

**Poverty Reduction and Prevention Program**

**Items 240-241**

**Department of Veterans Affairs  
UNITED SPANISH WAR VETERANS COMMISSION**

ITEM 240 of the Budget Bill

Budget page 831

**FOR SUPPORT OF THE UNITED SPANISH WAR VETERANS  
COMMISSION FROM THE GENERAL FUND**

Amount requested in Budget Bill .....		\$3,600
Budget request before identified adjustments .....	\$4,000	
Increase to recognize full workload change .....	None	
Budget as adjusted for workload change .....	\$4,000	
Adjustment--undetailed reduction (10 percent) .....	400	
<b>RECOMMENDED REDUCTION FROM WORKLOAD BUDGET</b> .....		<b>\$4,000</b>
<b>RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST</b> .....		<b>\$3,600</b>

**ANALYSIS AND RECOMMENDATIONS**

The commission was created in 1957 and consists of five members who are nonsalaried. The duty of the commission is to promote and provide for the welfare of the United Spanish War Veterans. There are approximately 1,450 of these veterans in the State of California.

The budget as adjusted for workload is \$4,000 and the same amount is estimated to be expended in the current fiscal year. This amount consists of \$100 for general expenses, \$900 for in-state travel and \$3,000 for contractual service with the Department of California, United Spanish War Veterans. The amount of \$3,000 is for expenditures from July 1, 1966, through June 30, 1967, for office rent for headquarters; charges for telephone, electricity, water and other necessary utility services; necessary printed matter; postage; and other items, including travel expense, authorized by Chapter 430, Statutes of 1957, Military and Veterans Code, Sections 1300 through 1304.

We question the necessity of this expenditure of state funds for the above purposes because the Department of Veterans Affairs is staffed to perform services for all of the state's veterans and we can see no justification for a separate commission to spend additional state funds to attend the needs of a relatively small group of California veterans.

**POVERTY REDUCTION AND PREVENTION PROGRAM**

ITEM 241 of the Budget Bill

Budget page 832

**FOR SUPPORT OF THE POVERTY REDUCTION AND  
PREVENTION PROGRAM FROM THE GENERAL FUND**

Amount requested .....		\$180,672
Estimated to be expended in 1966-67 fiscal year .....		3,087,060
Decrease (94.1 percent) .....		\$2,906,388
<b>TOTAL RECOMMENDED AUGMENTATION</b> .....		<b>\$3,176,552</b>
General Fund .....	\$2,009,916	
Employment Contingent Fund .....	1,166,636	

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**Poverty Reduction and Prevention Program**

**Poverty Reduction and Prevention Program—Continued**

**Summary of Recommended Changes**

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1. Executive: Establish 1 senior researcher, 1 assistant researcher, 1 clerical position; eliminate 3 contract positions and replace with three positions -----	--	835	86
2. Management: Add 1 manager, 1 assistant manager and 3 clerical positions to reflect reestablishment of Venice Service Center for a net General Fund augmentation of -----	\$+39,156	836	8
3. Reception (intake): Reduce intake staffing at four centers; reflect substitution of Fresno for Richmond and addition of Venice; prorate 50 percent of cost to Employment Contingent Fund for a net General Fund reduction of -----	-995,072	837	24
and a net Employment Contingent Fund augmentation of -----	+942,901	837	24
4. Rehabilitation: Addition of Oakland Rehabilitation participation; addition of Venice Service Center and substitution of Fresno for Richmond for a net increase of General Fund support of \$167,001. This change to be reflected in Item 133, Special Rehabilitation Services.			
5. Employment: Addition of Venice; substitution of Fresno for Richmond; addition of Bureau of Employment Security funding for center employment personnel; operating expenses to be supported by an augmentation to the Employment Contingent Fund of -----	+223,735	838	64
Less net reduction in Employment "element" -----	-981,905		
6. Social Welfare: Reduce social welfare element by one-half for a net reduction to the General Fund of --	-126,128	839	41
7. Other agencies: Eliminate 3 Public Health, 3 Corrections, 3 Youth Authority, 3 Fair Employment Practices, 3 Apprenticeship Standards, 3 Mental Hygiene and 7 Consumer Counsel positions for a net reduction to the General Fund of -----	-367,523	839-42	various
<b>Total recommended change -----</b>	<b>\$-1,264,836</b>		

**Reconciliation of Recommendations With Budget Document and Budget Bill**

**Budget Presentation<sup>1</sup>**

Amount of state funds reported in budget document which relates to Item 241 but for which no appropriation is requested; and Item 241 funds:

General Fund -----	\$3,459,483
Employment "element" funds -----	981,905
General Fund (Item 241) -----	180,672

Total "transfer" and Budget Bill funds necessary to support administration proposal ----- \$4,622,060

**Legislative Analyst's Proposal**

Total recommended change to sum of "transfer" funds and Budget Bill Item 241 appropriation request ----- -1,264,836

Total recommended for support of Poverty Reduction and Prevention Program ----- \$3,357,224

<sup>1</sup> The budget reports a level of expenditure for five service centers but there is no appropriation request for these centers in the Budget Bill. The Budget Bill appropriation request, Item 241, is for unexpired leases in eight centers closed by executive order. The administration proposes that financing of the remaining five centers "be provided by transfer from other agencies' appropriation by executive order of Director of Finance."

**Poverty Reduction and Prevention Program**

**Item 241**

**Poverty Reduction and Prevention Program—Continued**

**Reconciliation of Recommendations With Budget Document and Budget Bill**

Source of recommended support:

Existing Budget Bill, Item 241, General Fund ap- propriation request -----	\$180,672
Recommended augmentation, Item 241, General Fund	2,009,916
New Item 241.5, Employment Contingent Fund ---	1,166,636

**Summary of Policy Option**

Provide for a full complement of 13 service centers with 11 on a limited basis at an additional state cost of approximately \$2,100,000.

**GENERAL PROGRAM STATEMENT**

The Poverty Reduction and Prevention Program was created by executive order of the Governor and Budget Act appropriation during the 1966 legislative session. The budget proposal for the 1966-67 fiscal year included five basic programs supported from four sources of funds as shown below.

*Programs*

Multiservice Centers -----	\$15,659,746
Improved Parole -----	856,018
Manpower Utilization -----	34,220
Education -----	40,555,000
Skill Centers -----	4,150,000
	\$61,254,984

*Funds*

General Fund -----	\$20,318,300
Department of Employment Contingent Fund -----	1,900,000
State School Bond Act Fund -----	20,000,000
Federal funds -----	19,036,684
	\$61,254,984

Of the five programs presented in last year's budget, only one, the Service Center Program, appears in this year's Poverty Reduction and Prevention Program budget. The Improved Parole Program, Manpower Utilization, Education and Skill Centers are discussed in their respective agency budgets and are considered in our analysis in connection with the Budget Bill items for those agencies.

The service centers were proposed as a program of coordinated services in a common facility located in close physical proximity to the poor; the various services offered have as their primary objective the reduction of dependency through a systematic diagnostic and prescriptive program designed to provide employment.

An interdepartmental task force, composed of representatives of appropriate state agencies, provided measurable criteria as an index of the concentration of poverty in the major urban areas of the state. On the basis of these criteria, the task force assigned priorities to the target areas as an indication of the severity of the problems in each community. The areas, in order of priority with selected detail based on 1960 census data, illustrate the approach used.

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Poverty Reduction and Prevention Program

Poverty Reduction and Prevention Program—Continued

	Total population	Percent unemployed	Percent with family income less than \$3,000 per year	Percent population over 25 with less than 8th grade education
California -----	15,720,900	5.8%	14.1%	14.7%
1. South Central Los Angeles -----	542,200	10.1	24.5	26.4
2. East Los Angeles -----	227,900	8.1	22.8	39.4
3. Oakland -----	114,700	13.8	31.0	32.1
4. San Francisco -----	83,300	11.3	26.0	22.6
5. San Diego -----	98,200	11.2	28.0	24.0
6. Venice -----	36,600	10.8	24.3	24.3
7. Bakersfield -----	51,100	10.4	31.0	32.3
8. San Bernardino -----	107,200	10.2	26.1	15.5
9. Long Beach -----	78,800	8.2	29.6	17.1
10. South Fresno -----	91,300	10.7	26.1	31.3
11. Vallejo -----	28,080	9.4	23.9	20.3
12. Stockton -----	73,700	12.7	31.0	38.3
13. Richmond -----	21,200	19.6	24.9	36.1

The administration proposed that various state services would be grouped together under the direction and coordination of a center manager in selected target areas. The centers were expected to house staff representing some or all of these agencies:

- |                           |                                |
|---------------------------|--------------------------------|
| Employment                | Apprenticeship Standards       |
| Rehabilitation            | Office of Economic Opportunity |
| Veterans Affairs          | Office of Consumer Counsel     |
| Corrections               | Youth Authority                |
| Public Health             | Mental Hygiene                 |
| Motor Vehicles            | Social Welfare                 |
| Fair Employment Practices |                                |

The most unusual aspect of proposed service center operations involved the creation of a common intake unit to serve the participating agencies by screening and referring incoming clients. Staffing for the intake unit is provided in large part by aides recruited from the neighborhood. The intake unit is also used for outreach work and case followup to assure the effective implementation of the services provided.

The center manager and the intake unit modify traditional departmental autonomy in the interests of coordinated service focused upon the recipient. Center managers report to the Service Center Director who is directly responsible to the Governor's cabinet secretary. The secretary provides overall direction and arbitrates any interdepartmental differences.

Representatives of local direct service activities, both private and governmental, were to be asked to participate in the centers; this was a significant aspect of the program originally proposed.

The Legislature authorized General Fund support of \$3,323,062, and \$1,900,000 in Employment Contingent Fund support for 13 centers in the current year, which amounted to a reduction of \$1 million from the budget appropriation request. Of the 13 centers, five were opened in September and October 1966, four were opened in November and December 1966, and one was opened in January 1967. Two centers, South

Poverty Reduction and Prevention Program—Continued

Central Los Angeles and East Los Angeles, have been open as state service centers since July and August 1966, but certain services were offered in these areas at earlier dates. Employment services have been offered in South Central Los Angeles since August 1965 and a center manager and rehabilitation services were established in July 1966. In East Los Angeles employment services and rehabilitation services were provided in March 1966, a manager was appointed in August 1966 and an intake unit was created in October 1966. Due to severe space limitations, no intake unit has been established in South Central Los Angeles.

For the Service Center Program as a whole, no positions in the Departments of Social Welfare, Public Health, Mental Hygiene, Corrections, Youth Authority and the Division of Apprenticeship Standards have been filled. Several positions in the Office of Consumer Counsel and the Fair Employment Practices section were filled and the Attorney General's Consumer Fraud section participated on a limited basis.

The East Los Angeles and South Central Los Angeles centers have enjoyed county welfare department participation on a formal, staff assignment basis; the Los Angeles Bureau of Public Assistance has assigned staff members to screen and process applicants for a Project Adult Training demonstration project, but significantly, no caseworkers have been assigned to any of the five centers proposed for continuance and there is evidence that no such assignments are anticipated.

ANALYSIS OF RECOMMENDATIONS

The budget proposal reflects the executive order which eliminated eight service centers outright; it does not, however, request state funds for the operation of the remaining five centers. A budget footnote states that program "financing (is) to be provided by transfer from other agencies' appropriations by executive order of (the) Director of Finance"; this procedure is proposed as a substitute for an appropriation request. Any funds which may be "provided by transfer from other agencies' appropriations" to support the Service Center Program are not identified in either the budget document or the Budget Act. This proposal makes meaningful legislative review of that financial proposal difficult if not impossible.

The budget document does, however, report an expenditure program which would provide for full operation of five service centers.

Total expenditures -----		\$11,753,681
Less expenditures reported in other budgets		
General Fund -----	\$-4,345,908	
Employment element funding -----	-981,905	
Federal funds -----	-4,100,857	
		<u>-9,428,670</u>
Net expenditures -----		\$2,325,011
General Fund -----	\$180,672	
Federal funds -----	2,144,339	

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**Poverty Reduction and Prevention Program**

**Poverty Reduction and Prevention Program—Continued**

The Budget Act appropriation request is \$180,672, the General Fund net expenditure amount reported above, and is to pay for the unexpired leases in the eight centers that have been closed. No funds are requested for the lease commitments in those centers that are to remain open. The balance of the net expenditure item is \$2,144,339 in federal funds; \$650,603 of this amount is to support the employment element and \$1,493,736 is to support the Department of Social Welfare element.

A portion of the \$9,428,670 identified as "less expenditures reported in other agencies" is money eligible for expenditure in service centers.

"Expenditures reported in other agency budgets"----- \$9,428,670

Funding to support the rehabilitation element of the Service Center Program which is reported in the Department of Rehabilitation budget, Item 133--- —4,745,698  
 (\$886,425 General Fund)  
 (\$3,859,273 Federal funds)

Funding to support the intake element of the Service Center Program which is reported in the Department of Rehabilitation budget, Item 133----- —241,584

-----  
 —4,987,282

Funding which is to be generated by "transfer from other agencies appropriations by executive order of the Director of Finance" and not separately identified for legislative review ----- \$4,441,388

Thus, an appropriation request to operate the centers, as described in the budget document, would necessarily include "transfer" moneys plus the actual amount requested for unexpired leases:

\$4,441,388  
 180,672

-----  
 \$4,622,060

Due to the failure to properly identify this amount in either the agencies' budgets which are proposed as sources of "transfer" funds, or to request a direct appropriation, *we recommend that the Legislature direct the administration to provide the appropriate expenditure detail including source of funding which is a necessary prerequisite to meaningful legislative review.*

The budget document and Budget Bill do not present any meaningful service center appropriation request to analyze. However, the expenditures reported in the budget document which would be required to support the five fully staffed centers proposed for continuance in South Central Los Angeles, East Los Angeles, San Diego, San Francisco and Richmond do permit analysis of program proposals and their hypothetical level of support. The budget document specifically identi-

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**Poverty Reduction and Prevention Program—Continued**

fies those centers listed above as did the original administration statement of January 12, 1967, announcing the closing of the other eight centers. Subsequent reports indicate that the Venice Service Center may remain open; however, no mention is made of this in the budget. As of February 1, 1967, the Venice center was operating with no firm closure date, but there has been no explicit announcement from the administration as to its eventual status. In addition, the Consumer Counsel element of the service centers has been eliminated by executive order; this is not reported in the budget document.

The program elements proposed for five service centers, with distribution of staff by center and element, appears below.

Program element	Target Area					Total
	So. Central Los Angeles	East Los Angeles	San Francisco	San Diego	Richmond	
Executive (head-quarters) -----	0	0	0	0	0	11
Management -----	8	8.5	7	7	6	36.5
Intake -----	85	65	42	38	19	249
Rehabilitation -----	64	61	26.7	24.6	11.3	191.6 <sup>1</sup>
Employment -----	49	37	23	23	8	146 <sup>2</sup>
State Department of Social Welfare -----	12	12	10	10	2.5	48.5 <sup>3</sup>
Public Health -----	1	1	1	1	1	5
Corrections -----	1	1	1	1	1	5
Youth Authority -----	1	1	1	1	1	5
Fair Employment Practices -----	1	1	1	1	1	5
Division of Apprenticeship Standards -----	1	1	1	1	1	5
Mental Hygiene -----	1	1	1	1	1	5
Consumer Counsel -----	1	1	1	1	1	7 <sup>4</sup>
<b>Total -----</b>	<b>225</b>	<b>190.5</b>	<b>115.7</b>	<b>109.6</b>	<b>53.8</b>	<b>719.6</b>

<sup>1</sup> Total includes four rehabilitation clerical positions in district offices of Department of Rehabilitation.  
<sup>2</sup> Total includes six positions in Department of Employment district offices.  
<sup>3</sup> Total includes two positions in State Department of Social Welfare.  
<sup>4</sup> Total includes two positions in Office of Consumer Counsel.

**Executive Element and Program Evaluation**

The 1966-67 budget presentation proposed one statistical position for evaluation purposes and observed that "Every effort shall be made to secure a grant from a national foundation to develop an intensive research program into the center's activities." The only difference in the 1967-68 presentation is the inclusion of \$50,000 operating expenses for program evaluation. No structured, formal evaluation program is proposed. We believe that this approach is not adequate. The Service Center Program is less than six months old and represents a significant departure from traditional state procedures and agency relationships. Strong emphasis has been placed on integrating and coordinating state center activities with appropriate local public and private health, welfare and employment-oriented service organizations, and both the recent and present administrations have indicated that the Service Center Program is of an experimental and demonstration nature. For example, comprehensive evaluation of the impact and effect of the novel and hitherto untested common intake unit and the use of indigenous aides

## Poverty Reduction and Prevention Program—Continued

should be made. Other program elements and approaches are equally new and require detailed evaluation and measurement if they are to be properly justified. We believe that funding and staff commensurate with the size and demonstration nature of the program should be provided.

The integrity of the evaluation unit should be assured by organizational placement in the director's office and, by being guaranteed the absolute cooperation of participating agencies, subject only to any applicable rules or statute regarding confidentiality of casework documents. In addition, the working papers of the evaluation unit should be open to scrutiny by appropriate legislative and administration agencies, such as the Office of the Legislative Analyst and the Department of Finance, in the same way that audit working papers are made available to parties with legitimate interests. For support of a basic evaluation unit, *we recommend the establishment of one senior research position, one assistant research position, and one stenographer in addition to the existing statistician position. This procedure can be accomplished within the limits of funds proposed for evaluation in the budget year.* We would suggest that the senior researcher be a qualified Ph.D. with broad experience in social science research methodology and techniques and a familiarity with cost-benefit analysis. The director of the program should be permitted certain flexibility in establishing the evaluation unit but we believe that the emphasis should not be statistical and descriptive; head counting and activity measurement should be minimized and used largely for internal management procedures such as the development of workload-caseload information and to meet the statistical requirements of parent agencies. Rather, any meaningful research and evaluation program should address itself to the measurement of behavioral changes on the part of clients. Techniques such as cost-benefit analysis, systems analysis for methodological problems, longitudinal studies, control and experimental grouping and cohort analysis are obvious approaches.

The evaluation unit should work on a program basis as programs progress through time and not on a *post hoc* basis. In addition, evaluation personnel should be in a position to recommend to the director experimental programs and modification of existing programs to increase the success of program operations. While we believe activity counting should be minimized, we do believe that it is the responsibility of center management to develop meaningful workload standards for the various center employees in the budget year.

The positions of deputy director, assistant director, and associate budget analyst are currently provided for by contract and no change in this procedure is proposed for the budget year. The rationale for engaging the deputy and assistant directors by contract is due to the organizational placement of the service center executive element in the Governor's Office and the salary limitations caused by that arrangement. While this procedure may be justified in the first year of program operations, we believe that logical organizational structure and commonly accepted standards of sound administration require the placement of these positions in personal services in the budget document.



Poverty Reduction and Prevention Program—Continued

The present arrangement is particularly unusual in that the deputy and assistant directors receive salaries in excess of the director's salary. If the administration is persuaded that qualified personnel cannot be attracted with the rates of compensation possible under existing organizational structure, appropriate proposals reflecting this position should be submitted for legislative review. In the absence of such proposals, *we recommend that the positions of deputy director, assistant director and associate budget analyst not be provided for by contract but be reported in personal services in the budget document.* Appropriate relationships among the salaries of director, assistant director and deputy director should be maintained to reflect the nature of the positions' responsibilities.

Intake and Center Operations

In the short period of service center operations, the primary activities have been in the fields of employment and rehabilitation with only limited intake unit staffing. As noted earlier, no positions in the Departments of Social Welfare, Public Health, Corrections, Youth Authority, Mental Hygiene and the Division of Apprenticeship Standards have been filled; the Consumer Counsel positions which were filled have been terminated by executive order. Thus, experience with which to measure program progress is severely limited.

Thus, while the basic service center employment-rehabilitation framework is now in operation in five target areas, the core of the center concept, the intake unit, and the participation of other state agencies is largely untested.

The intake units proposed for the centers utilize indigenous aides recruited from the community for initial client screening, preliminary diagnostic determinations, referral of clients to the appropriate center service, rereferral when necessary to other appropriate service activities in the community, individual case followup for at least six months or while the case is active, and outreach activities in the community at large. The aides are supervised by a staff of professional intake counselors. The reception-intake element for five centers is budgeted at \$2,179,558 of which 88 percent is General Fund support. In addition to being the most innovative aspect of service center operations, it is most expensive from the state standpoint, as a comparison of major center element costs shows.

	<i>State funds</i>	<i>Federal funds</i>	<i>Total</i>
Management -----	\$426,411	--	\$426,411
Reception (intake) -----	1,937,974	\$241,584	2,179,558
Rehabilitation -----	886,425	3,859,273	4,745,698
Employment -----	981,905	650,603	1,632,508
State Department of Social Welfare -----	252,255	1,493,736	1,745,991

While the absolute cost to the state is high, the man-hour cost is not. The indigenous aides work for modest salaries and as a byproduct are prepared for employment in other areas. The aides provide first-hand knowledge of the neighborhood and the language, if necessary,

## Poverty Reduction and Prevention Program—Continued

as well as providing for more efficient use of professionals. In performing the routinized aspects of screening and prediagnostic client workup, the aides in particular and the intake unit in general represent not a departure from traditional organization and procedures but a major modification. The referral, outreach and followup functions of the intake unit do represent, however, a significant departure from conventional methods. In the absence of a comprehensive one-stop package of health, welfare and employment services, referral to noncenter services is often necessary. The basic drawback of referral is the lack of assurance that the referred services are utilized. The intake units as presently structured provide for the delivery of the needed services, whether supplied directly by the center or by other noncenter service dispensing agencies. Functionally, the delivery of these services is assured by the intermediary role of the center aide as supervised by professional intake counselors. Followup by an aide maintains the initial center contact and the client's movement and progress through the various levels of governmental and private services becomes a matter of record, permitting rediagnosis and rescription, if necessary, as well as evaluation.

Center outreach staff assume the initiative in reaching the residents of the target area. This includes direct field contacts by aides as well as publicity and informational meetings.

Thus, the intake unit and the use of aides in an outreach, referral and followup capacity is the core of the service center concept and its most innovative element, and while it has been field tested on a limited basis, no thorough evaluation of its impact or effectiveness has been made.

Before providing full support of an intake activity with state General Fund support of \$1,937,974, we recommend the redeployment of intake personnel to emphasize the demonstraton aspects of the Service Center Program. We believe that two centers should be provided full intake staffs to meet the complete description of intake duties proposed.

*We recommend that full intake staffs be provided for only two centers, East Los Angeles and South Central Los Angeles, as a field test of the effectiveness of joint intake units and the utilization of indigenous aides.* (Due to the complexity of the center budget, a complete financial and program reconciliation of our recommendations is included on page 871 of the analysis.)

To utilize more efficiently state resources and to permit objective evaluation of the intake element, we recommend the creation of reduced intake elements in the other centers. The use of reduced intake staffs in other centers could be accomplished by reducing the scope of their responsibilities to initial intake and reception and, as time permits, limited outreach activity at the manager's discretion. Followup activity would be restricted to evaluation rather than casework, concentrating on random sampling rather than complete caseload contact.

## Poverty Reduction and Prevention Program—Continued

This procedure would provide employment-rehabilitation participation in certain target areas within a service center framework. When the relative merits of intensive intake units have been field tested in the fully staffed centers, as compared to the other centers, and reliable workload information developed, a more meaningful determination as to state support for this function can be made.

In addition, the reduction of the intake staffs in the remaining centers economizes on funds to permit the reestablishment of an additional service center at much the same overall level of state support. As reported by the task force which listed the target areas in order of priority, Venice is sixth in degree of severity statewide. At the time of the preparation of this analysis the service center in Venice, as noted earlier, is in limbo, with no firm commitment from the administration as to its future. However, strong public support has been accorded the Venice center including firm staff commitments from the County of Los Angeles and tentative proposals from the city. The county Bureau of Public Assistance has agreed to place 18 Aid to Families of Dependent Children (AFDC) caseworkers and aides in the Venice center to provide casework services to the complete AFDC caseload in the Venice area, and six Child Welfare Protective Services caseworkers in the Venice center. One full-time position from the Los Angeles County Department of Senior Citizens Affairs will also be provided. The City of Los Angeles tentatively proposes the half-time assignment of one Human Relations Commission position, and a variety of private organizations have expressed a desire to participate if space can be made available.

This degree of county participation is, so far, unique in the Service Center Program; cooperation and coordination of this order was an explicit objective of the center program as authorized by the Legislature.

*We recommend the reestablishment of the Venice Service Center.*

The administration service center proposal includes continuation of the Richmond Service Center in addition to two in Los Angeles, one in San Diego and one in San Francisco.

Richmond is thirteenth on the task force list of hard-core poverty areas in California and by such tests as the number of unemployed and the number of families with less than \$3,000 income, there is no objective reason for including it and eliminating other urban areas higher in priority. There is, moreover, no center proposed which is representative of the central valley area which in the original list of 12 included Stockton, Fresno, and Bakersfield with mixed urban-rural, commercial-agricultural economies and population. Due to the relative similarity of populations represented by the East Los Angeles, South Central Los Angeles, San Diego, San Francisco, Venice and Richmond centers, it would seem appropriate to eliminate the lowest priority center of the six and in its place include a center more in keeping with the demonstration concept proposed in this budget and previously authorized by the Legislature. In addition, the Fresno center had developed unusually complete and well articulated

**Poverty Reduction and Prevention Program—Continued**

relationships with the local Community Action Programs and city and county officials. The continuation of these relationships would permit more effective utilization of center services in the absence of a full-scale intake staff and provide insights into a coordinated community attack on poverty.

*We recommend the reestablishment of the Fresno Service Center with a limited intake and management staff providing support for employment and rehabilitation elements, and we recommend the deletion of the Richmond Service Center at this time.*

**Employment Element**

Employment element support in the current year was provided by partial federal funding in the East Los Angeles and South Central Los Angeles centers, and by Employment Contingent Funds for the balance. The budget proposal reports a continuation of federal support for a large portion of the East Los Angeles and South Central Los Angeles employment elements; no source of support for the balance of the employment element is identified. The Department of Employment reports, however, that Bureau of Employment Security funds will be made available to support employment personnel in the service centers, although no federal money will be available for operating expenses in the centers. *We recommend that the budget be changed to reflect the additional federal support now available and that the balance be supported by an appropriation from the Employment Contingent Fund.*

**Rehabilitation Element**

Support for the Department of Rehabilitation element was provided in the current year by federal and state moneys provided on a matching basis; continuation of this procedure is proposed for the budget year. As described earlier in the analysis, the budget document reports \$4,987,282 in federal and state rehabilitation funds available for expenditure in the state service centers. This amount appears in Special Rehabilitation Services, Item 133 of the Budget Bill, page 528 of the budget document. In addition, Item 133 requests funding for "rehabilitation service units . . . to provide intensified rehabilitation services to disabled people with particular emphasis on the disabled in poverty areas." This program is designed to continue rehabilitation efforts in the areas where state service centers were located before the executive closure order was delivered. The continuation of the rehabilitation portion of the Service Center Program presents a unique opportunity in one target area for state-local coordination and program elaboration and evaluation. The City of Oakland's Department of Human Resources has operated four decentralized service centers in the target areas which are currently supported by Office of Economic Opportunity (OEO) and Manpower Development and Training Act (MDTA) funds.

Financial support for employment services in the four Oakland centers is provided largely by an MDTA Adult Project grant. Outreach workers, indigenous aides, legal aid services and other agencies actively participate at this time. In addition, a well-funded and highly

## Poverty Reduction and Prevention Program—Continued

respected research and evaluation unit is supported by the Oakland Department of Human Resources. The only state support required at this time would be to place State Department of Rehabilitation personnel and funds in the Oakland centers. In light of the announced experimental and demonstration aspect of the state center program, and the expressed concern over coordination and cooperation with local jurisdictions in the Poverty Reduction and Prevention Program, it would seem both appropriate and expeditious for the state to participate in the Oakland project. The state would participate as an active partner while retaining program and fiscal accountability.

The Special Rehabilitation Services Program provides for 15 positions and \$240,228 for intensive rehabilitation services to the poor in Oakland. *We recommend that the Legislature direct the State Department of Rehabilitation to coordinate its special rehabilitation activities in Oakland with the Oakland Service Centers, including physically housing staff in one or more of the centers, as a step in more effective state-local cooperation and coordination in this field.*

## Social Welfare Element

The social welfare element reports expenditures for the budget year of \$1,745,991. Of this amount, \$1,241,482 is reported as a 100-percent federal grant, with no state matching funds required, for child protective services to be directly expended by county welfare departments in the target areas. There is no grant requirement that the caseworkers assigned to perform these services be either housed in the centers or explicitly coordinated with center activities.

The balance of the total funds reported in the social welfare element is \$504,510; 50 percent is proposed as state General Fund matching moneys and 50 percent is proposed as federal matching moneys. This amount is provisional and is not based on an articulated program with guaranteed federal support. The current year program has not included any social welfare participation and the lack of a definitive budget year program means that federal support to match the General Fund amount may not be supplied, or may be supplied on a different matching basis. Due to the imprecise and undefined nature of proposed social welfare participation, we can find no reason to recommend the authorization of social welfare positions on more than a limited basis. *We recommend that the social welfare element participation be limited to the East Los Angeles and South Central Los Angeles Service Centers.*

## Other Agency Participation

The duties and responsibilities of the positions proposed for the Departments of Public Health, Corrections, Youth Authority and Mental Hygiene, the Divisions of Apprenticeship Standards and Fair Employment Practices and the Office of Consumer Counsel elements are poorly defined and the extent to which their services would be of significant benefit in relation to their cost in a service center setting has not been clearly articulated. In addition, of the 37 positions proposed, only 3 have been filled, eliminating the opportunity to evaluate past performance and the administration has eliminated the Consumer Counsel ele-

**Poverty Reduction and Prevention Program—Continued**

ment by executive order. In the absence of more thorough objective justification, the proposal that positions be assigned each center is highly questionable. In our judgment reduced participation should be provided on a demonstration basis in East Los Angeles and South Central Los Angeles centers and Consumer Counsel participation should not be restored at this time. Full staffing of the other remaining agencies in two centers will permit field testing and evaluation as a basis for review of full-scale participation in the next budget presentation. *We recommend the deletion of three Public Health positions, three Corrections positions, three Youth Authority positions, three Fair Employment Practices positions, three Division of Apprenticeship Standards positions, three Mental Hygiene positions, and seven Office of Consumer Counsel positions, and authorizing two positions from each of these agencies to be placed one each in the South Central Los Angeles Service Center and the East Los Angeles Service Center.*

**Private Sector**

We believe that the combination of joint employment-rehabilitation efforts, supported by a limited intake staff and a center manager is necessary if the announced intentions of the present administration to utilize the private sector as an enlarged source for reducing dependency is to succeed. The Management Council for Merit Employment, Training and Research has been designated by the Governor as the vehicle for private sector participation in reducing dependency. The management council is a privately supported organization designed to facilitate and expedite the employment of minority workers and the disadvantaged through a positive program of intensive employer-employee contacts in the areas of hard-core poverty themselves. Its operations have been concentrated in the South Central Los Angeles and East Los Angeles Service Centers. While the statistical information supporting council reports of job placements is limited, there is clear indication that the council is performing a valuable function.

The main thrust of council activity involves an active outreach program with employers. Council activity is directed not at job creation, but in creating an atmosphere in the private sector in which private employers are willing and anxious to cooperate with placement of persons from the target areas. In these terms, the council is the private analogue of the intensive job counseling and outreach work performed by the staffs of the service center employment and intake elements. The common meeting ground for employers who have been persuaded to screen potential employees, and for employees to interview for job placements, has been the service centers.

Due to persistent unemployment, low skill levels and low educational achievement, job development and employee screening in the target areas require intensive counseling and testing procedures that conventional employment offices are not staffed to handle. Successful placement efforts with the skilled and semiskilled workers in the target areas leave a nucleus of hard-core unemployed that require even more intensive job development efforts. In addition, no existing employment services offices are located in the target areas. While the management

**Poverty Reduction and Prevention Program—Continued**

council must persuade industry and business as to the advisability of hiring solely on the basis of the skills required for adequate job performance—as distinct from the barriers to employment such as race, police records, or the lack of a high school diploma—the intensive employment counseling and outreach staff of the service center must prepare the chronically unemployed workers for the demands of full-time employment.

Thus, while the work of the management council does not hinge on the existence of service centers, it would have difficulty succeeding without the kind of employment approach used in the center employment sections located in the target areas. Conventional employment offices cannot fill this need at the present time.

No formal plan outlining the type or magnitude of private sector participation in dependency reduction and job development has been presented, nor has a statement of the relationship of state government services to such a program been articulated. *We recommend that the Legislature request clarification and elaboration of the proposed private sector job development program to permit legislative review of its impact on state poverty reduction and prevention programs and other Department of Employment activities.*

**Summary**

In the absence of a true budget proposal for center operations, we have proposed a viable Service Center Program for legislative review and evaluation which we believe better answers the legislative mandate authorizing program implementation.

*We recommend an augmentation of \$2,009,916 from the General Fund and \$1,166,636 from the Employment Contingent Fund, for a total of \$3,176,552, be provided for support of the Poverty Reduction and Prevention Program, Budget Bill Item 241.*

*In addition, we recommend that, of the General Fund amount of \$1,336,601 in Budget Bill Item 133, Special Rehabilitation Services, \$1,053,426 be specifically identified for transfer to the Poverty Reduction and Prevention Program.*

These recommendations yield a total of \$3,361,430 in General Fund support for the Poverty Reduction and Prevention Program, or total state fund support, including the Employment Contingent Fund, of \$4,528,066.

We have used the current year level of financial support as reflected by the legislative appropriation as our basic guideline and we propose a continued emphasis upon the experimental and demonstration nature of the center program. This approach provides a service center framework which may be expeditiously and reasonably modified, enlarged or reduced as experience and subsequent evaluation may require without causing severe program or financial dislocations.

The financial impact of our recommendations as compared to administration proposals appears on page 871 of the analysis. A brief narrative recapitulation of the salient features of our recommendations follows:

## Poverty Reduction and Prevention Program—Continued

1. We recommend that the administration submit a detailed expenditure program for the service centers.

2. We recommend the creation of a fully staffed and supported evaluation unit to be placed in the executive element of the centers.

3. We recommend the elimination of contract positions in the executive element and their replacement with budgeted positions in personal services.

4. We recommend full staffing of the East Los Angeles and South Central Los Angeles Service Centers as proposed in the budget presentation. This would include the participation of all proposed center elements.

5. We recommend the continuation of a joint employment-rehabilitation effort with a limited intake staff and center manager with no other state supported services (e.g., Public Health, Mental Hygiene) in four areas: San Francisco, San Diego, Venice and Fresno, and the elimination of the Richmond Service Center.

6. We recommend that State Department of Social Welfare participation be limited to two centers, East Los Angeles and South Central Los Angeles pending further clarification of its role.

7. We recommend that the participation of the other state agencies reported in the budget be limited to the East Los Angeles and South Central Los Angeles centers.

8. We recommend financing for 50 percent of the intake unit to be provided by the Department of Employment Contingent Fund.

9. We recommend that the budget be adjusted to reflect Bureau of Employment Security funding for the personnel in the employment element.

10. We recommend the explicit coordination and integration of State Department of Rehabilitation services with the City of Oakland service centers.

11. We recommend that the administration be requested to clarify and elaborate upon the proposed relationship between private job development programs and state supported poverty reduction and prevention programs.

The following tabular presentation details the financial and staffing implications of these recommendations as they compare to the budget document.

## Governor's Budget Proposal and Legislative Analyst's Proposal

Program element— source of funds	Funding			Positions		
	Budget proposal	Analyst's proposal	Difference (+) or (—)	Budget proposal	Analyst's proposal	Differ- ence (+) or (—)
Executive General Fund -----	\$301,306	\$301,306	0	11.0	17.0	+6
Center man- agement ----	607,083	646,239	\$+39,156	36.5	41.5	+5
General Fund ----	180,672 <sup>1</sup>	180,672	0			



Poverty Reduction and Prevention Program

Item 241

Poverty Reduction and Prevention Program—Continued

Governor's Budget Proposal and Legislative Analyst's Proposal

Program element— source of funds	Funding			Positions		
	Budget proposal	Analyst's proposal	Difference (+) or (—)	Budget proposal	Analyst's proposal	Differ- ence (+) or(—)
General Fund ----	426,411	465,567	+39,156			
Reception (intake) ----	2,179,558	2,179,558	0	249.0	249.0	0
General Fund ----	1,937,974	942,902	—995,072			
Federal funds ----	241,584 <sup>2</sup>	293,755	+52,171			
Employment Contingent Fund ----	0	942,901	+942,901			
Rehabilitation General Fund ----	4,745,698 <sup>2</sup>	5,564,558	+818,860	191.6	235.9	+44.3
Federal funds ----	886,425	1,053,426	+167,001			
Employment -- Federal funds ----	1,632,508	1,765,833	+133,325			
Unspecified -- Federal (BES) --	650,603 <sup>3</sup>	650,603	0	146.0	162.0	+16
Employment Contingent Fund ----	981,905	0	—981,905			
State Depart- ment of So- cial Welfare General Fund ----	0	891,495	+891,495			
Federal funds ----	0	223,735	+223,735			
State Depart- ment of So- cial Welfare General Fund ----	1,745,991	1,493,736	—252,255	48.5	24.0	—24.5
Federal funds ----	252,255	126,127	—126,128			
Public Health General Fund ----	1,493,736 <sup>4</sup>	1,367,609	—126,127			
Corrections General Fund ----	76,226	30,490	—45,736	5	2	—3
Youth Authority General Fund ----	73,658	29,462	—44,196	5	2	—3

<sup>1</sup> The \$180,672 General Fund amount is the Budget Act request for service center program funding and is to pay for unexpired leases in the eight centers which have been closed; no other direct state appropriation is requested for service center support. The \$426,411 General Fund amount is reported to indicate the magnitude of support required to operate the management element at the five-center level of service. The budget proposal is to provide the amount by reallocation of other agency funds at the discretion of the Director of Finance.

<sup>2</sup> The \$241,584 in federal funds reported in the reception (intake) element represents Department of Rehabilitation funds proposed for expenditure in Item 133, Special Rehabilitation Services. The total rehabilitation element, \$4,745,698, is also proposed for expenditure in Item 133.

<sup>3</sup> The \$650,603 of federal funds reported in the employment element represents support of the East Los Angeles and South Central Los Angeles employment units.

<sup>4</sup> Of the \$1,493,736 in federal funds reported in the State Department of Social Welfare element, \$252,255 is provided as 50 percent matching funds for the \$252,255 General Fund amount; the balance, \$1,241,481, is provided as 100 percent federal funding for transfer to counties for child protective services in target areas.

**Item 241**

**Poverty Reduction and Prevention Program**

**Poverty Reduction and Prevention Program—Continued  
Governor's Budget Proposal and Legislative Analyst's Proposal—Continued**

Program element— source of funds	Funding			Positions		Differ- ence (+) or (—)
	Budget proposal	Analyst's proposal	Difference (+) or (—)	Budget proposal	Analyst's proposal	
Fair Employ- ment Practices General Fund ----	73,554	29,420	—44,134	5	2	—3
Division of Ap- prenticeship Standards General Fund ----	73,554	29,420	—44,134	5	2	—3
Mental Hygiene General Fund ----	64,480	25,760	—38,670	5	2	—3
Consumer Counsel General Fund ----	106,457	0	—106,457	7	0	—7
Grand total	\$11,753,681	\$12,125,244	\$+371,563	719.6	741.4	+21.8

**Policy Option**

The Legislature initially authorized the establishment of 13 service centers. Should consideration be given to continuing all 13 centers, it would be possible to maintain a core of employment and rehabilitation services supported by a small intake staff and manager in the target areas where centers have been closed for an additional amount of approximately \$2,100,000 in state funds.

Funding for rehabilitation units for these areas already is provided for in Item 133 of the Budget Bill; the approximately \$2,100,000 in additional state support would be required for the employment, intake and management elements. Exercising this option would continue a nucleus of service center activities in all target areas in an attenuated form. In effect, this procedure merely brings employment and rehabilitation services to the remaining target areas and provides program continuity in the event that experience and subsequent evaluation of the base program indicate that an enlarged or modified program is desirable.

This option would require total state support, including the Department of Rehabilitation, of approximately \$6,300,000 for the center program. This compares with \$5,223,062 authorized by the Legislature for current year state support of the center program.