory limitation is not removed in 1967-68 the following happens. On the revenue side, the program's estimated revenue needs excluding the county option problem are \$738.8 million and the potential resources because of the county option problem are only \$300.9 million of state and county money and \$300.9 million of federal money for a total of \$601.8 million total revenue available for Title 19 benefits. Thus, program benefits must be cut by \$137 million to stay within available revenue resources.

However, on the expenditure side, the \$18.25 limitation limits program expenditures to \$536.6 million available for Title 19 beneficiaries. (\$536.6 million is the result of subtracting the county option problem of \$154.8 million from \$691.4 million which is all we can spend for Title 19 eligibles and the nonlinked, option people.) Since the statutory limitation allows only \$536.6 million of expenditures for Title 19 covered recipients, the total programs estimated costs for 1967-68 of \$738.8 million (excluding the \$154.8 million for the county option) must be reduced by \$202.2 million.

Alternative Number Two—Removal of Statutory Limitation

If action was taken to remove the existing \$18.25 statutory limitation and to avoid the county option problem, additional state funds required would be only \$24.4 million to meet the \$738.8 million level of program that is estimated in the budget.

If the statutory limitation only was removed and all of the counties chose the option method of payment, additional state funds required would be \$68.5 million to meet the Title 19 program benefits and the option, noncategorical linked benefits.

Policy Option

As we have pointed out, the Medical Assistance Program financial picture for 1967-68 appears bleak. Under alternative number one, program expenditures must be reduced by \$202.2 million and under alternative number two additional state funds required to meet Title 19 program benefits, including the noncategorical linked individual, could be \$68.5 million.

Public Law 89-97 (Title XIX) provides for 50-percent federal matching for all medical care expenditures for categorical aid recipients (Cash Grant Program) and, if included, categorical linked medically indigent persons. The inclusion of the medically indigent is optional for the state prior to July 1, 1975. Therefore, to help solve the financial problems facing the Medical Assistance Program in 1967-68, we suggest that the entire Medically Needy Program can be eliminated by placing language in the Budget Bill that prohibits the inclusion of this group until such time as the financial implications of the entire program are clarified and until the Legislature decides the state can afford to include this costly group of recipients.

General Program Statement—Continued

Closed-End Appropriation; Maximum Average Grant;
Single Categorical Aid Grant

We recommend that the Legislature adopt a method of closed-end appropriations for social welfare expenditures, a maximum average grant for all categorical aid programs, and a single categorical aid grant for all of the adult aid programs.

California is nearly alone in its method of budgeting for public assistance welfare expenditures because the grants-in-aid to recipients are provided for by open-end appropriations. This means there is no limit to state fund expenditures for welfare purposes for any fiscal year. Presently, social welfare expenditures may exceed the proposed subvention estimates by an amount limited only by the solvency of the state treasury. Under the present open-end appropriations scheme the Legislature has no direct control over expenditures.

A closed-end appropriation would require state funds to be appropriated annually after legislative review of the estimates submitted by the State Department of Social Welfare. This would allow the Legislature to determine how much it wants to spend on welfare during the next fiscal year.

The Welfare and Institutions Code now provides for a maximum average grant in the Aid to the Needy Disabled category. The current grant structures in the Old Age Security, Aid to the Blind, and Aid to Families with Dependent Children have increased administrative difficulties and costs for the counties, particularly in recent years, due to multiplicity of basic and maximum grant increases.

A maximum average grant would set a ceiling on how high the average grant per recipient could be. It could be adjusted annually to reflect cost of living, federal sharing and legislative increases to an appropriate level as determined by the Legislature. It would reestablish legislative cost control and limit costly grant redeterminations to one per year and permit a wide latitude of administrative flexibility in setting standards of assistance.

A maximum average grant could be utilized at the current levels in the adult aid programs. There is provision in federal law for a state to claim federal matching funds under a single categorical aid grant structure for the adult categorical aid programs—Old Age Security, Aid to the Blind, Aid to the Needy Disabled. Under this proposal, the grant structure for these three adult programs would be simplified because there would only be one required formula, not three.

Paper Production

We have made reference to the "paper blizzard" problem under our statement relating to state administration of welfare. The department has made virtually no progress in trying to solve or remedy this problem in recent years.

As the paperwork continues to mount the social worker's time for clients continues to decline. Many professional social workers feel their productivity has been channeled in the wrong direction as they are required to read so many varied and numerous regulations, letters, and memoranda and fill out so many forms.

General Program Statement—Continued

Hundreds of circular letters, procedure memoranda, and pages of information are issued each year. This mass of material is not only burdensome to its recipients but the time consumed in preparation, typing, duplicating and transmitting these documents is costly.

A certain amount of interdepartmental correspondence is, of course, required and necessary. However, the number, length and frequently trivial nature of these communications raises the question as to how much of the content is really essential to the administration of welfare. The procedures involved in the production of much of this paper are cumbersome, time consuming, and expensive, involving research, writing, reproduction, review, approval, reproduction, publication, hearings, review, reproduction and publication, and finally, distribution, mailing, receipt, assimilation (hopefully) and filing.

We recommend that the department make an immediate study of the paper blizzard problem, reduce its cost and implement the results immediately.

Welfare Statistics

The federal government, through the Department of Health, Education, and Welfare releases monthly, quarterly and annually statistics relating to welfare programs nationwide and by states. Some of the publications released by HEW relating to welfare services and expenditures include: *Health, Education and Welfare Indicators*; *Welfare in Review*; *Social Security Bulletin*; advance release of statistics in public assistance; special monthly reports relating to the Aid to Families with Dependent Children—unemployed parent program; and special statistical releases relating to the training programs and services impact on public assistance caseloads.

The State Department of Social Welfare also publishes statistics relating to welfare expenditures and services in California. While both purport to provide information concerning caseloads and costs of welfare under the federal program definitions, it is not generally possible to reconcile the differences of classifications, and totals which continually appear on the basis of the information contained in the reports. The differences themselves are generally not significant, but seriously complicate the problems of assessment of programs by requiring continual attention to be paid to the source of assessment information and to the explanations for the differences as well as continually raising questions of the accuracy of the statistics being quoted. The federal report is derived from basic information required to be furnished by the state in the first instance. The publication of this information as the state statistical report, would obviate the problem of reconciliation, and would serve as a better basis for evaluation and assessment since it would avoid the problems of quotation and explanation pointed out above. It should also result in a significant reduction in the work required by the preparation of the same basic material for publication in two formats.

We recommend that the department immediately revise its statistical reporting procedures, so as to provide the same information in state reports which is provided to the federal government as the basis of its reports.

General Program Statement—Continued

Direct State Administration of Welfare

California has traditionally administered the welfare function through a state-county system. The state has functioned, as the single state agency required by federal law as a condition for receiving grants-in-aid, and to meet the federal requirements for uniformity in all subdivisions of the state and for "fair hearings" and reporting. And it subvenes the state and federal funds which is most of the money available to counties for the payment of assistance. The counties are directly responsible for the functions of determining eligibility, paying assistance, providing services and reporting to the state. While the functional assignments are relatively clear and the responsibilities specifically placed, this system has developed into a huge, complex organism which devotes excessive amounts of its resources and capabilities to the unrewarding functions of attempting to preserve its own entity and to overcome almost insoluble problems of communication and interpretation among and between its semiautonomous parts.

The net result of these continuing problems has been that the basic functions of the system are not performed as well as they need to be and the cost of administration and assistance is substantially more than it needs to be. The most expensive single function performed by the state department is its relatively fruitless efforts to write and interpret rules, regulations and explanatory materials for 58 semiautonomous county welfare departments, which in turn expend much time and effort attempting to comply and at the same time preserve their local autonomy and to respond favorably both to local and state demands, which are frequently incompatible. In the end we do not have uniform application of the welfare laws in all jurisdictions, the efforts of dedicated social workers are diverted into the endless problem of communication and interpretation, and no real progress is made toward the basic objective of the system which is the elimination of dependency to the greatest practical extent.

We recommend that the state adopt a system of direct state administration of all categorical aid welfare programs.

Under such a system the state would assume the responsibility for the functions of determining eligibility, paying assistance, and providing services together with the related administrative activities which are currently performed by the counties and initially at least would do so with the present organization of such activities as they now exist in the counties. Subsequently, of course, consideration should be given to the advantages of centralization through regional or district arrangements and to the advantages of decentralization through branch and field arrangements. The flexibility to take advantage of diverse organizational concepts would be one of the numerous benefits of state administration, providing the opportunity to effect economies and promote efficiency in relation to the priority needs of the programs.

However, the principal benefits of centralized state administration should be, the uniform administration of the welfare laws as they affect all dependent persons, the opportunity for the Legislature to affect the administration of welfare directly by having one organizational head

General Program Statement—Continued

responsible for all welfare activities, and the ability to direct program changes to attack the massive problem of dependency without the dilution of purpose which presently occurs because of problems of communication and interpretation and the necessity to secure cooperation among separate entities with divergent and frequently conflicting ideas, interest, loyalties, and motivations.

Centralized state administration of welfare should also result in a substantial reduction in the excessive cost of administering the present system. Administration costs 10.8 cents for each dollar of assistance or benefits provided. The elimination of a large part of the present duplicative hierarchical administrative structure could be achieved as well as eliminating the duplication of numerous bookkeeping, accounting, reporting, and fiscal control procedures. The economical application of simplified widespread electronic data processing techniques would be feasible. Most importantly the present problems of communication and interpretation which is evidenced by the so-called "paper blizzard" and the lack of uniformity of application of welfare law, can be supplanted by a system of management direction which will be more effective and far less costly. The assumption of the present county share of the cost of administering welfare by the state could be viewed as an effective way of providing the substantial local property tax relief which has been under discussion recently. This cost to the counties is estimated at \$80,172,764 for 1967-68. It appears to be unlikely that it would cost the state that much for a simplified direct system of administration.

The argument most commonly advanced for the retention of the present system of local administration is that local authorities, being closer to the people, can judge need more accurately and therefore prevent the undue enlargement of caseloads. This argument may well have been valid at the time that California was more rural in character and when relief was more directly a financial responsibility of local people. However, these conditions no longer prevail in California and in the light of the growth of caseloads and costs, which has been experienced in recent years, the effect of such local restraint is not noticeable. Today eligibility and grant levels are prescribed by statewide standards and any deviation in deference to local attitudes violates the intention of the law. It is far more likely that realistic welfare programs can develop under a system of state administration, amenable to direct legislative control on a statewide basis, than that they will evolve from the present unwieldy chaotic structure, which is engrossed with the problems of self-preservation and of still remaining operational, all at the expense of making progress toward its basic objectives.

POLICY OPTIONS

The following policy options relate to the categorical aid programs.

1. *The elimination of the duplicative cost of living increases to welfare recipients.*

The State of California has had a formalized system for providing for increases in basic welfare grants for a number of years. With the exception of the AFDC program this system operates to provide for an

Policy Options—Continued

increase in grants related to the actual increase in cost of living as reflected by the Consumer Price Index of the Bureau of Labor Statistics of the federal government as applied to California. This system has functioned at least as well, to keep welfare grants abreast of price inflation, as the system of annual legislative consideration of salary increases for civil service employees has worked in the same regard. In one sense it has worked better since it is automatic and is applied as a matter of law without modification to accommodate other fiscal considerations of government. All added costs for such price related cost of living increases for welfare recipients are borne by the State General Fund and the counties, since they do not operate to increase the federal maximum participating base.

The AFDC program provides for a grant level maximum limited statutorily, but for payment of actual need, based on departmental price studies, which are periodically revised to account for price increases. This system discriminates against recipients whose need exceeds the statutory maximum and who are totally dependent on the grant but does provide grant increases for those recipients with alternate sources of support sufficient to reduce their grant requirement to less than the statutory maximum.

On the other hand the federal Congress has periodically, though not regularly, increased its share of welfare grants in recognition of the same price inflation problem which the state has provided for annually. When such federal increases are made, however, they are required by California law to be passed on to recipients. Thus, in any given fiscal period, welfare recipients may receive two grant increases for the same purpose, that of allowing for price inflation. This problem has been further complicated in recent years by the fact that the majority of recipients under the state program (OAS) are also recipients under the federal program, (OASDHI) and the Congress has also provided for price inflation increases in the benefits under that program. Present law would require that OASDHI increases received by concurrent recipients of benefits under both programs be considered as nonexempt outside income and operate to reduce the amount of the OAS grant by the amount of the increase in the OASDHI benefit. However, recently, when such increases have been made, efforts have been made to exempt the increase from consideration as income and thus avoid the decrease in OAS grant necessary to maintain the same level of income. In the last session of the Legislature a special needs allowance of up to \$4 per recipient of OAS was authorized largely predicated on increased prices, despite the regular price increase provisions which were operative at the time.

In view of these circumstances it appears to be desirable to revise the present approach to the problem of insuring that the assistance provided to welfare recipients is adequate to their basic subsistence needs in relation to the changing price structure, while at the same time precluding a situation where two or even three grant increases are allowed for one price increase. While an annual determination of

Policy Options—Continued

grant levels by the Legislature in conjunction with closed-end appropriations, taking into account the economic conditions affecting price increases or decreases as well as the fiscal requirements of the entire state government would appear to be the most equitable arrangement for all concerned, short of that it is possible to revise the present cost of living and pass on provisions of the Welfare and Institutions Code to insure adequate grant increases for cost of living requirements of welfare recipients and at the same time assure the taxpayer that such requirements will not be paid more than once.

2. Following are two factors affecting the size of the recipient rolls that are subject to control by the states and which may represent means of slowing the tremendous growth in social welfare expenditures.

The institution of liens or recovery provisions. It is left entirely to the states to determine whether or not there shall be statutory provisions for the placing of liens on the property of a recipient of public assistance, for assignment of resources such as insurance and negotiable assets, or for recovery from the estate of the deceased recipients, except for medical benefits under the health care program. Recovery provisions are advocated on the basis that a recipient's estate should not revert to a relative who did not support the individual during his time of need; but that the public should have a claim upon this estate, especially in light of the fact the public has supported the recipient. This office conducted a study in 1962 which resulted in the finding that California and 17 other states did not include some form of recovery provisions in their old age assistance codes and that a savings of approximately \$17,884,300 during the first year and \$10,534,600 in subsequent years would result from the institution of secured liens and recoveries from estates. These savings would be substantially larger today.

The Advisory Commission on Inter-governmental Relations completed a study in 1963 that points up the significance of having recovery provisions. The results of that study showed that of the 25 states with the lowest recipient rates, 24 have recovery provisions, while of the 25 states with the highest recipient rates only eight have recovery provisions.

Enactment of stronger relatives responsibility provisions. The Old Age Security Program has the only current responsible relatives provision. It provides that an adult child with a family of four earning \$1,000 a month in net income or less need not contribute to the support of his parent. Net income excludes any income of his or her spouse and is regarded as 75 percent of gross income. An approximate annual saving in Old Age Security of \$11,254,900 was estimated in 1962 providing there was reinstatement of the responsible relatives provisions that existed prior to the 1961 amendments; and additional savings would result from the inclusion of responsible relatives provisions in other assistance programs where applicable.

The Advisory Commission on Intergovernmental Relations pointed out in 1963 that of the 10 states with the lowest recipients rates, nine

Policy Options—Continued

have a relative-support provision and a prescribed method for determining ability, and one has a relative-support provision but no prescribed method for determining ability. Conversely, of the 10 states with the highest recipients rates four have no relative-support provisions, five have only general support legislation with no method of determining ability, and only one state has a method of determining ability to support.

By the enactment of stronger relative's responsibility provisions in the categorical aids, the General Fund expenditures for public assistance would decrease by an appropriate amount.

DEPARTMENT OF SOCIAL WELFARE

ITEM 136 of the Budget Bill

Budget page 536

FOR SUPPORT OF DEPARTMENT OF SOCIAL WELFARE
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$5,374,920
Budget request before identified adjustments	\$5,664,041	
Increase to recognize full workload change	308,092	
Budget as adjusted for workload change	\$5,972,133	
Adjustment—undetailed reduction (10 percent)	597,213	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$1,344,558
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		\$747,345

Summary of Recommended Reductions

	Amount		Budget	
	General Fund	Federal fund	Page	Line
Community Welfare Services				
Area offices—184 positions	\$855,522	\$619,516	537	6
Quality Control Bureau—29 positions	181,322	131,302	537	6
Planning and Methods Division—5 positions	33,727	24,423	537	6
Not Identifiable by Program				
Salary savings	179,645	130,088	537	7
Workload Change				
Additional positions				
Licensing				
7 Social service consultants II	36,934	26,745	536	27
2 Social service consultants III	11,617	8,412	536	27
2 Typist-clerks	5,380	3,896	536	27
Complaints and inquiries				
4 Social service consultants I	23,200	16,800	536	27
2 Typist-clerks	5,380	3,896	536	27
Federal reporting				
1 Auditor I	3,688	2,672	536	27
Operating expenses				
Data processing operation	8,143	5,897	536	27

ANALYSIS OF RECOMMENDATIONS

The Department of Social Welfare has as its objectives the supervision of the administration of the categorical aid programs and a number of special social service programs. In general, the department is to coordinate and integrate a statewide social welfare program.

Department of Social Welfare—Continued

The department is separated into four organizational units:

(1) Departmental Administration: This unit consists of a director, deputy director, State Social Welfare Board and legislative office, legal office, and welfare manual unit. It is estimated that there will be 36.5 positions in 1967-68 in this organizational unit.

(2) Community Welfare Services: This unit consists of a deputy director, chief of welfare services, administrative review bureau, quality control bureau and has as its chief function the direct operation of the three area offices in the state who are, theoretically, the connecting link between the policymakers and the counties. It is estimated that in 1967-68 there will be 362 positions doing the work in this unit.

(3) Management Services: This unit of the department performs the housekeeping functions and does statistical research and fiscal auditing of county welfare operations. It includes a deputy director who directly oversees a fiscal division field audits bureau, county fiscal affairs bureau, office services bureau, management analysis bureau, personnel bureau, county merit system bureau, research and statistics division, data processing systems bureau, and a training bureau. In 1967-68 it is estimated that there will be 375.1 positions performing these functions.

(4) Program Development: This unit studies special projects, develops policy and prepares rules and regulations for the Adult Services Division consisting of the Aged Services Bureau, Disabled Service Bureau, Blind Services Bureau, and the Family and Children Division. The Planning and Methods Division and Special Studies area are also found in this organizational unit. It is estimated in 1967-68 there will be a total of 118.8 positions dealing with program development.

Community Welfare Services

Area Offices: The area office operation has as its responsibility the supervision of county administration of the Public Assistance programs and general consultation services to counties regarding social welfare functions.

We recommend the deletion of 184 positions located in area offices for a General Fund savings of \$855,522 and a total savings of \$475,038.

Under this recommendation 126 positions working at licensing of homes for children and aged and adoptions would continue to perform those functions.

The three area offices in this state located in Los Angeles, San Francisco, and Sacramento, act as a middleman between central office and the counties. The functions the area offices perform, such as channeling administrative decision to the counties, and consulting counties when and if they have problems, could be more economically performed by utilizing a few positions directly in central office. The staff reports made by the area offices on behalf of the counties relating to their individual problems and sent to central office could be prepared and sent directly to central office by any county which felt the problems were important enough to deserve attention by the state department.

Department of Social Welfare—Continued

The counties are capable and willing to deal directly with central office especially when important decisions and determinations are to be made. Any other type of decision should not take up the time of top administration on any level. The existence of good welfare programs and competent administration of those programs will not stand or fall with the existence of the area office operation. It does not appear that the termination of these offices will affect the individual welfare recipient in any way.

Quality Control Bureau:

The department is requesting that 29 positions be continued relating to the quality control program. This program was implemented to provide a check, at the local level, relating to the accuracy of decisions made relative to the welfare programs.

1 Social service administrator II (Salary Supplement page 478, line 56)	\$15,300
2 Social service administrators I (Salary Supplement page 478, line 57)	26,512
24 Social service consultants II (Salary Supplement page 478, line 58)	259,444
2 Intermediate stenographers (Salary Supplement page 478, line 59)	11,368

We recommend the deletion of this bureau for a General Fund savings of \$181,322.

The quality control program is a reviewing process, on a sample basis, to determine the accuracy of caseworkers' actions in relation to their caseload. The program provides that a county match itself against a statewide average of applications approved and disapproved and if the counties' eligibility ratio does not match the statewide average, the county is advised that it is probably lacking in quality. Conformity to a predetermined average does not insure quality. As presently conceived, the Quality Control Program does not assist county administrators to improve the quality of welfare administration. The administrative review team concept which was partially replaced by this program can be far more effective in achieving the objective of improving the quality of welfare administration and the Administrative Review Bureau as presently authorized should meet the federal requirement for a quality control plan.

Program and Development

Planning and Methods Division: This division is concerned primarily with special assignments, liaison with the Department of Education, coordinating and administering welfare demonstration projects and working with the counties on work experience and training programs. The budget authorizes 11 positions for this division. (Salary supplement page 482, line 56 to line 64.)

Department of Social Welfare—Continued

We recommend the deletion of the chief of the division, one social welfare service specialist, one welfare program projects supervisor and two intermediate stenographers for a General Fund savings of \$33,727, and a total savings of \$58,150. We recommend the remaining six positions in this division be consolidated under the Special Studies area of the Program and Development Unit.

The position of chief of the division has been vacant for six months, and there has been no evidence that the existing level of service in this division has decreased for lack of supervisory control.

The program project supervisor, social welfare service specialist and two stenographers have as their responsibility the coordination and administration of the welfare demonstration projects. The objective of these projects should be to evaluate existing programs with a view toward improving quality of service; evaluating new concepts and program ideas in terms of better and simplified administration; researching and evaluating different ways of dealing with welfare recipients and in general evaluating different methods of attacking dependency problems. The present demonstration projects generally lack any type of evaluative procedures. Some of the projects have "demonstrated" what would happen to a program or activity if it were implemented, and a very few of the projects have evaluated the needs or requirements for such a program, or the program's service or fiscal implications, but have not resulted in any discernible improvement in the welfare programs or their administration.

Not Identifiable by Program

Salary savings (budget page 537, line 7)----- \$387,148

Salary savings are estimated at \$387,148 for 1967-68.

We recommend that the estimated salary savings be increased by \$309,733 for a total of \$696,881 in 1967-68. The total Department of Social Welfare appropriation should be decreased by \$309,733 for a General Fund savings of \$179,645.

From 1962-63 through 1966-67 the department has averaged 9 percent annually in salary savings related to total salaries and wages authorized. However, in 1967-68 the department estimates that it will have only a 5-percent salary savings. Increasing the department's estimated salary savings by \$309,733 brings the department up to its last 5-year average of 9-percent salary savings annually.

Workload Increase

The 1967-68 budget proposes \$308,092 for "increase to recognize full workload change" (budget page 536, line 27). This proposal, which is undetailed in the budget consists of 36 additional positions in licensing, Independent Adoptions, Public Assistance Appeals, Complaints and Inquiries, Compensatory Education, Microfilm Program, Federal Reporting, Section 1118 Computation, AFDC Claim Unit and related operating expenses and equipment.

Department of Social Welfare—Continued

ADDITIONAL POSITIONS

Licensing

- 9 Social service consultants II (budget page 536, line 27)--- \$81,870
 2 Social service consultants III (budget page 536, line 27)--- 20,029
 3 Intermediate typist-clerks (budget page 536, line 27)--- 13,914

The department is requesting these 14 positions on the basis of an estimated increase in the number of day nurseries, children's institutions, and aged institutions to be licensed.

We recommend the deletion of seven social service consultants II, two social service consultants III, and two clerks for a General Fund savings of \$53,931, and the approval of two social service consultants II and one typist-clerk.

In the licensing function for day nurseries during the period 1963-64 through 1966-67, there was an average annual increase of 150 applications received and facilities licensed and renewals pending. The department estimates there will be an increase of 541 applications received and renewals pending during 1967-68. There has been no justification submitted by the department relating to this 250 percent increase over the average experienced during four years. Therefore, we recommend the approval of two social service consultants II and one intermediate typist-clerk which should be adequate to process the department's average increase in licensing.

Complaints and Inquiries

- 4 Social service consultants I (budget page 536, line 27)---- \$40,000
 2 Intermediate typist-clerks (budget page 536, line 27)----- 9,276

The department is requesting six new positions based on an estimated increase in complaints and inquiries.

We recommend the deletion of four social service consultants I and two typist-clerks for a General Fund savings of \$28,580.

During 1964-65 there were 17,478 complaints and inquiries received in the department. In 1965-66 that number increased by 1,272, or 7.3 percent, to 18,750. In 1966-67 it is estimated there will be another increase of 7.7 percent or 1,450 complaints and inquiries received to total 20,200. However, in 1967-68 the department estimates there will be an increase of 12,580 over the current year level of 20,200. There was no reason advanced for estimating that complaints and inquiries will increase by 62.3 percent in the budget year. A normal increase in complaints and inquiries can be handled easily by existing positions.

Federal Reporting

- 1 Auditor I (budget page 536, line 27)----- \$6,360

The department is requesting this position in order to meet a federal requirement relating to reporting county administrative costs by object category.

We recommend the deletion of one auditor I for a General Fund savings of \$3,688.

Presently the County Fiscal Affairs Bureau in the Department of Social Welfare audits and reports county administrative costs by func-

Department of Social Welfare—Continued

tion and by program. The federal government has required the department to audit and report county administrative costs by object category such as salaries and wages and equipment.

If the reporting requirement by object category is absolutely mandatory then the department should simply require the counties to report by object category.

Section 1118 Computation

1 Accountant I (budget page 536, line 27)----- \$6,360

The department requests this position in order to determine under what circumstances it is to the state's and counties' advantage to have the federal share of public assistance payments computed on a 50-percent basis.

We recommend the approval of one accountant I for one year only.

It appears that under most, if not all, circumstances, it is to the state's advantage to have the federal share of public assistance grants determined on a 50-percent basis under Section 1118. However, the department states that under some of the categorical aid programs the difference between claiming under Section 1118 or claiming on a person count is so close that it is not possible, without thoroughly reviewing each program, to determine what claiming procedure is to the state's advantage.

It seems reasonable that one accountant I, working on this problem for one year, could determine under what procedure the state should claim federal funds relating to a particular categorical aid program.

Operating Expenses

General expense (budget page 536, line 27)----- \$22,830

The department is requesting \$22,830 relating to workload increase in office supplies, freight, cartage and express, printing and membership fees.

Included in this amount is \$5,000 for recodification of the departmental manual. The nature of the material and the volume of manual letters which are issued by the department and which must be maintained by the counties has been a source of complaint for many years. Not only recodification but serious study leading to simplification and reduction of this volume would be warranted.

Data processing operation (budget page 536, line 27)----- \$14,040

The Department of Social Welfare is not requesting a workload increase in its data processing operation.

We recommend the deletion of this workload increase for a General Fund savings of \$8,143.

The budget allotment for the current year is \$121,820 and the department itself requests that it remain at that level in 1967-68. Apparently this increase was included in the "increase to recognize full workload charge" by mistake, and is not required to maintain the level of service for this activity.

Department of Social Welfare
DIVISION OF PROTECTIVE SOCIAL SERVICES

ITEM 137 of the Budget Bill

Budget page 540

**FOR SUPPORT OF PROTECTIVE SOCIAL SERVICES
FROM THE GENERAL FUND**

Amount requested in Budget Bill.....		\$8,591,848
Budget request before identified adjustments.....	\$9,546,498	
Increase to recognize full workload change.....	None	
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Budget as adjusted for workload change.....	\$9,546,498	
Adjustment—undetailed reduction (10 percent).....	954,650	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... \$229,597

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$725,053

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
24 Psychiatric social workers.....	\$99,936	541	67
10 Psychiatric social workers.....	50,590	541	42
5 Supervising psychiatric social workers.....	22,920	541	66
3 Supervising psychiatric social workers.....	13,338	541	41
1 Supervising clerk.....	3,105	541	68
12 Intermediate typist-clerks.....	27,468	541	69
5 Intermediate typist-clerks.....	12,240	541	43

ANALYSIS AND RECOMMENDATIONS

The Bureau of Social Work transfer from the Department of Mental Hygiene to the Department of Social Welfare was effective July 1, 1966. The purpose of the transfer was to secure federal matching money which saved General Fund expenditures related to this activity and to provide the opportunity for improvement of the services needed by mentally handicapped persons in the community. As a result of this transfer, the General Fund is estimated to save \$2,683,695 in the current year.

The Division of Protective Social Service serves primarily mentally handicapped persons on leave from the state hospitals. An additional 42 caseworkers, supervisors and supporting personnel are requested to meet the anticipated increase of 1,100 persons in the leave caseload during the budget year. This would increase the number of positions authorized for this division in 1967-68 to a total of 717.

The total cost for this service to leave patients in 1967-68 is estimated to be \$13,490,497, of which \$9,546,498 is from the General Fund and \$3,943,999 from the federal government. The budget proposes a 10 percent reduction in the General Fund expenditure in 1967-68.

We recommend the deletion of 24 psychiatric social worker I positions (budget page 541, line 67) and 10 psychiatric social worker I positions (budget page 541, line 42) for a General Fund savings of \$150,526.

The budget states that, to secure federal matching funds of 75 percent, the caseload for a psychiatric social worker for the mentally ill has been set at 58 per worker. In fact the federal requirement is for a ratio of 1 to 60. The estimated year-end assigned leave of absence cases from state hospitals is 21,972 in 1967-68. To meet the 58-per-

Division of Protective Social Services—Continued

worker ratio there needs to be 380 psychiatric social workers in 1967-68. The department is requesting 414 psychiatric social workers in 1967-68, therefore we recommend a reduction of 34 so the Division of Protective Social Services can meet its 58-per-worker ratio.

We recommend the reduction of 5 supervising psychiatric social workers (budget page 541, line 66) and 3 supervising psychiatric social workers (budget page 541, line 41) for a General Fund savings of \$36,258.

The budget states that the psychiatric caseworker-supervisor ratio must be set at 5:1 in order to secure federal matching funds of 75 percent. The number of psychiatric social workers needed in 1967-68 is 380 which means that, in order to have a caseworker-supervisor ratio of 5:1, the Division of Protective Social Services requires 76 supervising psychiatric social workers. The budget requests 84 supervisors and therefore, to meet the needed ratio of 5:1, we recommend the reduction of 8 supervising psychiatric social workers.

We recommend the reduction of 1 supervising clerk I, and 12 intermediate typist-clerks (budget page 541, line 69) and 5 intermediate typist-clerks (budget page 541, line 43) for a General Fund savings of \$42,813.

The 17 intermediate typist-clerks are requested on the basis of a ratio to caseworkers-supervisors of 2.5:1. Therefore, on the basis of our recommended reduction of 42 supervisors and psychiatric social workers, the budget request for clerks should be reduced by 17 typist-clerks. The one supervising clerk is responsible for the work of the intermediate typist-clerks and therefore should also be eliminated from the budget request.

DEPARTMENT OF INDUSTRIAL RELATIONS

ITEM 138 of the Budget Bill

Budget page 543

FOR SUPPORT OF THE DEPARTMENT OF INDUSTRIAL RELATIONS FROM THE GENERAL FUND

Amount requested in Budget Bill	\$19,867,294
Budget request before identified adjustments	\$21,471,059
Increase to recognize full workload change	603,712
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Budget as adjusted for workload change	\$22,074,771
Adjustment—undetailed reduction (10 percent)	2,207,477
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET	\$676,030
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING	\$1,531,447

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Workload reduction to reconcile arithmetic balance	\$4,504	543	14
Division of Administration			
Delete workload position and equipment	7,008		
Reduce workload operating expenses	86,744		
Division of Conciliation			
Reduce workload operating expenses	7,282		