

Temporary Loans to General Fund from California Water Fund—Continued

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

Section 16310.5, added by Chapter 1861, Statutes of 1961, provides in effect, that interest must be paid by the General Fund on any such temporary transfers from the California Water Fund at a rate determined to be that which the money borrowed would earn if otherwise invested. An appropriation to cover such interest payments is made by Item 252 of the current Budget Bill.

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

LOCAL ASSISTANCE

Department of Agriculture

COUNTY AGRICULTURAL COMMISSIONERS

ITEM 259 of the Budget Bill

Budget page 876

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

Amount requested	\$171,600
Estimated to be expended in 1966-67 fiscal year.....	171,600

Increase None

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATION

This item appropriates funds under the authority of Section 635 of the Agricultural Code, which authorizes the Director of Agriculture to enter into cooperative agreements with any county for the purpose of increasing the salary of the county agricultural commissioner in recognition of enforcement of the provisions of the Agricultural Code at the county level. The state's contribution is limited to two-thirds of each salary or \$3,300, whichever is less. Fifty-three counties (two of which share the services of one agricultural commissioner) are now participating in this program. Thus, the funds requested in this item provide the maximum contribution of \$3,300 to the salaries of 52 commissioners.

Although the state makes a substantial contribution to the salaries of county agricultural commissioners in recognition of their enforcement of state agricultural laws and regulations, the work that the commissioners perform on behalf of the state is supervised on an individual program basis by specialists in the California Department of Agriculture as discussed in our analysis of Item 54. There are approximately 14 state-county cooperative programs, each with its own staff of state supervisors who make periodic inspection visits to the commissioners.

Approval is recommended.

Department of Agriculture

ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT

ITEM 260 of the Budget Bill

Budget page 876

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

Amount requested	\$10,000
Estimated to be expended in 1966-67 fiscal year.....	None
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Increase	\$10,000
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TOTAL RECOMMENDED REDUCTION	None.

ANALYSIS AND RECOMMENDATION

Chapter 1443, Statutes of 1965, provides that owners of prime agricultural lands and other lands compatible with agricultural uses may enter into 10-year contracts with cities and counties for the establishment of agricultural preserves to restrict the use of such lands for agricultural purposes. The statute requires the state to pay \$1 per acre per year to cities or counties having land under contract. The Department of Agriculture administers the state's functions under this program and the workload is performed by the staff of the Division of Agricultural Economics. No contracts have been filed to date.

The \$10,000 requested under this item represents the estimated state payments to counties or cities that may have land under contract in the budget year.

Approval is recommended.

Department of the Youth Authority

ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS

ITEM 261 of the Budget Bill

Budget page 877

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

Amount requested	\$335,000
Estimated to be expended in 1966-67 fiscal year.....	685,800
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Decrease (51.1 percent).....	\$350,800
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TOTAL RECOMMENDED REDUCTION	None

ANALYSIS AND RECOMMENDATIONS

The appropriation requested is to defray the state's share of construction costs of new juvenile home and camp facilities. The state, under the present sharing ratio set forth in the statutes, reimburses the county for 50 percent of construction and initial equipment costs not to exceed \$3,000 per bed. Under present law, the appropriation can be expended over a two-year period.

The total amount estimated to be expended in 1967-68 is \$701,942 which represents a carryover of \$366,942 plus \$335,000 requested for the budget year.

We recommend approval of the item as submitted.

Department of the Youth Authority

ASSISTANCE TO COUNTIES FOR MAINTENANCE OF JUVENILE HOMES AND CAMPS
 ITEM 262 of the Budget Bill Budget page 877

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

Amount requested -----	\$3,142,000
Estimated to be expended in 1966-67 fiscal year -----	3,142,000
 Increase -----	 None

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

The present law provides that the state contribute one-half the cost not to exceed \$95 per ward per month to the counties for maintaining a youth in a county-operated home or camp.

The appropriation requested is based on an average daily population of 2,756 youth in 63 county facilities in 1967-68, the same as in the current year.

We recommend approval of the item as submitted.

Department of the Youth Authority

ASSISTANCE FOR CONTROL OF JUVENILES

ITEM 263 of the Budget Bill Budget page 878

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

Amount requested -----	\$45,500
Estimated to be expended in 1966-67 fiscal year -----	45,500
 Increase -----	 None

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

This appropriation is authorized under Section 1760(d) of the Welfare and Institutions Code. The state provides one-half of the net cost in a cooperative program operated by the City of San Diego at the Tijuana border to control the crossing of unescorted juveniles into Mexico.

We recommend approval of the item as submitted.

Department of the Youth Authority

ASSISTANCE TO COUNTY DELINQUENCY PREVENTION COMMISSIONS

ITEM 264 of the Budget Bill Budget page 878

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

Amount requested -----	\$50,000
Estimated to be expended in 1966-67 fiscal year -----	50,000

TOTAL RECOMMENDED REDUCTION ----- \$30,000

Assistance to County Delinquency Prevention Commissions—Continued

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Reduce total expenditures	\$30,000	878	38

ANALYSIS AND RECOMMENDATIONS

Legislation enacted in 1965 provides for a state payment, not to exceed \$1,000 per county to defray the expenses of a county delinquency prevention commission.

We recommend a reduction of \$30,000 in the amount requested for this budget item.

The Governor's Budget reflects a request for \$50,000 to provide for expenses of the county commissions. The funds are not requested for prevention projects and programs according to the Governor's Budget. Information was received from the agency to the effect that there would probably be 18 to 20 counties in the program during the budget year. This would represent an increase of 8 to 10 counties over the 10 counties currently qualified under this program. The amount requested is, therefore, \$30,000 in excess of the probable expenditures for expenses of county delinquency prevention commissions.

Department of the Youth Authority

ASSISTANCE TO COUNTIES FOR SPECIAL PROBATION SUPERVISION PROGRAMS

ITEM 265 of the Budget Bill

Budget page 878

**FOR SUPPORT OF ASSISTANCE TO COUNTIES FOR SPECIAL
PROBATION SUPERVISION PROGRAMS FROM
THE GENERAL FUND**

Amount requested \$3,000,000

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

The 1965 Legislature enacted Sections 1820 through 1927 inclusive of the Welfare and Institutions Code to provide for a state reimbursement to those counties that would participate in a "special probation supervision" program under rules and regulations to be established by the Department of the Youth Authority.

The intent of this program as stated in the statutes is to reduce the necessity for committing persons to state correctional institutions by counties improving probation services under the impetus provided by a state subsidy.

The department submitted information in December 1966 that indicates 30 counties will have initiated this new program concept by January 1, 1967.

Predicated on the first-quarter commitments for 1966-67, the agency estimates a reduction of approximately 1,700 commitments from the counties participating in the program in 1966-67.

If the counties achieve the aforementioned reduction in commitments, additional state money will be required to reimburse counties for the total case reduction achieved in 1966-67.

We recommend approval of the appropriation requested.

Subventions for Education

THE EDUCATIONALLY HANDICAPPED MINORS PROGRAM

ITEM 266 of the Budget Bill

Budget page 881

FOR SUPPORT OF THE EDUCATIONALLY HANDICAPPED MINORS PROGRAM FROM THE GENERAL FUND

Amount requested	\$10,000,000
Estimated to be expended in 1966-67 fiscal year.....	5,197,090
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Increase (92.4 percent).....	\$4,802,910
TOTAL RECOMMENDED REDUCTION.....	\$2,465,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1. Reduce enrollment and reimbursement level estimates...	\$2,465,000	881	65

GENERAL PROGRAM STATEMENT

Programs for educationally handicapped minors are authorized under Sections 6750-6763 of the Education Code and were created by Chapter 2165, Statutes of 1963. Under this act, and Chapter 1441, Statutes of 1965, excess expense allowances are provided to school districts which maintain approved programs up to a maximum of \$910 per unit of average daily attendance. Enrollment is limited to 2 percent of a school district's total ADA unless special permission is obtained from the Superintendent of Public Instruction.

Programs for the educationally handicapped are divided into four subprograms: (1) special classes; (2) learning disability groups; (3) home and hospital instruction; and (4) special consultation to teachers and counselors. In the first category, the pupils spend their entire time in the special classroom situation with a pupil-teacher ratio of between 8-1 and 12-1. Learning disability groups include pupils who spend part of their time in a special class and part in a regular class with normal students. This type of educationally handicapped minor is generally less severely handicapped than those attending special classes full time. Students with physical as well as educational handicaps who are confined to the home or in a hospital participate in the home and hospital program. The severity of the handicap in such cases varies widely. Finally, special consultation is offered to teachers, counselors and supervisors at a reimbursement rate of \$20 per ADA.

The table below shows the growth of the program since its inception in 1963. It should be noted that the \$910 per ADA in excess expenses is apportioned on a reimbursement rather than a current basis which accounts for the fact that the first apportionment did not occur until the 1964-65 fiscal year.

	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>Estimated 1966-67</i>	<i>Proposed 1967-68</i>
Enrollment:					
Grades K-8 ...	716	2,748	6,853	12,500	
Grades 9-12 ...	82	1,510	734	1,000	N/A ^a
Total	798	4,258	7,587	13,500	

^a Not available.

The Educationally Handicapped Minors Program—Continued

	1963-64	1964-65	1965-66	Estimated 1966-67	Proposed 1967-68
State support ¹ --	0	\$389,815	\$1,987,887	\$5,197,090	\$10,000,000
Average state support per ADA ² --		\$488.49	\$466.86	\$685.00	\$740.74

¹ Maximum allowances in 1964-65 and 1965-66 were established by Chapter 2165, Statutes of 1963.

² Average allowances are computed by dividing the allocation by the previous year's ADA.

ANALYSIS AND RECOMMENDATIONS

In the budget year, the Department of Education is requesting \$10,000,000 in subventions to school districts to reimburse them for their anticipated 1966-67 enrollment. This will increase the average reimbursement per ADA from \$685 to \$740.74. This increase, however, is still substantially below the maximum allowable excess expense reimbursement of \$910 per ADA.

We recommend that the budget for subventions for the educationally handicapped minors program be reduced by \$2,465,000.

We believe it should be noted that the Department of Education overestimated the 1965-66 enrollment by 254.4 percent which has led to a reestimation of the 1966-67 budget from its originally approved level of \$7,250,000 to \$5,197,090, a decrease of \$2,052,910. In the budget year, we believe it may be possible that the department has again overestimated its budgetary needs for this program. Consequently, we are recommending that the estimates reflect the same increase in enrollment from 1965-66 to 1966-67 as occurred between 1964-65 and 1965-66, approximately 3,400 ADA. This produces an estimated enrollment of 11,000 ADA instead of 13,500 ADA. We are also recommending that the average level of support for 1967-68 be figured at the same level as 1966-67 until information becomes available which clearly demonstrates that a higher average level of support is warranted. The combination of these two estimates produces a General Fund need of \$7,535,000, reflecting a decrease in support of \$2,465,000.

It should be further noted that if these funds are not used, they will revert to the General Fund.

Subventions for Education

SPECIAL ELEMENTARY SCHOOL READING PROGRAM

ITEM 267 of the Budget Bill

Budget page 881

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

Amount requested	\$4,000,000
Estimated to be expended in 1966-67 fiscal year	2,000,000
Decrease	\$2,000,000

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Miller-Unruh Basic Reading Act (Chapter 1233, Statutes of 1965) authorizes state allowances to school districts maintaining grades 1-3 for the employment of specialist reading teachers for these grades.

Special Elementary School Reading Program—Continued

Presently state allowances are allocated to school districts on an equalization aid formula for the cost of the salaries of the specialist teachers and for support of the salaries for librarians. The state allowances are based on the number of pupils in grades 1-3 and on the number of such pupils who have reading handicaps. The 1966 Legislature appropriated a sum of \$8,909,000 for initial allowances in 1966-67. The first apportionments of funds was made in September 1966. Of the amount of \$8,909,000 authorized for state support a sum of only \$1,583,748 was actually allocated to districts applying for funds, indicating a relatively low rate of school district participation in this key educational program. Presently 44 districts employing a total of 275 specialist reading teachers are receiving state support for special programs.

ANALYSIS AND RECOMMENDATIONS

A sum of \$4,000,000 from the General Fund is proposed for state support of the program in the budget year; this represents an increase of \$2,000,000 over the current level but is substantially lower than the amount of \$8,909,000 appropriated by the 1966 Legislature for the program. The proposed sum of \$4,000,000 would permit a minor expansion of the program in the budget year.

We recommend approval of this item as budgeted.

POLICY OPTION

Our recommendations for improving the rate of school district participation in the Miller-Unruh Reading Act program are discussed under the section of this analysis titled "Summary of State Expenditures for Education."

**Subventions for Education
EDUCATIONAL TELEVISION**

ITEM 268 of the Budget Bill

Budget page 881

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

Amount requested	\$650,000
Estimated to be expended in 1966-67 fiscal year	550,000
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Increase (18 percent)	\$100,000

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

Chapter 1236, Statutes of 1965 made the pilot program in instructional television a permanent program and expanded it to all counties and school districts in the state. State allowances are allocated to districts which maintain approved instructional television programs. Such allowances are equivalent to \$.50 per pupil enrolled in instructional television classes during the preceding fiscal year, but may not exceed one-half of the total cost to the district of providing television broadcasts.

Educational Television—Continued
ANALYSIS AND RECOMMENDATIONS

A sum of \$650,000 is proposed for support of the program in 1967-68; this represents an increase of \$100,000 over the current level. *We recommend approval of the item as budgeted.*

SUBVENTIONS FOR EDUCATION

ITEM 269 of the Budget Bill

Budget page 883

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

Amount requested.....	\$10,000,000
Estimated to be expended in 1966-67 fiscal year.....	12,472,641
Decrease (19.8 percent).....	\$2,472,641
TOTAL RECOMMENDED REDUCTION.....	None

Summary of Policy Options

1. Reduce amount budgeted for special reading programs by \$800,000; transfer \$400,000 to budget for national defense education to capture \$400,000 of federal funds, resulting in General Fund savings of \$400,000.

2. Reduce amount budgeted for McAteer Act and for Ch. 106, 1st Ex. Sess., 1966, by \$400,000 for each program (less \$50,000 for administration) and direct Department of Education to encourage school districts to establish similar projects with federal funds. This would amount to a General Fund savings of \$750,000.

GENERAL PROGRAM STATEMENT

Subventions for compensatory education are composed of three parts: federal grants to school districts for special programs for educationally disadvantaged pupils authorized under Title I of the Elementary and Secondary Education Act of 1965, General Fund support for the McAteer Act (Chapter 1163, 1965 Statutes) which authorizes state grants for special research projects and teacher training programs in compensatory education, and (Chapter 106, 1966 1st Ex. Sess.) which authorizes General Fund grants to schools located in poverty areas for the reduction of the pupil-teacher ratio in grades 1-6 and for special reading and mathematics programs for grades 7-9.

Under the federal allocation procedure for Title I, the Office of Compensatory Education is responsible for computing school district entitlements for compensatory education programs supported by Title I. The entitlements are based on the number of pupils from low-income families who reside in the district and attend public and private schools. Upon notification of individual entitlements, school districts submit project applications to the Office of Compensatory Education which are subsequently recommended to the State Board of Education for approval or disapproval. The second component of the subvention item, General Fund support for the McAteer Act, is administered on a project basis. The third component of the budget item, Ch. 106, allocates General Fund grants to school districts within designated poverty areas for the purposes authorized by the program.

ANALYSIS AND RECOMMENDATIONS

Total subventions for compensatory education programs in 1967-68 are set at \$99,312,256, an increase of \$6,894,422 over the current level.

Subventions for Education—Continued

A sum of \$89,312,256 is budgeted for Title I of the Elementary and Secondary Education Act of 1965, an increase of over \$9 million above the present level. A sum of \$1 million is budgeted for the special research projects and teacher education programs.

General Fund support for the McAteer Act is proposed in the amount of \$1 million which represents a decrease of \$508,893 below the present level. General Fund support for Chapter 106 is set at \$9 million comprised of \$7 million for the reduction of the pupil-teacher ratios in poverty areas, and a sum of \$2 million for special reading and mathematics programs for grades 7-9. The sum of \$2 million budgeted for special projects for grades 7-9 represents a decrease of \$1,963,748 below the current level.

We recommend approval of the item as budgeted.

POLICY OPTIONS

1. Our analysis of the National Defense Education Act program contained a policy option to reduce General Fund support for the special reading programs authorized by Chapter 106, 1st Extra Session, 1966, by a sum of \$800,000, and to transfer the sum of \$400,000 to the Title IIIb program to capture a similar amount of federal funds. We explained that the resultant sum of \$800,000 could then be used to establish special reading and mathematics programs for grades 7-9 resulting in a net General Fund savings of \$400,000.

2. A second policy option would be to reduce the amount budgeted for the McAteer Act program and for Chapter 106 by a sum of \$400,000 for each program and to direct the Department of Education to encourage school districts to establish similar types of programs under the provisions of Title III of the Elementary and Secondary Education Act of 1965. Title IIIb will provide California with \$11.6 million in 1966-67 and a similar amount in 1967-68 (although no allocation has been made by Congress for the budget year) which represents an increase of approximately \$3.5 million over the 1965-66 level. These funds may be used for a variety of innovative educational programs designed to improve the quality of public education. Presently there exists only limited state level coordination of the local programs since they are initiated by the local agencies rather than by the State Board of Education. Therefore the implementation of the policy option would require additional staff for the Department of Education to encourage local agencies to develop applications for federal grants to establish programs similar to the types authorized by the McAteer Act and Chapter 106. We believe that a sum of \$50,000 for two additional consultant positions and one clerical position, including operating expenses, would be sufficient to provide the department with a sufficient amount of additional staff to implement the policy option. The suggested reduction of \$400,000 from both the McAteer Act and Chapter 106, decreased by the amount of \$50,000 for additional staff for the department, would result in a General Fund savings of \$750,000. In addition the implementation of the policy option would provide the State Board of Education with a higher degree of state level coordination of the program than presently exists.

**Subventions for Education
CHILDREN'S CENTERS**

ITEM 270 of the Budget Bill

Budget page 885

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

Amount requested	\$7,833,702
Estimated to be expended in 1966-67 fiscal year.....	7,833,702

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Children's Center Program, formerly the Child Care Program, was established by the 1943 Legislature which authorized school districts to establish and maintain child care centers to serve the children of mothers working in the defense effort. During the war years the federal government assumed most of the program's cost under the provisions of the Lanham Act of 1940. When federal support for the program terminated in 1946 the California Legislature assumed support for the program for a one year period and subsequently authorized similar extensions during the period 1947 to 1950. During this period a "means test" and a sliding scale of parent fees were introduced to insure that child care services were made available to families with the greatest financial need. The 1957 Legislature made child care centers a permanent program. Amendments to the program in 1965 authorized the introduction of an instructional component into the program to permit preschool instruction for pupils from economically disadvantaged backgrounds. In addition, Chapter 1248, Statutes of 1965, authorized the Department of Education and the Department of Social Welfare to form a contractual agreement to provide preschool services for the children of families receiving public assistance. The cost of this program is financed by a combination of funds federal appropriated for public assistance and general funds on a 75/25 federal and state sharing basis. Preschool programs for disadvantaged pupils are discussed under the section of the analysis dealing with the Office of Compensatory Education.

School districts which participate in the program are not required to finance the program's cost although they are required to provide a facility and may establish an override tax to provide more comprehensive services. The cost of the program is approximately \$0.52 per attendance hour. General Fund support is set at \$0.28 per attendance hour while parent fees average \$0.14 per attendance hour. The balance of approximately \$0.10 per hour is financed by district contributions. In 1967-68 it is estimated that enrollment in the program will total 16,000 pupils.

Development Centers for Handicapped Minors: This program, made permanent by the 1965 Legislature, provides child care services for mentally retarded and physically handicapped minors, who are ineligible for the regular day classes and special education classes maintained by the schools. Maximum General Fund support for the program is set at \$0.83 per hour while parent fees average about \$0.14 per attendance

Children's Centers—Continued

hour. Approximately 600 pupils will participate in the program in 1967-68.

ANALYSIS AND RECOMMENDATIONS

Total expenditures for the care and instruction of children is set at \$22,836,146 in the budget year. This sum is composed of an amount of \$15,002,444 for reimbursements from the Department of Social Welfare for the Unruh Preschool Program discussed under the Office of Compensatory Education and a sum of \$7,833,702 for the regular Children's Center Program and the Development Center Program for Mentally Retarded and Physically Handicapped Minors. This is the same level of support budgeted for the current year.

1. Regular Centers: The budget request of \$7,833,702 includes a sum of \$6,977,202 for the operation of the regular Children's Center Program in 1967-68, which is the same amount estimated to be spent in the current year. The budget does not reflect any increment for enrollment growth in 1967-68 which means that a deficit appropriation may be requested of the 1968 Legislature to finance the enrollment growth which will occur during the budget year. Under the present law the Superintendent of Public Instruction is authorized, in years in which deficits occur in the amount available for apportionment, to request the amount of the deficit in the next fiscal year.

A deficit may not occur if social welfare preschool funds can be used to establish preschool programs for part of the existing enrollment in the Children's Center Program and for part of the anticipated growth in enrollment for the program, thereby reducing the demand on the Children's Center appropriation. The major source of funds for the establishment of preschool programs administered by the Department of Education is the Unruh Preschool Act for which a sum of \$15,002,444 in general funds and federal funds is budgeted for 1967-68. It was previously noted that these funds may be used to establish preschool programs for the children of low-income families serving public welfare under the AFDC (Aid to Families with Dependent Children) program. It appears that a substantial although unknown number of children enrolled in Children's Center may qualify for preschool services under the Unruh Act program resulting in a General Fund savings for the Children's Center Program which could then be used to finance part or all of the anticipated growth in enrollment for the Children's Center Program in 1967-68. The Department of Education is presently completing a survey of the Children's Center Program which includes as one of its components an analysis of the income characteristics of the parents of children enrolled in the program. When the survey is completed within the next few weeks it should be possible to estimate more accurately the amount of savings which might accrue to the Children's Center Program through a better utilization of Unruh preschool funds.

2. Development Centers for Handicapped Minors: Presently there exists statutory authority for 16 development centers, of which 14 have been funded, located in the following areas:

Stockton Unified School
Oakland Unified School

Children's Centers—Continued

- Santa Clara County Superintendent
- Monterey County Superintendent
- Los Angeles Unified
- Little Lake Elementary
- San Diego Unified
- San Francisco Unified
- Los Angeles County Superintendent
- El Segundo Unified School District
- Marin County Superintendent
- Santa Cruz County Superintendent
- Sonoma County Superintendent
- Tulare County Superintendent

General Fund support for this program is proposed at \$856,500 which is equivalent to the present level of support. The budget request includes \$714,000 for an anticipated 892,500 enrollment hours budgeted at \$0.80 per hour and \$142,500 for weekly transportation allowances of \$475 per child. *We recommend approval of the item as budgeted.*

CONTRIBUTIONS TO TEACHERS' RETIREMENT SYSTEM

ITEM 271 of the Budget Bill

Budget page 886

FOR SUPPORT OF CONTRIBUTIONS TO TEACHERS' RETIREMENT SYSTEM FROM THE GENERAL FUND

Amount requested.....	\$52,000,000
Estimated balance available from prior year.....	9,476,648
Total	\$61,476,648
Estimated to be expended in 1966-67 fiscal year.....	57,200,000
Increase (7.5 percent)	\$4,276,648

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

This annual appropriation is made to the State Teachers' Retirement Fund to meet the statutory obligation in Section 14216 of the Education Code. The amount of the appropriation is determined, in the case of the Permanent Fund, as being sufficient to support the benefit payments not funded by member contributions of annuitants for service rendered after July 1, 1944, and in the case of the Retirement Annuity Fund, an amount sufficient to meet the unfunded requirements not covered by the accumulated annuity contributions of member contributions of annuitants and the contributions of employing agencies during that year.

The purpose is to provide adequate funding to meet the unfunded liabilities of the State Teachers' Retirement System.

The appropriations from the General Fund for this purpose for the last five fiscal years are set forth in the table below.

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
	1963-64	1964-65	1965-66	1966-67	1967-68
Appropriation (in thousands)	\$47,329 *	\$52,513 *	\$57,750	\$61,000	\$52,000

* Supplemental appropriations made in these years.

Contributions to Teachers' Retirement System—Continued

ANALYSIS AND RECOMMENDATIONS

The amount requested for transfer to the State Teachers' Retirement Fund in the budget year is \$52 million which, together with an estimated unexpended balance from the current year, results in an amount of \$61,476,648 being available for expenditure in fiscal year 1967-68. The adjustment of the budget year requirement, based on the balance available from prior year, is made in compliance with Section 14217 of the Education Code.

We have been informed by the State Teachers' Retirement System that in its judgment adequate funds are not budgeted for the 1967-68 fiscal year. The system states that it does not anticipate the full carry-over of \$9,476,648 from 1966-67 which is shown in the budget. The system, however, was not prepared to state what the carryover would be at the time of the preparation of this analysis; thus, unless revised data is presented during the legislative consideration of this item, we recommend approval of the amount budgeted.

Subventions for Education

GRANTS TO TEACHERS OF PHYSICALLY HANDICAPPED MINORS

ITEM 272 of the Budget Bill

Budget page 887

FOR GRANTS TO TEACHERS OF PHYSICALLY HANDICAPPED MINORS FROM THE GENERAL FUND

Amount requested	\$150,000
Estimated to be expended in 1966-67 fiscal year	150,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

In order to encourage teachers of the mentally and physically handicapped to further their education, the State of California, in cooperation with the federal government, counties and school districts, offers grants up to \$300 to teachers attending summer classes at accredited colleges and universities. This program has been in operation since the 1964-65 fiscal year, having been originally authorized by Chapter 2107, Statutes of 1963. Since its inception the program has been funded in the following amounts from state and federal sources.

Table I

	1964-65	1965-66	(Estimated) 1966-67	(Proposed) 1967-68
General Fund	\$54,299	---	\$150,000	\$150,000
Federal funds (PL 88-164)	92,400	\$102,949	152,800	144,556
Total	\$146,699	\$102,949	\$302,800	\$294,556

ANALYSIS AND RECOMMENDATIONS

According to the Department of Education, there is a clear division between the subprogram financed by the General Fund and the subprogram financed by federal funds. The former is used to reimburse

Grants to Teachers of Physically Handicapped Minors—Continued

teachers of physically handicapped minors at the rate of \$50 per unit of postgraduate work completed with a maximum reimbursement of \$300 per year. The federal funds under P.L. 88-164 are used to administer the program at the state level and to operate "teaching institutes," an auxiliary to the grant program in which teachers gather for seminars and instruction. According to an interpretation from the U.S. Office of Education, P.L. 88-164 funds cannot be used for direct grants to individuals or institutions of higher learning, hence the "teaching institutes."

The General Fund support in the current year is derived from special legislation passed at the 1966 First Extraordinary Session (Chapter 37, Statutes of 1966) which carried the \$150,000 appropriation. It is proposed that this same amount be continued in the budget year to serve an estimated 600 teachers. *We recommend approval as budgeted.*

Subventions for Education**FREE TEXTBOOKS**

ITEM 273 of the Budget Bill

Budget page 892

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

Amount requested	\$21,585,649
Estimated to be expended in 1966-67 fiscal year	18,614,763
Increase (16 percent)	\$2,970,886
RECOMMENDED FOR SPECIAL REVIEW	\$8,300,000

Summary of Policy Options

1. Give consideration to changing to a system of multiple adoptions with a maximum dollar allowance per ADA for supplementary textbooks for a savings of

\$1,400,000

GENERAL PROGRAM STATEMENT

The Constitution of the State of California, Article IX, Section 7, provides for a free textbook program for the state's elementary schools, grades 1 through 8. The program is adopted by the State Board of Education and administered by the State Department of Education. The State Curriculum Commission, a group composed of professional educators, acts in an advisory capacity to the board.

There are three components of the free textbook program: (1) selection and adoption of textbooks; (2) acquisition of adopted textbooks; and (3) distribution of textbooks to school districts.

1. Selection and Adoption of Textbooks

The California State Constitution contains the following language in regard to textbook adoptions:

"Article IX, Section 7: The Legislature shall provide for the appointment or election of a State Board of Education, and said board shall provide, compile, or cause to be compiled, and adopt, a uniform series of textbooks for use in the day and evening elementary schools throughout the State."

Free Textbooks—Continued

The Constitution further states that textbooks:

“shall be furnished and distributed by the State free of cost or any charge whatever, to all children attending the day and evening elementary schools of the State, under such conditions as the Legislature shall prescribe.”

The State Curriculum Commission, which recommends textbooks for adoption to the State Board of Education was created by statute in 1927 (Chapter 208, Statutes of 1927) with 11 members including the Superintendent of Public Instruction and 10 others appointed by the State Board of Education. In 1965, the membership was expanded to 13 (Chapter 1551, Statutes of 1965) and a provision inserted which stated that:

“So far as it is practical and consistent with the duties assigned to the Curriculum Commission by the State Board of Education, at least one-half of the members of the commission shall be persons, who, because they have taught, written, or lectured on the subject matter fields specified in Section 7501.5, in the course of public or private employment, have thereby become recognized authorities or experienced practitioners in such fields.”

It is the duty of the Curriculum Commission to periodically recommend to the State Board of Education that certain adoptions be discontinued and replaced with new material. When these recommendations are accepted (they are rarely denied), a call for bids is issued and new textbook materials submitted by interested publishers. Inasmuch as California constitutes approximately 10 percent of the national textbook market, the numbers of participating publishers and textbook submissions is quite high. The most recent adoption in science, health, history, geography and related social sciences elicited responses from 66 textbook publishers who submitted 1,029 different titles for consideration (176 of these were eventually adopted).

Once submitted, the textbooks are reviewed by the commission members with the help of literally thousands of consultants. The most recent adoption utilized the services of 25,321 persons. The review process normally requires approximately three months after which certain titles are discarded and others are held for final consideration. This final review requires an additional three months after which the commission formulates its final recommendations to the State Board of Education.

According to the Education Code (Section 9302), the board shall adopt basic textbooks in specified areas and may adopt supplementary textbooks, all of which must remain in adoption for at least four years. At the end of this period, an adoption may be extended for four more years and then reextended another four so that the maximum length of time a textbook may be in use is 12 years. In addition to its responsibility for the selection of textbooks to be used in the elementary grades, the board also establishes the ratios of distribution for all basic and supplementary textbooks.

Free Textbooks—Continued

2. Acquisition of Textbooks

Once adopted, textbooks are acquired either by direct purchase from publishers or by manufacture in the State Printing Plant, depending on which has the lowest price (or cost). In those cases where the textbooks are manufactured in the State Printing Plant, the publishers agree to lease plates or film negatives or positives to the state in return for a royalty fee generally assessed on a per-copy basis. In some cases, a lump sum royalty is charged, the payment of which entitles the state to print an unlimited number of copies of the textbook in question.

3. Distribution of Textbooks

Textbooks, whether printed at the State Printing Plant or purchased from publishers, are generally stored at the State Textbook Warehouse in Sacramento and then shipped to school districts between the months of May and August when between 85 and 90 percent of the year's distribution is carried out. Distributions are made to districts according to their orders at the distribution ratios established by the State Board of Education. Table I below gives the month-by-month breakdown for the past three calendar years and an estimate for the current year of the net number of books distributed.¹

Table I

	1963 (actual)	1964 (actual)	1965 (actual)	1966 (estimated)
January -----	14,647	-250	11,663	4,603
February -----	93,401	142,053	113,071	22,469
March -----	893	32,222	-6,240	8
April -----	120,898	129,270	1,342,892	13,724
May -----	1,154,138	1,917,476	2,235,399	718,401
June -----	1,424,671	1,878,270	1,187,972	2,604,365
July -----	3,519,135	3,602,027	3,601,056	2,288,796
August -----	2,448,443	1,606,835	2,038,559	932,568
September -----	70,348	461,592	405,514	26,080
October -----	22,289	451,179	39,329	170,794
November -----	276,318	74,122	334,498	81,415
December -----	165,751	51,314	48,678	N/A
Total -----	9,310,932	10,346,110	11,852,391	6,863,223

Due primarily to the 1966 adoption in science, health and the social sciences, it is anticipated that the total distribution in 1967 will increase sharply to a new high of approximately 23,200,000 copies.

ANALYSIS AND RECOMMENDATIONS

Selection and Adoption of Textbooks

The current and budget years contain the two largest textbook adoptions in the state's history from the standpoints of number of titles adopted, copies acquired and to be acquired and budgetary expense. The first of these adoptions was made by the State Board of

¹ During most months, some textbooks are returned by school districts to the textbook warehouse; generally, the amount is not significant. However, in months when few textbooks are shipped to school districts, it is possible to show a net credit or a minus distribution when receipts exceed shipments as they did in January of 1964 and March of 1965. The net distribution is the difference between the number shipped and the number returned.

Free Textbooks—Continued

Education in May of 1966 in science, health and the social sciences. It involved the adoption of 176 titles at various distribution ratios which resulted in required acquisitions of approximately 16,346,000 copies. This will bring the total in adoption to 481 separate titles (including teacher's editions) as of the fall semester of 1967.

This year, the State Board of Education will make adoptions in English, spelling, handwriting, music and dictionaries, all for grades 1-8. The adoption in dictionaries is a precedent and is being proposed at a ratio of one book for every three pupils in grades 1 and 2, one book for every two pupils in grade 3, and one book for each pupil in grades 4 through 8. The Department of Education's estimated cost for this new program is \$5,268,012 for the first year's distribution.

As of this writing, the State Curriculum Commission has completed its review of the 447 titles of textbooks submitted by 37 different publishers and has retained 186 of them for final consideration. On March 29, 30 and 31, the commission will have completed its final review and will then make its recommendations to the State Board of Education. Then, on April 13 and 14, the board will make the adoption. It is probable that this adoption will bring the total number of titles in use to over 500.

Table II gives a brief record of the number of textbook titles in adoption since 1940.

Table II
Number of Textbook Titles in Adoption¹—1940-1967

<i>Year</i>	<i>Textbook Titles in Adoption</i> ²
1940	59
1945	85
1950	137
1955	195
1960	305
1961	360
1962	359
1963	391
1964	392
1965	445
1966	445
1967 (fall semester)	481

¹ In some cases, one book is used in more than one grade. In such cases, it is counted more than once. Since 1960, it has been relatively common to adopt certain books for several grades. Generally, supplementary textbooks are involved. All figures used are for the highest number of textbooks in adoption during the year and not necessarily for the fall semester.

² Includes teachers' editions.

The schedule for the 1967 adoption is substantially the same as that used in 1966. In 1966, an entirely new adoption schedule was implemented which called for a somewhat unusual system of bidding and estimating by the textbook publishers and the State Printer³. The schedule called for the opening of publishers' bids and printer's estimates on January 15. Then, the publishers were given the option of submitting an "amended bid" in which they could lower their prices on any textbooks that were still being considered. This bid was submitted on March 13, two months after the initial bid. On March 30, 31

³ A diagrammatic comparison of the 1965 and the 1966 adoption schedules may be found in the "Analysis of the Budget Bill 1966-67," page 900.

Free Textbooks—Continued

and April 1, the State Curriculum Commission made its recommendations on textbooks to be adopted to the State Board of Education. At the time this recommendation was made, the members of the commission were cognizant of the initial bids but not the amended bids since the schedule called for their opening after the commission had made its recommendations but before the State Board of Education made the adoption. Thus, only the board knew the final prices of the textbooks offered for adoption.

For the 1967 adoption, two significant changes have been made. First the State Curriculum Commission will be able to see the amended bids before they make their recommendations to the State Board of Education. Second, the adoption will be made by the State Board of Education one month earlier than in 1966. The chart on the following page gives an illustration of the mechanics of the relevant portions of the two adoption schedules with the first change labeled "A" and the second labeled "B" both in italics.

The significance of the changes in the adoption schedule are twofold and are described below as "A" and "B":

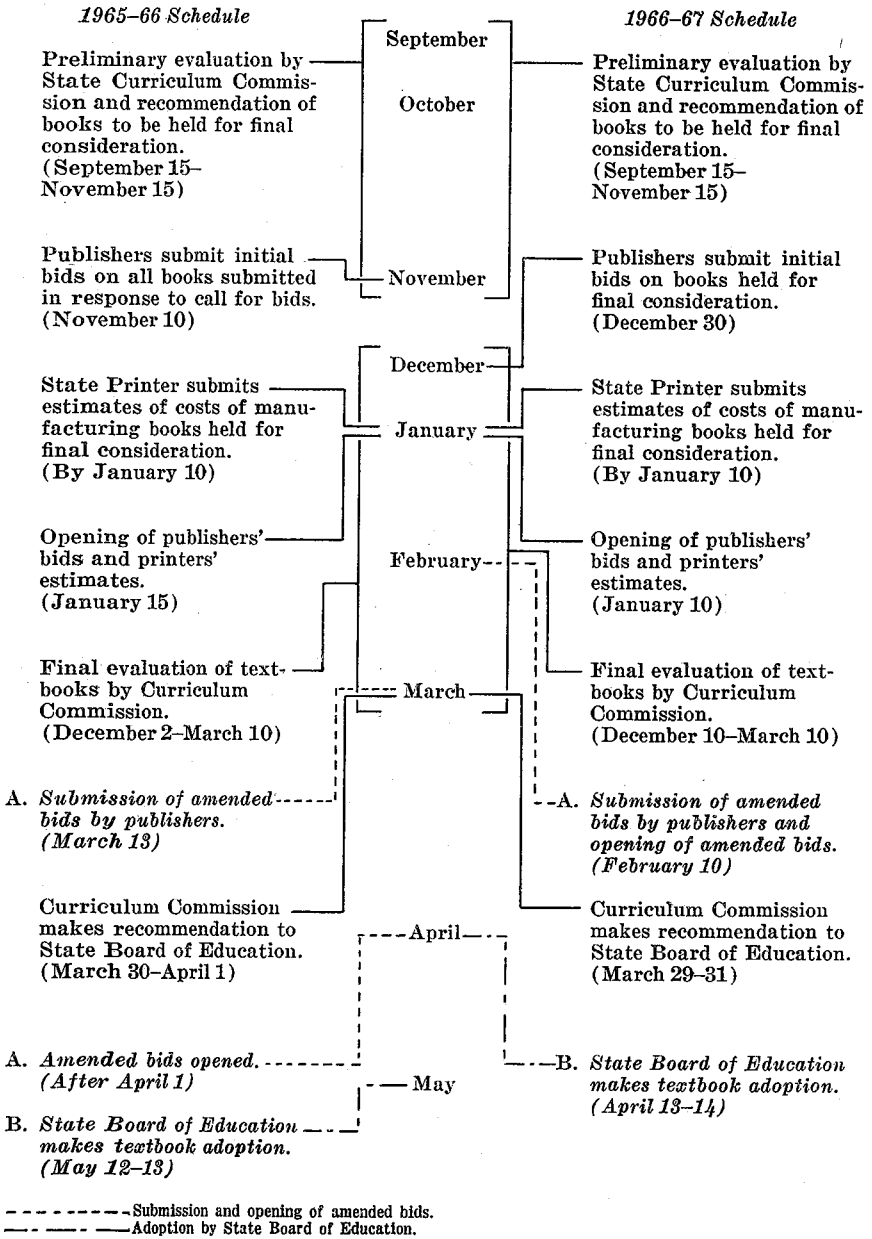
A. First, the original intention of the State Board of Education, the Department of Education and our office was to allow the State Curriculum Commission to consider the cost as well as the quality of the textbooks undergoing review. Consequently, the commission was permitted to review the initial bids from textbook publishers and the estimates from the State Printer. Once the bids were submitted, however, it appeared that some publishers were bidding unrealistically high in order to reveal as little information as possible to their competitors. Naturally, there was very little reason to submit the lowest possible bid when the bidding system allowed a second chance. Further, some publishers made it clear to the commission that their bids were high and that they intended to submit an amended bid at a lower price, hoping the commission members would not disregard their book because of their high bid. Several commission members stated that they would not consider cost at all unless they were allowed to see the amended bids which led to their request to the State Board of Education that the amended bids be opened early, a request which was denied. It is therefore doubtful that the commission gave adequate consideration to price, although through no fault of their own. In 1967, we are optimistic that the change in the schedule which will bring the amended bids before the commission will mean that textbook costs as well as quality will be considered fully before the commission recommends the 1967 textbook program to the State Board of Education.

B. The second change in the adoption schedule moves the date of the adoption up one month. In 1966, it was made in May; in 1967, it will be in April. The reason for this change is to allow an earlier legislative review of the program. It is our belief that the Legislature was inadequately served when final information on the cost of the 1966 adoption was not made available until late in the legislative session. This change should correct the deficiency and facilitate review.

The request in the budget year for new adoptions is \$8,300,000, a figure which at this writing has little meaning inasmuch as it is only

Free Textbooks—Continued

Significant Changes in Adoption Schedule



Free Textbooks—Continued

a very rough estimate of the cost of the textbook program to be adopted by the State Board of Education on April 13 and 14, 1967.

It should be mentioned that the Department of Education submitted a budget request for new adoptions of \$15,348,064 which is their estimate for the budget year cost, excluding royalties. When royalties are included (they will not appear until the 1968-69 budget, the year in which the new textbooks will be distributed), the total first year cost becomes \$23,612,623, an increase of \$8,264,559.

In the *Analysis of the Budget Bill, 1966-67*, we recommended that the State Board of Education present to the Legislature at the time the budget was considered a complete justification for the program to be adopted. Specifically, we recommended that information be presented on the following subjects:

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

Unfortunately, the information received as a result of this recommendation was incomplete. No justification or explanation of any kind was presented for the adoption in health, grades 1-8. In the science adoption, grades 1-8, no information was presented in response to the second, third and fourth questions.

We believe the Legislature should be informed as to the necessity of appropriating millions of dollars for the acquisition of new textbooks, hence our recommendation in 1966.

We recommend that the Legislature request the State Board of Education to answer each of the four questions for each of the proposed adoptions in English, handwriting, spelling, music and dictionaries, and submit the answers to the Senate Finance and Assembly Ways and Means Committees at the time the Free Textbook budget is considered.

We further recommend that the request for new adoptions, \$8,300,000 be disapproved until the justifications have been submitted by the State Board of Education and the Legislature has completed its review of the program.

Acquisition of Textbooks

Textbooks, once adopted, are acquired by the state in one of two ways: either they are purchased directly from publishers or they are printed in the State Printing Plant. Table III gives the costs for each facet of the acquisition process during the past five fiscal years:

Free Textbooks—Continued

Table III

	1963-64 (actual)	1964-65 (actual)	1965-66 (actual)	1966-67 (estimated)	1967-68 (proposed) ¹
Purchasing -----	\$3,627,411	\$2,876,886	\$1,569,362	\$10,849,328	\$3,107,908
Printing -----	4,968,350	5,308,366	1,746,093	3,988,399	726,784
Total -----	\$8,595,761	\$8,185,252	\$3,315,455	\$14,837,727	\$3,834,692

¹ Includes only reprints of previous adoptions. No allowance is made for new adoptions.

In 1967-68 it is probable that the total printing and purchasing budget will exceed that budgeted for 1966-67 due to the large quantities of textbooks required for the adoptions in English, spelling, handwriting, music and dictionaries. However, between 1967-68 and 1972-73, we anticipate a sharp reduction in the total volume of textbooks involved in yearly adoptions and consequently, a leveling of production in the State Printing Plant. The basis for this belief is the fact that the Department of Education does not anticipate concentrations of adoptions in the foreseeable future. Following the currently pending adoptions in the five subjects mentioned above, an adoption in more than one subject is not planned until 1972.

In recent adoptions, most textbooks have been bid on the basis of leasing plates to the state rather than on the basis of direct sale of finished books by publishers. Consequently, that portion of the budget devoted to printing has grown considerably. This has caused an unusual problem of accurate budget presentation. When plates are leased, the total cost of any given textbook is composed of both a printing charge and a royalty cost, the latter of which is charged to the state in the year the textbooks are distributed, rather than in the year they are manufactured. The 1966 adoption in science, health and the social sciences is a case in point. The costs of manufacture appear in 1966-67 but the royalty costs appear in 1967-68. Thus, any budget for Free Textbooks which contains a new adoption is inevitably incomplete to the extent that royalty charges are not shown.

We believe that the total cost of acquisition of any textbook adoption, including all costs attributable to purchases, manufacture and the payment of royalties should be shown clearly in the printed budget so that the Legislature may adequately assess the true cost of the program. *We recommend that the Legislature direct the Department of Finance to state clearly in the General Analysis Section of the State of California Support and Local Assistance Budget, Subventions for Education, Free Textbooks, the anticipated total cost of an adoption pending before the State Board of Education including all amounts anticipated to be spent for the purchase of finished books and for the manufacture and royalty costs of textbooks to be adopted in any current year and manufactured in the following budget year.*

In the budget year, it is anticipated by the Department of Education and the Department of Finance that the cost of acquisition will amount to \$4,017,943 which includes the following:

Free Textbooks—Continued

Table IV

Personal Services	
16.5 authorized positions at the State Textbook Warehouse-----	\$101,526
Staff benefits and workmen's compensation-----	10,400
Total, personal services-----	\$111,926
Operating Expenses	
General expense-----	\$125
Textbook printing-----	3,107,908
Textbook purchasing-----	726,784
Utilities-----	7,700
Rent—warehouse-----	53,200
Warehouse storage-----	10,000
Total, operating expenses-----	\$3,905,717
Equipment-----	\$300
Total, all acquisition costs-----	\$4,017,943

We recommend that this amount be approved as budgeted.

In the current year, the adoptions in science, grades 1-8, health, grades 1-8 and social sciences and related California government, grades 2, 3, 5, and 8 are in the process of acquisition. The total adoption amounted to approximately 16.3 million copies of which 14.5 million were bid on the basis of leasing plates to the state and were consequently scheduled for manufacture in the State Printing Plant. The plant was unable to accommodate the printing and binding of this quantity and thus had to negotiate contracts with private printing and binding companies. Inasmuch as there has been considerable debate in recent years over the efficiency and economy of the State Printing Plant as compared to the efficiency and economy of private printing and binding establishments, we believe that a comparison of the estimated and actual prices bid and charged by both the printing plant and the private firms on several textbooks would be enlightening. The firms which received the contracts for the textbook manufacture were Stecher-Traung-Schmidt Lithograph Corporation of San Francisco and the Cardoza Bookbinding Company, also of San Francisco. The comparative costs of manufacture are as follows:

Table V
Private Printing Costs Compared to Printing Plant

<i>Publisher-Title-Grade</i>	<i>Quantity (Copies)</i>	<i>Total cost</i>	<i>Difference</i>
Harcourt, Brace & World			
<i>Concepts in Science.</i>			
1st Grade			
Printing plant-----	480,000	\$253,930	--
Private firms-----	480,000	\$263,385	\$+9,455
<i>Concepts in Science</i>			
2nd Grade			
Printing plant-----	464,000	\$275,044	--
Private firms-----	464,000	\$287,294	\$+12,250
<i>Concepts in Science</i>			
3rd Grade			
Printing plant-----	439,000	\$327,151	--
Private firms-----	439,000	\$354,583	\$+27,432

Free Textbooks—Continued

Table V—Continued
Private Printing Costs Compared to Printing Plant

<i>Publisher-Title-Grade</i>	<i>Quantity (Copies)</i>	<i>Total cost</i>	<i>Difference</i>
<i>Concepts in Science</i>			
4th Grade			
Printing plant -----	426,000	\$317,934	---
Private firms -----	426,000	\$343,462	\$+25,528
<i>Concepts in Science</i>			
5th Grade			
Printing plant -----	425,000	\$355,325	---
Private firms -----	425,000	\$385,691	\$+30,366
<i>Concepts in Science</i>			
6th Grade			
Printing plant -----	413,000	\$389,959	---
Private firms -----	413,000	\$422,394	\$+32,435
Harper and Row			
<i>The Molecule and the Biosphere</i>			
7th Grade			
Printing plant -----	267,000	\$326,035	---
Private firms -----	267,000	\$336,676	\$+10,641
Teacher's edition			
Printing plant -----	18,000	\$41,430	---
Private firms -----	18,000	\$42,601	\$+1,171
<i>The Atom and the Earth</i>			
8th Grade			
Printing plant -----	266,000	\$324,880	---
Private firms -----	266,000	\$334,775	\$+9,895
Teacher's edition			
Printing plant -----	19,000	\$43,065	---
Private firms -----	19,000	\$43,438	\$+373
<i>Story of Our Country</i>			
5th Grade			
Printing plant -----	425,000	\$411,525	---
Private firms -----	425,000	\$432,762	\$+21,237
Teacher's edition			
Printing plant -----	29,000	\$48,071	---
Private firms -----	29,000	\$50,852	\$+2,781
Freight Charges			
Private firms -----	---	\$3,574	\$+3,574
<i>Totals</i>			
<i>Printing Plant</i> -----	3,671,000	\$3,114,349	---
<i>Private firms</i> -----	3,671,000	\$3,301,487	\$+187,138

The state's cost of \$3,114,349, which is \$187,138 less than that required for printing by private firms, represents a savings to the state of 5.7 percent. However, when applicable storage charges (\$12,261) are added to the state's cost for manufacture, the dollar savings is reduced to \$174,877 and the percentage savings to a net figure of 5.3 percent.

It should be mentioned that the manufacturing cost of a textbook includes costs attributable to materials purchases, printing costs and binding costs. In Table V and for the sake of brevity, we did not break out these costs individually. Some of them are already firm actual costs while others are estimates or figures from purchase orders.

Table VI gives a more complete picture of comparative costs of manufacturing and purchasing the nine textbooks shown in Table V.

Table VI
Comparison of Private Printing and Purchase of Textbooks With Manufacture Plus Royalty Costs at the Office of State Printing (Costs per Copy)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
							State manufac- turing cost as percentage of private manu- facturing cost (1) ÷ (2)	State cost (manufacture plus royalty) as percentage of finished book price (4) ÷ (6)
Title and grade of textbook	Office of State Printing manu- facturing cost including storage	Cardoza- Stecker manu- facturing cost plus shipping to Sacramento	Royalty	Total: OSP manufacture plus royalty (1) + (3)	Total: Cardoza- Stecker manufacture plus royalty (2) + (3)	Finished book price		
Concepts in Science—Grade 1___	\$.5323	\$0.5497	.3100	\$.8423	\$.8597	\$1.3000	96.8%	64.8%
Concepts in Science—Grade 2___	.5961	.6202	.3400	.9361	.9602	1.4000	96.1	66.9
Concepts in Science—Grade 3___	.7485	.8087	.3600	1.1085	1.1687	1.5000	92.6	73.9
Concepts in Science—Grade 4___	.7496	.8072	.4100	1.1596	1.2172	1.7000	92.9	68.2
Concepts in Science—Grade 5___	.8394	.9085	.4300	1.2694	1.3385	1.8000	92.4	70.5
Concepts in Science—Grade 6___	.9455	1.0237	.4600	1.4055	1.4837	1.9000	92.4	74.0
The Molecule and the Biosphere—7								
Pupils' Edition _____	1.2244	1.2620	.6230	1.8474	1.8850	2.8300	97.0	65.3
Teacher's Edition _____	2.3050	2.3677	--	2.3050	2.3677	--	97.4	--
The Atom and the Earth—8								
Pupils' Edition _____	1.2247	1.2596	.6230	1.8477	1.8826	2.8300	97.2	65.3
Teacher's Edition _____	2.2699	2.2872	--	2.2699	2.2872	--	99.2	--
Story of Our Country—5								
Pupils' Edition _____	.9716	1.0193	.7920	1.7636	1.8113	2.0700	95.3	85.2
Teacher's Edition _____	1.6609	1.7545	--	1.6609	1.7545	--	94.7	--
Average state cost as a percent- age of private manufacture or direct purchase _____	--	--	--	--	--	--	94.7%	72.7%
Average state saving _____	--	--	--	--	--	--	5.3%	27.3%

Free Textbooks—Continued

By way of explanation, column (7) shows that on the average, state costs for printing, binding and storage amount to 94.7 percent of the same costs incurred through private manufacture of the nine listed textbook titles, a savings of 5.3 percent to the State. Column (8) compares the costs of state manufacture plus all publishers' royalty charges compared to the cost of the same textbooks if purchased in completed form directly from publishers. On the average, state expense for manufacture plus royalty for these nine books amounts to 72.7 percent of the cost of outright purchase, a state savings of 27.3 percent.

Distribution of Textbooks

The costs attributable to the distribution of state adopted textbooks include communications, traveling, freight, cartage and express, royalties and shipping supplies. These costs are as follows as requested in the 1967-68 budget year:

Table VII

Category	Amount requested
Communications -----	\$10,000
Traveling -----	1,725
Freight, cartage and express -----	160,000
Royalties -----	9,080,981
Shipping supplies -----	65,000
Total -----	\$9,317,706

The total request, excluding royalties, amounts to exactly the same dollar amount budgeted for the current year, \$236,725. *We recommend that this amount be approved as budgeted.*

The request for royalties, \$9,080,981 is the largest budget for royalty payments in the history of the free textbook program. As stated previously, it is always incurred but never mentioned in the budget of the immediately preceding fiscal year. The following table shows the amounts spent and estimated to be spent on royalties since 1962-63.

Table VIII

	1962-63 (actual)	1963-64 (actual)	1964-65 (actual)	1965-66 (actual)	1966-67 (estimated)	1967-68 (proposed)
Royalty payments---	\$1,419,344	\$2,011,182	\$3,472,521	\$3,624,773	\$2,175,570	\$9,080,981

We recommend that \$9,080,981 requested for royalties in the 1967-68 budget year be approved as budgeted.

POLICY OPTIONS

1. Consideration should be given to the possibility of changing the system of free textbooks from uniform, "single" adoption system to a system of "multiple" adoptions. Basically, the existing procedure for providing textbooks for elementary school pupils involves the adoption of a group of textbooks which by law must be used uniformly by all pupils in the first eight grades. Included within this procedure are the so-called "track" type of adoptions in which different textbooks are provided to students of differing learning abilities and the co-basal adoption in which two or more textbooks are adopted for the use of all pupils for a particular subject and grade. What is not included is the possibility

Free Textbooks—Continued

of adopting a list of textbooks from which school districts may choose those desired. This, according to an opinion of the Attorney General, is not allowed under the State Constitution. However, it is possible under existing law to construct a pseudo-multiple adoption system by recommending and adopting very large numbers of textbooks. In this way, the districts can choose those they wish to use once they are delivered.

We believe that in effect, the state textbook program has reached the point of a multiple adoption system now that a total of 481 textbooks is available for the use of children in grades 1-8. (The current adoption in English, spelling, music, handwriting and dictionaries will bring it to over 500.) We also believe that it is unlikely that efficient use can be made of this number of textbooks and that the existing system is therefore wasteful to the extent that some textbooks are not used. Obviously, one method of reducing the number of textbooks in use is to allow school districts to choose those desired before they are manufactured and delivered, rather than after. Toward this end, we submit the following multiple adoption proposal to the Legislature.

In order to maintain the standards of quality that have long existed in the Free Textbook program, the responsibilities of the State Curriculum Commission and the State Board of Education in recommending and adopting textbooks should be maintained. The commission might recommend a list of from three to five textbooks (if this number of quality textbooks is available) based on considerations of quality and cost to the State Board of Education. The recommendation could be in order of preference. The State Board of Education should then make an adoption of a list of not more than three basic textbooks for each subject and grade under consideration from which districts could select one as their basic textbook. A provision could also be added to continue the practice of making "track" or co-basal adoptions. In addition to the basic textbook adoptions, the State Board of Education should also adopt an unlimited list of supplementary textbooks from which school districts could choose as few or as many as they felt would suit their educational program.

Once the adoption is made, the lists of textbooks should be sent to all school districts who will then order those desired and specify the quantities needed according to the distribution ratios established by the State Board of Education. Then, the textbooks will be purchased in finished book form or manufactured in the State Printing Plant depending upon which method of acquisition is least expensive.

Concerning the financing of such a multiple adoption system, the following might prove to be most economical. For basic textbooks, the state will provide at no cost to the school district the titles selected at the ratios established by the State Board of Education. For supplementary textbooks, the state will provide a per ADA allowance set at approximately one-half of the current expenditures per ADA which will contain certain necessary variables to account for the inevitable fluctuations in yearly textbook needs.

Free Textbooks—Continued

Generally, in a four-year adoption, two-thirds of the total cost of that adoption is expended for the first year's distribution (assuming the textbook is nonconsumable; consumable textbooks are normally printed on a 100-percent replacement basis each year). Thus, it might be proper to establish a formula which provides two allowances for particular adoptions of supplementary textbooks, one for the first year representing two-thirds of the anticipated four-year cost and one for the remaining three years representing one-third of the anticipated cost. If the textbook was readopted for another four years, the second allowance would be repeated with a 33-percent increase to account for the fourth year. This third allowance would be repeated if the textbook was again readopted for a third four years. The second and subsequent allowances would be divided by the number of years for which they applied.

The following allowances shown in Table IX might be considered. The first-year allowances are one-half of the estimated first-year costs per ADA for particular adoptions. The total for the following three years is one-half of that for the first year. Only those subjects for which supplementary textbooks have been adopted are shown.

Table IX
Suggested Allowances per ADA for Supplementary Textbooks

Subject	Current average cost per ADA	Proposed first-year allowance	Proposed subsequent allowance			Total proposed allowance
			2nd yr.	3rd yr.	4th yr.	
Arithmetic	\$2.0400	\$1.0200	\$1.700	\$1.700	\$1.700	\$1.5300
Social studies	\$2.9081	\$1.4541	\$2.424	\$2.424	\$2.424	\$2.1813
English	\$1.5255	\$0.7628	\$1.271	\$1.271	\$1.271	\$1.1441
Music	\$0.4776	\$0.2388	\$0.398	\$0.398	\$0.398	\$0.3582
Reading and literature	\$1.7207	\$0.8604	\$1.434	\$1.434	\$1.434	\$1.2906
Science	\$1.9065	\$0.9533	\$1.589	\$1.589	\$1.589	\$1.4300

Each year a lump-sum allowance per ADA would be computed which would be the same for each school district. For example, in 1967-68 a district would receive a first-year allowance in science, grades 1-8 and social sciences grades 2, 3, 5 and 8; a third-year allowance in mathematics and social sciences grade 4, etc. These amounts individually would total up to the lump sum which districts would use to suit their needs. It would allow a necessary degree of flexibility.

If this schedule had been applied to the most recent adoption in science, health and the social sciences, the state would have saved approximately \$4,690,000 in first-year costs for supplementary textbooks less some adjustment for increased costs of basic textbooks caused by ordering in reduced quantities. This is figured on the basis of adoptions of supplementary textbooks in science, grades 1-8 and the social sciences, grades 2, 3, 5 and 8. Multiplying the enrollment in grades 1-8, 2,793,200 by \$0.9533 and the enrollment in grades 2, 3, 5 and 8, 1,393,200 by \$1.4541 produces the estimated cost which, when subtracted from the actual amounts to be paid of \$9,376,608, produces the savings of \$4,690,000. During the following three years, half again as much as this would be saved.

Free Textbooks—Continued

In spite of the fact that the state would, under this proposal, be providing only half as much money for supplementary textbooks as it is at present, it would not necessarily increase the financial burden on local school districts. It must be remembered that the districts would be given their choice as to which books they want to supplement their educational programs. Given this, it is entirely likely that they would be able to choose fewer books at a lower total cost without decreasing the quality of their curriculum.

Concerning total possible savings, the Department of Education estimates total costs for textbooks for the next 11 years at \$193,531,796. On the assumptions that 40 percent of this amount would be spent for supplementary textbooks, that one-half of that would be saved but that there would be an increase in acquisition costs of 20 percent in the remaining 60 percent for basic textbooks, we estimate that the state could save \$15,500,000 of that 11-year cost or an average of \$1,400,000 per year.

Implementation of this policy option will require passage of both legislation and a constitutional amendment.

Arguments in favor of this option include :

1. Significant reductions in state expense;
2. The possibility of increased flexibility in the free textbook program;
3. An opportunity for school districts to choose those textbooks which best suit their educational programs;
4. The maintenance of quality standards in textbook selection.

Arguments against this option include :

1. Uniformity in textbook usage would be eliminated;
2. The possible effect on the State Printing Plant is not known;
3. Some school districts might have to use local funds if the state allowance proved to be insufficient.

Subventions for Education

ASSISTANCE TO PUBLIC LIBRARIES

ITEM 274 of the Budget Bill

Budget page 894

FOR ASSISTANCE TO PUBLIC LIBRARIES FROM THE GENERAL FUND

Amount requested	\$800,000
Estimated to be expended in 1966-67 fiscal year	1,000,000
Decrease	\$200,000
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

The California Library Development Act, established in 1963, authorizes a program of state assistance to public libraries designed to promote the establishment of cooperative library systems. Originally the act authorized three types of state grants; planning grants, establishment grants and per capita grants. The former types were designed

Assistance to Public Libraries—Continued

to assist local libraries develop a plan of service for a regional area and to assist them to establish a regional library system. Per capita grants were authorized to partially defray the cost of cooperative library systems. The act was significantly amended by the 1966 Legislature (Chapter 97). The amendments eliminated the planning grant, established an equalization aid formula for the distribution of state allocations and raised the program standards for cooperative library systems. In addition, the amendments modified a provision which limited state support to a maximum of 4 percent of the total operative expenses of California's public libraries from funds received from local sources, and substituted a sliding scale percentage limitation which increases in annual increments as follows: 6 percent in 1967-68, 8 percent in 1968-69 and 10 percent in 1969-70.

ANALYSIS AND RECOMMENDATIONS

A sum of \$800,000 is requested in 1967-68 for subventions to local libraries; this represents a reduction of \$200,000 and is well within the limitation on the total state appropriation for the program. Presently there are a total of eight cooperative library systems serving a population of over 5 million individuals. The individual systems, their locations and the date they were established are listed in the following table.

<i>Name of library system</i>	<i>Date established</i>	<i>Population served</i>
Black Gold Cooperative Library System.....	1963-64	542,138
Colton-San Bernardino County Library System.....	1965-66	544,200
East Bay Cooperative Library System.....	1963-64	812,283
Mother Lode Library System.....	1965-66	159,686
Northern Bay Cooperative Library System.....	1963-64	590,882
San Gabriel Valley Library System.....	1965-66	159,686
San Joaquin Valley Library System.....	1963-64	463,126
San Jose-Santa Clara-Sunnyvale Cooperative Library System	1963-64	527,926
Santa Clara Valley Library System.....	1963-64	291,283
Sierra Library System.....	1964-65	805,345
Whittier-Santa Fe Springs-Los Cerritos Region of Los Angeles County Cooperative Library System.....	1965-66	462,917
		5,428,917

A total of 56 libraries, equivalent to 26 percent of California's 213 public libraries are presently members of these systems. Reports from participating libraries state that interlibrary cooperation has enabled them to improve their book collections, provide for faster interlibrary exchange of materials and enables them to catalog and order their books more rapidly. The user benefits include free access to all libraries within the system and the availability of more comprehensive reference materials. *We recommend approval of the item as budgeted.*

Subventions for Education

VOCATIONAL EDUCATION—REIMBURSEMENTS TO SCHOOL DISTRICTS

ITEM 275 of the Budget Bill

Budget page 897

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

Amount requested	\$1,430,271
Estimated to be expended in 1966-67 fiscal year	1,430,271

Increase None

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

This item contains subventions for vocational education which are made annually from the General Fund and from federal allocations. Under the allocation procedure, the costs of state level administration are first deducted from the total amount appropriated; the balance is then distributed to secondary school districts for supervision and teacher training. To qualify for these funds school districts must maintain approved vocational education courses in such areas as industrial education, business education and homemaking education. The budget also reflects matching funds to meet the 10-percent state matching requirements of the Manpower Development and Training Act. A detailed explanation of these programs is contained in the section of this analysis dealing with the state level administration of the vocational education program.

ANALYSIS AND RECOMMENDATIONS

General Fund support for vocational education subventions is proposed at \$1,430,271 which is equivalent to the present level of support. A sum of \$230,271 is proposed for the Supervision and Teacher Training Program which is the amount appropriated for the current year. An additional sum of \$1,200,000 is requested for the Manpower Development and Training Act to meet the 10-percent federal matching requirement for this program in the budget year.

We recommend approval of this item as budgeted.

POLICY OPTION

Consideration could be given to reducing the amount of \$230,271 budgeted for vocational education reimbursements by \$50,000 to a level of \$180,271 resulting in a General Fund savings of \$50,000. We believe that the policy option could be readily implemented without jeopardizing California's federal allocations for vocational education, since local expenditures which may be used to match federal funds received by the state are substantially higher than the 50/50 matching requirements of the federal law. Moreover we do not believe that a reduction in the amount of \$50,000 would seriously handicap any local vocational education program since the sum of \$50,000 represents less than one-half of one percent of the \$12.1 million in federal and state funds proposed for reimbursements to school districts in 1967-68. The major argument against the policy option would be that the state is reducing its support for vocational education at the same time as local and federal expenditures are increasing.

DEPARTMENT OF MENTAL HYGIENE

ITEM 276 of the Budget Bill

Budget page 900

FOR SUPPORT OF LOCAL AGENCIES FOR MENTAL HEALTH SERVICES FROM THE GENERAL FUND

Amount requested -----	\$19,350,000
Estimated to be expended in 1966-67 fiscal year -----	18,600,733
	<hr/>
Increase (4.0 percent) -----	\$749,267

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

The Short-Doyle Act for Community Mental Health Services was passed by the Legislature in 1957. The 1967-68 budget estimates total program level of \$36,377,079 for 41 separate community programs. The following table illustrates the growth of Short-Doyle for the ten-year period 1958-59 to 1967-68.

	Source of Funds		
	<i>State Funds</i>	<i>Local Funds</i>	<i>Total</i>
1967-68 * -----	\$26,126,224	\$10,250,855	\$36,377,079
1966-67 * -----	24,179,294	10,250,855	34,430,149
1965-66 -----	15,381,527	7,801,749	23,183,276
1964-65 -----	11,133,414	5,803,538	16,936,952
1963-64 -----	6,147,536	4,188,537	10,336,073
1962-63 -----	3,205,713	3,205,713	6,411,426
1961-62 -----	2,509,686	2,509,686	5,019,372
1960-61 -----	2,142,822	2,142,882	4,295,644
1959-60 -----	1,204,241	1,204,241	2,408,482
1958-59 -----	510,762	510,762	1,021,524

* Estimated

The sharing ratio for Short-Doyle program financing was amended in the 1963-64 fiscal year from 50/50 state/local sharing to 75/25 state/local sharing for new or expanded programs. The impact on total program expenditures is significant. Program growth during the five-year period of 50/50 sharing increased from \$1 million to \$6.4 million; program growth since the enactment of a 75/25 sharing ratio is estimated to increase from \$6.4 million to \$36.4 million. Total number of programs increased from 12 to 20 between 1958-59 and 1962-63, and from 20 to 41 between 1963-64 and 1967-68.

The 1967-68 budget estimates Short-Doyle program costs of \$36,377,079, including \$10,250,855 of local funds. The net General Fund appropriation requests \$19,350,000 after a budget adjustment reduction of \$2,475,195 and an undistributed program reduction of \$4,301,030.

The manner of showing funding requirements for this program raises a question this year. The budget shows an increase of \$1,946,930 in 1967-68 over the program level of \$34,430,149 for the current year. This increase, however, is all in state funds, with no increase in local funds. Since the state funding requirement is to match local shares at fixed ratios it does not appear that additional state funds should be required for the same local contribution. Unless some offsetting adjustments of sharing ratios in identifiable local programs account for this phenomena, it may well be that state fund requirements are overstated

Department of Mental Hygiene—Continued

by almost \$2,000,000, and should be reduced by that amount. Whether such a reduction is justified cannot be ascertained from the budget; however, the department should be required to clarify its budget presentation so as to justify its requested appropriation.

Requirement of Inpatient Services

The Short-Doyle Act currently allows for local program eligibility if a program offers any two of the required services: inpatient, outpatient, rehabilitation, consultation, information and education. Of the 41 existing approved programs, 26 offer inpatient services.

We recommend that the Short-Doyle Act be amended to require inpatient services as a mandatory program component.

One of the important criteria in evaluating the impact of community psychiatric programs is the admission rates to state hospitals before and after the existence of a community program. Counties with Short-Doyle programs have generally been able to reduce their rates of admissions to the state hospitals to a greater extent than counties without Short-Doyle programs. Counties without Short-Doyle programs, for the most part, are sparsely populated areas of the state. Total admissions from these counties comprise a small percentage of total state hospital admissions. The difference between counties having Short-Doyle programs offering inpatient services and those offering outpatient services is, however, significant. Admission rates from counties offering inpatient services can be estimated to have decreased as much as 16 percent for all first admissions and by 12 percent for readmissions. The first admission rate to state hospitals from counties not offering inpatient services can be estimated to have increased by approximately 0.4 percent after the establishment of a Short-Doyle program and readmissions by 2 percent. Short-Doyle programs without inpatient services have seemingly had little impact on reducing admission rates to state hospitals. In fact there may have been increased identification of mental illness in the community resulting in increases in voluntary commitments. The fact that no inpatient facility exists, once mentally ill persons are identified, increases the possibility that they will be referred to the state hospital.

If the Short-Doyle concept of substituting mental health care in the community, close to the patient's home, in place of removal to a remote, large impersonal state hospital, is to be fully implemented, it appears to be necessary to require that the essential tool of inpatient care be available in every local program.

State/Local Cost Sharing Ratio

The Short-Doyle Act originally provided state/local cost sharing at a ratio of 50/50. The act was amended in the 1963 Session of the Legislature to provide 75/25 cost sharing for program additions or new programs approved after June 30, 1963 and before October 1, 1967. Any program additions approved after October 1, 1967 will revert to the 50/50 sharing ratio unless an extension is enacted in the 1967 legislative session. The current sharing ratios applied to programs differ, depending on the date the program or program addition was approved.

Department of Mental Hygiene—Continued

We recommend that the sharing ratio for Short-Doyle financing be applied consistently to all program costs regardless of the date of approval.

The effect of the present arrangement is to penalize those counties that were the first to establish community psychiatric services. It is inequitable to apply the 50/50 ratio to counties that had the initiative to establish programs soon after the original enactment of the Short-Doyle Act in 1957, and then increase the ratio to 75/25 in order to encourage those counties who were unwilling to take advantage of the program when initially enacted. Regardless of what level of state county sharing is approved it should be applied consistently to all program costs without regard to the year of approval.

Short-Doyle Budget Format

The Short-Doyle budget presentation (budget pages 900-912) presents individual program estimates including total cost and state share. Total program costs are then adjusted in a number of ways in order to arrive at the net General Fund request. Additions are made for: "full-year costs of programs approved during current year" and "increased cost of programs in existing jurisdiction." Reductions are made for: "anticipated savings in continuing program," adjustment for prior fiscal year costs, and "undistributed reductions." The net General Fund request presents no reconciliation with General Fund amounts shown as the state share of individual program costs.

We recommend that the budget presentation be revised to give an adequate estimate of individual program costs. This would involve:

- 1. A statement of total program costs before any reimbursement.*
- 2. An estimated reimbursement amount detailing patient fees, insurance, federal grants and other revenues.*
- 3. Breakdown of cost estimates by functional services: inpatient, outpatient, rehabilitation, consultation, education and information.*
- 4. Actual and estimated caseloads and/or other workload criteria.*
- 5. Program adjustments by individual programs to reflect estimated budget-year expenditures.*

The present Short-Doyle budget format makes it virtually impossible to make a meaningful evaluation of this program. Individual program estimates do not relate to the appropriation request as a result of the gross adjustment factors previously described. No information is presented in regard to patient caseloads, per-patient costs by type of service (inpatient, outpatient rehabilitation), separate costs for the various services, and revenue and reimbursement estimates. With the present budget information the effectiveness of the total resource committed to Short-Doyle programs is unknown.

Department of Public Health
CRIPPLED CHILDREN SERVICES

ITEM 277 of the Budget Bill

Budget page 913

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

Amount requested	\$9,440,763
Estimated to be expended in 1966-67 fiscal year	9,440,763

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This program provides for the diagnosis and treatment of eligible remediable medical conditions among handicapped children. The authority for this program is Sections 249-271 of the Health and Safety Code which provides that whenever a parent or guardian of a child is unable to furnish necessary care, a designated agency of the county shall request the state to furnish such care. The county pays a share of the cost of this program and must appropriate at least 1/10 mill on each dollar of assessed valuation in order to participate in the program.

The budget proposes \$10,568,923 to support the crippled children services program, including \$9,440,763 from the state General Fund and \$1,128,160 from federal funds. This is the same amount which is estimated to be expended by this program during the current year and does not provide for any medical or related fee increases in the budget year.

We recommend approval.

Department of Public Health
TUBERCULOSIS SANITORIA

ITEM 278 of the Budget Bill

Budget page 914

FOR SUPPORT OF ASSISTANCE TO COUNTIES FOR TUBER-
CULOSIS SANITORIA FROM THE GENERAL FUND

Amount requested	\$2,787,276
Estimated to be expended in 1966-67 fiscal year	2,881,202

Decrease (3.3 percent)	93,926
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This program is authorized under Section 3298 of Health and Safety Code which provides that the state shall provide grants-in-aid to counties for the care and treatment of persons suffering from tuberculosis. The amount of such aid as specified in Section 3300 of the Health and Safety Code is \$2.60 per patient-day for the first 36,500 patient-days of care, \$2.30 per patient-day for the second 36,500 patient-days and \$1.75 for all additional days plus an additional supplemental amount specified in each budget act.

The budget proposes \$2,787,276 to support the tuberculosis sanitoria program. This is \$93,926 less than the amount which is estimated to be

Tuberculosis Sanitoria—Continued

expended on this program during the current year due to an estimated decrease of 18,636 patient-days of care. This support includes a supplemental amount of \$3.16 per day, the same amount which was approved for the current year and therefore does not allow for any increased cost of care which may have been experienced by local sanitoria. The estimated decrease in patient-days of care may also be due to the impact of the Medi-Cal Medicare programs which we are informed may provide medical care to 19 percent of the caseload in county tuberculosis sanitoria during the budget year.

We recommend approval.

Department of Public Health

COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS

ITEM 279 of the Budget Bill

Budget page 915

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

Amount requested in Budget Bill		\$476,282
Budget request before identified adjustments	\$529,202	
Increase to recognize full workload change	none	
	\$529,202	
Budget as adjusted for workload change	\$529,202	
Adjustment—undetailed reduction (10 percent)	52,920	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET...		\$529,202
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		\$476,282

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Terminate support—Assistance to Counties			
Without Local Health Departments	\$529,202	915	10
Transfer \$162,689 in augmentation of Assistance to Local Health Departments (Item 280).			

GENERAL PROGRAM STATEMENT

This program furnishes local public health services, under contract, to 15 California counties with a population of less than 40,000 which do not support a recognized local health department. These services are provided by the Bureau of Contract Services, Department of Public Health, under the authority of Section 1157 of the Health and Safety Code which requires that each contract county contribute a minimum of 55 cents per capita to the support of the program.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$876,466 to support the contract county program including a net appropriation of \$476,282 from the State General Fund, after a 10 percent undetailed reduction of \$52,920. This also includes \$300,184 as the counties' share of the support of this program and \$100,000 from federal funds. The \$476,282 General Fund share of the support of this program is \$41,542 less than the \$517,824 which is estimated to be expended on this program during the current year.

Counties Without Local Health Departments—Continued

The program currently provides health services to the 15 counties of Alpine, Amador, Calaveras, Glenn, Lake, Lassen, Mariposa, Modoc, Mono, Nevada, Sierra, Siskiyou, Tehama, Trinity and Tuolumne with a total 1966 population of 206,900.

We recommend a reduction of the entire budget request for support of Assistance to Counties Without Local Health Departments and the transfer of \$162,689 to augment Assistance to Local Health Departments (Item 280).

The budget proposes \$476,282 from the General Fund as the state's share of the cost of providing health services to the 15 counties which qualify for support under the Assistance to Counties Without Local Health Departments program. This is approximately 61 percent of the total cost of providing health services within these contract counties, when federal funds are excluded.

The budget proposes \$4,605,777 from the General Fund as the state's share of the cost of health services provided by the 45 county and city health departments in 43 counties which qualify for support under the Assistance to Local Health Departments program. This is approximately 10 percent of the total cost of providing health services in these 43 counties, when federal funds are excluded.

If state assistance to the 15 counties without local health departments had been provided in the current year at the current level of state assistance to the 45 county and city health departments in 43 counties, state support would have amounted to \$162,689 or \$341,395 less than the \$504,084 which was appropriated for the support of this program.

Our recommendation provides for a net General Fund savings of \$366,513 from the workload budget after a transfer of \$162,689 to the Assistance to Local Health Departments program to provide the same level of support as is provided for all other counties under the Local Health Department program. These health services might be provided on such bases as joint county support of regional health departments to serve a number of counties or through reimbursable contracts with adjacent counties which currently support recognized local health departments.

Department of Public Health

ASSISTANCE TO LOCAL HEALTH DEPARTMENTS

ITEM 280 of the Budget Bill

Budget page 915

**FOR ASSISTANCE TO LOCAL HEALTH DEPARTMENTS
FROM THE GENERAL FUND**

Amount requested	\$4,605,777
Estimated to be expended in 1966-67 fiscal year	4,605,777
<hr/>	
Increase	None

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

This program allocates state and federal funds to qualified local health departments providing public health services. The state funds

Assistance to Local Health Departments—Continued

are allocated in accordance with Section 1141 of the Health and Safety Code, while federal funds are first allocated for demonstration and investigation projects with the balance being distributed to qualified health departments in the same ratio as state funds.

The budget proposes \$7,119,318 to support the assistance to local health departments program, including \$4,605,777 from the state General Fund and \$2,513,541 from federal funds. This is the same amount which is estimated to be expended on this program during the current year. The continuation of General Fund support at the current level will result in a per capita amount of less than the current 20.7 cents since it will be apportioned among the increased population which resides in the 43 counties which qualify for this support.

**Department of Public Health
PHYSICALLY HANDICAPPED CHILDREN**

ITEM 281 of the Budget Bill Budget page 916

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

Amount requested in Budget Bill		\$1,916,434
Budget request before identified adjustments.....	\$2,129,371	
Increase to recognize full workload change.....	None	
<hr/>		
Budget as adjusted for workload change.....	\$2,129,371	
Adjustment—undetailed reduction (10 percent).....	212,937	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$212,937

ANALYSIS AND RECOMMENDATIONS

This program provides therapy to handicapped children in therapy units which are adjacent to special school facilities. The treatment is provided by the therapists whose salaries are fully paid by the program while the therapy units are constructed and equipped by the individual school districts.

The budget proposes a net General Fund appropriation of \$1,916,434 after a ten percent undetailed reduction of \$212,937. This will provide 225.8 man years of therapy service to an anticipated caseload of 5,160 handicapped children.

**Department of Public Health
MENTAL RETARDATION SERVICES**

ITEM 282 of the Budget Bill Budget page 917

**FOR ASSISTANCE TO LOCAL AGENCIES FOR MENTAL
RETARDATION SERVICES FROM THE
GENERAL FUND**

Amount requested		\$1,513,000
Estimated to be expended in 1966-67 fiscal year		1,513,000

Increase

None

TOTAL RECOMMENDED REDUCTION..... None

Mental Retardation Services—Continued

GENERAL PROGRAM STATEMENT

This program supports two regional centers for the mentally retarded. These centers offer diagnostic and counseling service and care and treatment outside of the state hospital system to mentally retarded individuals and their families. The authority for this program is found in Chapter 1242, Statutes of 1965.

The budget proposes \$1,513,000 from the state General Fund for support of this program. This is the same amount which is estimated to be expended by this program during the current year and will provide for the continued support of a mentally retarded case load of 500.

We recommend approval.

**Department of Public Health
HOSPITAL CONSTRUCTION**

ITEM 283 of the Budget Bill

Budget page 918

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

Amount requested	\$18,863,865
Estimated to be expended in 1966-67 fiscal year.....	21,985,079
Decrease (14.2 percent).....	\$3,121,214
TOTAL RECOMMENDED REDUCTION.....	\$18,863,865

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page Line</i>	
Delete General Fund support—assistance to local and non-profit agencies for hospital construction.....	\$18,863,865	918	19

GENERAL PROGRAM STATEMENT

This program provides federal and state financial aid to local and nonprofit agencies for the construction of hospitals and related medical facilities, mental retardation facilities and community mental health centers. The allocation of state funds is made in accordance with the provisions of Section 435.6 of the Health and Safety Code, which provides that in no event shall the state assistance exceed one-third of the cost of any construction project.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$37,727,730 to support the program including \$18,863,865 from the state General Fund and \$18,863,865 from federal funds. This is the same amount which was appropriated in the current budget but \$6,242,428 or 14.2 percent less than the estimated expenditure from state and federal funds during the current year due to a carryover of \$6,242,428 from the 1965-66 budget.

We recommend the deletion of \$18,863,865 and the termination of General Fund support to this program.

The state has supported this program from an initial allocation of \$1,956,160 in 1947-48 for construction of hospital facilities to \$15,248,781 in 1965-66 or a total allocation of \$116,681,021 in state funds alone

Hospital Construction—Continued

to support this program over this 19-year period. Some 387 community health facilities have been constructed during this same period as a direct result of the expenditure of approximately \$500 million in federal, state and local nonprofit agency funds. Nationally only 11 other states and territories provided any state support to the federally financed health facilities construction program during the first 16 years of this program for which information is available. California's contribution alone had exceeded the total support of these 11 states and territories to their federally financed programs over this period.

The termination of General Fund support would allow for the allocation of federal funds in the amount of one-third of the total cost of any approved project with the local agency providing the remaining two-thirds of the cost. The Health and Safety Code does not preclude such an allocation of federal funds on the basis of a January 5, 1966 opinion of the Legislative Counsel, Hospital Construction Funds No. 1811, which states that:

“In our opinion Section 435.6 of the Health and Safety Code does not preclude the State Department of Public Health from allocating federal hospital construction funds to public agency projects which meet state plan policies on a one-third federal, two-thirds public agency basis when such federal funds are in excess of matching state hospital construction funds.”

In view of the critical shortage of General Fund money for financing construction requirements of functions for which the state is wholly responsible, such as higher education, mental hospitals, and correctional institutions, it seems appropriate at this time to leave general hospital construction to local determination, supplemented by federal funds without state assistance.

DEPARTMENT OF SOCIAL WELFARE

ITEM 284 of the Budget Bill

Budget page 933

**FOR SUPPORT OF SPECIAL SOCIAL SERVICE PROGRAMS
FROM THE GENERAL FUND**

Amount requested in Budget Bill		\$15,621,401
Budget request before identified adjustments	\$16,701,572	
Increase to recognize full workload change	None	
<hr/>		
Budget as adjusted for workload change	\$16,701,572	
Adjustment—undetailed reduction (10 percent)	1,080,171	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$1,080,171

ANALYSIS AND RECOMMENDATIONS

The analysis of this item is found on page 599 of the Social Welfare Summary.

DEPARTMENT OF WATER RESOURCES

ITEM 285 of the Budget Bill

Budget page 963

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

Amount requested	\$11,250,000
Appropriated in 1966-67 fiscal year	15,000,000
Decrease (25 percent)	\$3,750,000

TOTAL RECOMMENDED REDUCTION

None

ANALYSIS AND RECOMMENDATIONS

The state has, since 1945, assumed the costs of lands, easements and relocations of utilities which federal law requires local governments to pay on any United States Corps of Engineers flood control projects involving levee and channel work and certain watershed protection projects. Money requested in this item is to reimburse cities, counties and districts for the above costs on such flood control projects, except those projects administered by the State Reclamation Board. The flood control projects, both major and minor, which will receive funds under this item and under carryover of prior year appropriations are shown on page 964 of the Governor's Budget.

In line with the practice of the past two years, the total estimated expenditures have been reduced by an expenditure timing adjustment in order more accurately to reflect the expected level of disbursement required. This adjustment is appropriate because of difficulties in anticipating the rate of federal expenditure and the speed with which local agencies will request reimbursement from the department for the funds they expend on a project.

Under date of December 1966 the Director of Finance, the Director of Water Resources and the President of the Reclamation Board transmitted a report to the Senate in response to Senate Resolution No. 249, 1965 Regular Session. The report was entitled "State Financial Assistance to Local Agencies Cooperating on Federal Flood Control Projects." It recommended a state policy under which half of the costs of nonfederal participation in flood control projects would be paid by the local benefiting agencies of government instead of the present policy of full state payment of the costs for lands, easements and relocation of utilities. The Reclamation Board dissented vigorously from the recommendation and proposed that the state continue to pay the entire costs.

An alternative suggestion which has been mentioned recently is that the state pay for the costs of all relocation work needed for a flood control project and that a local agency pay for the rights-of-way and easements. This approach to cost sharing has the advantage that it would encourage the local agencies of government to undertake stringent flood plain zoning under the Cobey-Alquist Bill because such zoning would eventually reduce their costs as contributors to the project. Mention of these alternatives is made here in order that the Legislature will be fully apprised of an increasing view that the state should not continue by itself to pay the full costs of lands, easements and relocation of utilities for federal flood control projects.

Approval of the item is recommended.

RECLAMATION BOARD

ITEM 286 of the Budget Bill

Budget page 965

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

Amount requested	\$4,608,731
Estimated to be expended in 1966-67 fiscal year.....	4,381,096
Increase (5.2 percent).....	\$227,635
TOTAL RECOMMENDED REDUCTION.....	\$1,000,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
Eliminate maintenance expenditure	\$1,000,000	965	22	

ANALYSIS AND RECOMMENDATIONS

The funds appropriated by this item are used by the Reclamation Board to acquire lands, easements and relocate utilities for the construction of Corps of Engineers major levee and channel flood control projects in the Central Valley. The support portion of the Reclamation Board's activities are entirely funded by a reimbursement from this item beginning next fiscal year.

Included in the budget request is the sum of approximately \$1,000,000 for construction of the first installment of new facilities presumably required to maintain the Sacramento River Flood Control Project. This construction project is being proposed to meet the anticipated liability of the state should future high waters result in damage to private property because of the lack of the proposed construction features. The Reclamation Board and the Attorney General believe that the question of possible liability is sufficiently grave with respect to this expenditure to justify it.

The Reclamation Board is a state agency conducting a program for the benefit of the residents and property owners along the Sacramento and San Joaquin Rivers and their tributaries at the expense of the General Fund. Since the board members are traditionally appointed by the Governor from within the benefiting area, the board cannot be expected to take a statewide point of view on matters under its jurisdiction. This is evident in the difference in view of the Reclamation Board compared to the Department of Water Resources and the Department of Finance in the report recommending local participation in paying the nonfederal costs of flood control projects discussed under Item 285 above.

In the same report the Reclamation Board also states that "The question of the potential liability of the state when directly involved in flood projects is not properly a part of this study and will require considerable study by the Legislature as a separate problem area." The tendency is for the Reclamation Board, and the Department of Water Resources in other instances, to plead liability as a justification for projects it favors but to contend that it should not be considered when evaluating a proposal not favored by the agency.

Reclamation Board—Continued

Because of its essentially local rather than statewide membership, the position of the Reclamation Board on the expenditure of substantial sums of money under duress of liability should not be accepted. Therefore, \$1,000,000 should be removed from this item.

The above problem is indicative of the reasons why the Little Hoover Commission and the Assembly Interim Committee on Water have concluded that the Reclamation Board should be abolished as a state agency. The Assembly Interim Committee on Water has recommended that it be reconstituted as a local agency of government rather than being continued as a state agency and that any of its present functions of statewide significance be transferred to the Department of Water Resources. While such action would not have a major effect on the amount of this appropriation item, it should eventually permit the transfer of some of the General Fund maintenance functions of the Department of Water Resources to the local agency where these functions more appropriately belong. It is the lack of a sufficiently large agency with an adequate tax base that seems to require the continuation of state financing for these essentially local responsibilities. This can be overcome by reestablishing the Reclamation Board as a local agency with a sufficient tax base.

Budget Item 286 retains two phrases of obsolete language which should be removed. On page 82, beginning on line 51, the phrase "for the construction costs in lieu thereof as authorized by Section 8621 of the Water Code;" should be removed since it applies to the state's portion of the San Joaquin River Flood Control Project for which no funds are being requested in the item. In addition on page 83, beginning with line 15, the phrase "including determining the boundaries and appropriate assessments of the Lower San Joaquin River Levee District within the area benefited by the San Joaquin River Flood Control Project," should be removed. This language authorized expenditure of state funds for a recent local problem concerning district boundaries and should not be continued.

Finally, language somewhat similar to the hold harmless assurances required to be secured by the Department of Water Resources before expenditures can be made under Item 285 (as set forth starting at line 30 on page 82) should be added to Item 286. Under Water Code Section 12828 the Reclamation Board receives hold harmless assurances from local agencies, but these assurances are not always effective until the completion of construction of the project. In order to minimize state exposure to liability, no property acquisition should begin until a hold harmless assurance has been both signed and is in effect.

It is recommended that (1) \$1,000,000 be removed from the item, (2) that the Reclamation Board be reestablished as a local agency of government, (3) that certain obsolete language be removed from Item 286 and (4) that language be added to Item 286 requiring that a local hold harmless assurance be in effect before any expenditures of the appropriated funds are made for property acquisition.

DEPARTMENT OF HARBORS AND WATERCRAFT

ITEMS 287 through 291 of the Budget Bill

Budget page 979

FOR LOANS AND GRANTS FOR BOATING FACILITIES FROM THE HARBORS AND WATERCRAFT REVOLVING FUND

Amount requested:

(Item 287) Loans to local agencies for small craft harbor planning and development.....	\$4,300,000
(Item 288) Grants to local agencies for launching facilities	651,500
(Item 289) Emergency repairs	100,000
(Item 290) Repayment of General Fund loan for Marina del Rey	2,564,500
(Item 291) Repayment of General Fund loan for harbor bonds	1,456,663

TOTAL RECOMMENDED REDUCTION..... **\$945,000**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
(Item 287) Net reduction of development loans.....	\$375,000	983	55
(Item 288) Delete five launching facilities grants.....	\$570,000	979	59

ANALYSIS AND RECOMMENDATIONS

The Department of Harbors and Watercraft, under the policy direction of the Harbors and Watercraft Commission, has the responsibility to develop boating facilities and small craft harbors and to improve the waterways of the state. The department meets this responsibility through a series of loan and grant programs to local agencies of government.

Chapter 2028, Statutes of 1965, increased from \$2 million to \$4 million per annum the amount transferable to the Harbors and Watercraft Revolving Fund from Motor Vehicle Fuel Fund receipts attributable to taxation of boat fuel. This money and all revenue from boat registration fees, as provided by Chapter 1724, Statutes of 1963, are deposited in the Harbors and Watercraft Revolving Fund, which is the source of funding for the department's support and for most of the local assistance programs. There is a current balance of \$1,990,774 in the Small Craft Harbor Bond Fund which also finances local assistance. This balance remains from the \$10 million authorized in the Harbor Development Bond Law of 1958.

Loans and Grants to Local Agencies for Small Craft Harbors

<i>Fund</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>Estimated 1966-67</i>	<i>Estimated 1967-68</i>
Small Craft Harbor					
Bond Fund	\$2,007,163	\$984,500	\$195,000	--	\$797,000
Harbors and Watercraft					
Revolving Fund	185,500	2,181,277	1,116,952	\$2,600,470	4,951,500
Total	\$2,192,663	\$3,165,777	\$1,311,952	\$2,600,470	\$5,748,500

Last year in the analysis we indicated that the department was inaccurately presenting its fund condition for the then Small Craft Harbor Revolving Fund by "allocating" funds to large projects scheduled for future construction. These allocations were being shown in the statements of fund condition as though they were expenditures from the

Department of Harbors and Watercraft—Continued

fund when in fact no expenditure was expected and could not occur because no appropriation had been made. This year the budget does not show any "allocations" and shows only expenditures for which appropriations are being requested. As a result, the budget estimates a surplus of \$1,176,906 at the end of the budget year in the Revolving Fund plus \$1,193,000 remaining in the Small Craft Harbor Bond Fund.

Section 85.2 of the Harbors and Navigation Code provides that up to 12½ percent (or \$500,000) of the \$4 million transferred annually from the Motor Vehicle Fuel Fund to the Harbors and Watercraft Revolving Fund may be appropriated for construction of boating projects in the state park system. The budgets for the past two years have included appropriations from the Revolving Fund for construction of boating facilities at certain recreation areas of the state water project. The budget estimates that \$92,415 was spent in the 1965-66 fiscal year, and estimates expenditures of \$808,640 in the current year for such boating facilities. Since the Governor's Budget has virtually eliminated the development program for the state park system, there are no requested appropriations for 1967-68 to construct facilities at units of the state park system to be financed by the Harbors and Watercraft Revolving Fund. This \$500,000 appears to be needed more for financing the boating facilities in the state park system than for harbors and watercraft projects. If as Section 85.2 appears to read, the \$500,000 must be appropriated each year or lost to the state park system, it may be that an appropriation should be made this year. A Legislative Counsel opinion is being requested on the matter after which a recommendation for appropriation may be made.

We have noted that the statement of fund condition for the Harbors and Watercraft Revolving Fund has been revised to conform to the Controller's accounts. As a result, it includes as revenues the interest on loans made from the fund to local agencies. The budget indicates actual interest received in the 1965-66 year of \$125,905 in comparison to estimated interest to be received in the current year of \$29,695 and \$27,965 in the budget year. We are informed by the Department of Parks and Recreation which performs the fiscal services that the interest indicated in the statement of fund condition as actual revenue received includes approximately \$23,000 in accrued interest which has not been billed yet and about \$70,000 in interest which has been added to the principal of the loans as specified in the loan agreements.

Item 287 proposes the expenditure of \$4,300,000 for loans to local agencies for small craft harbor planning and construction. Included in that amount is \$50,000 for planning loans. This compares with estimated expenditures of \$50,000 in the current year and \$64,000 actual expenditures in 1965-66. The latter expenditure was for one planning loan for Noyo Harbor. During the current year the department has loaned \$3,500 to Avalon and \$16,000 to the City of Arcata for planning on Humboldt Bay.

The budget proposes \$1,250,000 for a construction loan to Avalon in Los Angeles County. This is the second phase of that harbor development project. The Legislature at the last session appropriated \$750,000

Department of Harbors and Watercraft—Continued

to begin construction, and the Harbors and Watercraft Commission allocated this money for payment to the City of Avalon in November 1966. The total estimated project cost is \$2,200,000 and will include breakwaters and fill, buoy moorage for 73 boats, seven public landing floats and demolition of the existing municipal wharf.

The budget proposes a loan of \$2 million to the Santa Cruz Port District for expansion of its existing harbor facilities to provide 466 additional berthing facilities. This project as proposed requires federal funds in the form of a Section 107 grant from the Corps of Engineers for dredging and maintenance and a grant of \$125,000 to the Santa Cruz Port District from the local grant portion of the 1964 Recreation Bond Act to acquire six land acres and 27 water acres. This budget request is premature and the project has other funding complications. According to the Corps of Engineers, the local sponsors of this project have been informed that it will be at least two years before Section 107 moneys are available for the federal share of the cost. In addition, the sponsors propose to buy the land and water for the expanded project using state Recreation Bond Act moneys. This is contrary to the terms of the Recreation Bond Act which calls for the local grants to be used for multipurpose recreation development rather than for a single purpose facility such as boating. As long as the boaters have their own fund, the cost of acquisition should be financed from the boating fund. There is also a possibility that the land acquisition can be funded within the proposed \$2 million construction loan from the Department of Harbors and Watercraft. Costs have not been refined to such a degree as to preclude the purchase of the land with boating money.

The existing Santa Cruz small craft harbor which is to be enlarged with the above loan was financed by the predecessor of the Department of Harbors and Watercraft and has proved to be a popular project. There is a waiting list for berthing facilities. The existing small craft harbor at Santa Cruz was also assisted by a direct appropriation from the General Fund, Item 347(a) Budget Act of 1960 in the amount of \$326,400 for "the state's share of a cooperative project for the construction of small craft harbor facilities by the Santa Cruz Port District and the Corps of Engineers." As long as the boaters have their own fund, the General Fund should not again be called on to assist Santa Cruz in their proposed harbor expansion through a grant of Recreation Bond Fund moneys. This money should go for multipurpose recreation elsewhere in Santa Cruz County.

We recommend that the budget request of \$2 million for a construction loan to the Santa Cruz Port District be deferred as premature, but that \$125,000 be appropriated for a land acquisition loan if the department determines the loan feasible.

Item 287 also includes loans of \$2,500,000 each for Santa Barbara and Monterey to be used for the nonrevenue producing portions of the enlargement of the harbors in cooperation with the Corps of Engineers. These two projects are dependent on the availability of federal moneys. The President's Budget for 1967-68, as submitted to Congress, does not include federal moneys for these projects. The possibility that both of

Department of Harbors and Watercraft—Continued

these projects will receive federal appropriations for the budget year are therefore extremely remote.

The total amount of proposed expenditures to be financed in Item 287 from the Revolving Fund as shown in the Governor's Budget is \$8,300,000. Item 287 is only for \$4,300,000 because a \$4,000,000 expenditure timing adjustment similar to that used in past years for the state's share on federal flood control projects has been employed. This adjustment makes allowance in the appropriation for the fact that not all projects will require funding as scheduled but it is not certain which projects will not require the funding.

If the loan of \$2 million to Santa Cruz is deferred as we have recommended, there is no need to use the expenditure timing adjustment on the construction loans. On the remote possibility that federal funds for one of the Corps of Engineers' projects at Monterey and Santa Barbara may be available in the budget year, we recommend including both projects totaling \$5,000,000 in the appropriation along with an expenditure timing adjustment of \$2,500,000.

The funding requirements of these recommendations are as follows:

Avalon	\$1,250,000
Planning loans	50,000
Santa Cruz	125,000
Monterey	2,500,000
Santa Barbara	2,500,000
	<hr/>
	\$6,425,000
Expenditure timing adjustment.....	—2,500,000
	<hr/>
	\$3,925,000

We recommend that item 287 be approved in the reduced amount of \$3,925,000.

Not included within the appropriation item but included within this section of the budget document are construction loans from the Small Craft Harbor Bond Fund for projects at Pittsburg, Vallejo, Santa Barbara and Petaluma. The total of these loans is \$797,000. All of these projects except the loan for Santa Barbara appear to have serious problems.

There is some uncertainty whether projects budgeted from funds provided by the Harbor Development Bond Act of 1958 now require appropriation by the Legislature. Section 3951 of the Harbors and Navigation Code provides a continuing appropriation to the Harbors and Watercraft Commission for the expenditures of the bond monies. However, Section 71.4 of the Harbors and Navigation Code was amended by Chapter 61, 1966 Statutes, First Extraordinary Session, to require that planning and construction loans made by the department are subject to the approval of the Legislature. The section also states that "the department shall submit any project for which it recommends any loan be made to the Governor for inclusion in the Budget Bill." A Legislative Counsel opinion on this matter is being requested. If an appropriation is required, the four projects discussed above will require an appropriation.

Department of Harbors and Watercraft—Continued

Item 288 proposes \$651,000 for six grants to local agencies for launching facilities. In the analysis of the department's support budget, Item 215, we discussed the difficulties surrounding the launching ramp grant program. There is serious question as to feasibility of most of the projects, and the California Boating Plan indicates the proposed facilities would be located in areas which have a surplus of launching facilities. The performance record for the department in expending funds appropriated or allocated for launching facilities indicates that about one out of three projects proceeds as budgeted. The remainder are dropped or require major revision in subsequent budgets. Launching facility grants are requested as follows:

Bodega Bay, Sonoma County -----	\$126,000
Donner Lake, Nevada County -----	50,000
Goose Lake, Modoc County -----	178,000
Petaluma City, Sonoma County -----	136,000
Pinto Lake, Santa Cruz County -----	81,500
Redding, Shasta County -----	80,000
Total -----	\$651,500

On the basis that the technical and economic feasibility of these projects have not been determined and that most of the projects are located in areas where the California Boating Plan indicates a surplus of launching facilities exists, we recommend that five of the projects be deferred and the appropriation be reduced by \$570,000. We recommend approval of the Pinto Lake project for \$81,500 on the basis that it is for improvements to existing facilities and is part of a general recreation development plan for Pinto Lake Park in the City of Watsonville and for which Santa Cruz County has applied for a \$92,200 local grant from the Recreation Bond Fund for land facilities.

Item 289 provides authority to spend \$100,000 from the Harbors and Watercraft Revolving Fund for repairs of damage at small craft harbor facilities constructed pursuant to Sections 70.2, 71.4 and 83 of the Harbors and Navigation Code caused by such emergency conditions as severe storms. The purpose of this appropriation is to utilize the Harbors and Watercraft Revolving Fund as the direct source of moneys for these repairs rather than calling on the General Fund, which in turn would have to be repaid by the Revolving Fund. During the current year \$100,000 is appropriated for this purpose but no money has been spent. *We recommend approval of the item as budgeted.*

Items 290 and 291 propose to repay the General Fund a total of \$4,021,163 from the Harbors and Watercraft Revolving Fund for loans made by the General Fund in prior years for boating purposes. In our 1966-67 and 1965-66 budget analyses we recommended respectively that the Revolving Fund assume the loan made by the General Fund to Los Angeles County for Marina del Rey and that the boaters' fund also assume the interest and redemption costs for the Small Craft Harbor Bonds that are now being paid by the General Fund.

General obligation bonds were issued under the Harbor Development Bond Act of 1958 in the amount of \$10 million for loans to cities, counties and districts to acquire and construct small craft har-

Department of Harbors and Watercraft—Continued

bors. It was contemplated that the bonds would be self-liquidating; however, loans from the General Fund to pay bond interest and redeem bonds have been required. The bond proceeds from the above act (deposited in the Small Craft Harbors Bond Fund) are being used for purposes virtually indistinguishable from activities now financed from the Harbors and Watercraft Revolving Fund. It therefore appears reasonable that the Harbors and Watercraft Revolving Fund which has a large surplus rather than the General Fund should provide the loans to pay interest on Small Craft Harbor Improvement Bonds. The General Fund would still have to remain the ultimate legal guarantor for the payment of principal and interest on the bonds, but the Revolving Fund could for all practical purposes assume the financial burden.

There are indications that the amount requested for repayment to the General Fund for bond interest and redemption is higher than actual expenditures made by the General Fund. The record of payments is being reviewed and the amount of the requested appropriation in Item 291 may be reduced.

Item 331.5 of the Budget Act of 1954 loaned \$2 million from the State Lands Act Fund (which is essentially General Fund money) to the County of Los Angeles for the construction of harbor entrance facilities and embankment works at the Marina del Rey. The money was reappropriated by Chapter 2305, Statutes of 1957. The purposes served by this loan are now the responsibility of the Harbors and Watercraft Revolving Fund. In view of the slowness in development of the boating program and the shortage of General Fund money, it is also appropriate for the Harbors and Watercraft Revolving Fund to assume the responsibility for the loan and the interest by repaying the General Fund.

The Governor's Budget proposes to carry out these two recommendations. The breakdown of the appropriations for \$4,021,163 is as follows:

1. To repay the General Fund for loans to the Small Craft Harbor Improvement Fund on bond interest and redemptions: \$1,456,663
2. To repay the General Fund loan to Los Angeles County for Marina del Rey: \$2,564,500
 - a. Principal ----- \$2,000,000
 - b. Interest ----- 564,500

We recommend approval of the items as budgeted, with the exception of Item 291, which may be adjusted.

DEPARTMENT OF CONSERVATION

ITEM 292 of the Budget Bill

Budget page 986

FOR GRANTS TO SOIL CONSERVATION DISTRICTS FROM THE GENERAL FUND

Amount requested -----	\$23,000
Estimated to be expended in 1966-67 fiscal year -----	100,400
Decrease (77 percent) -----	\$77,400
TOTAL RECOMMENDED REDUCTION -----	None

Department of Conservation—Continued

ANALYSIS AND RECOMMENDATIONS

Section 9063.1 of the Public Resources Code gives the Soil Conservation Commission broad latitude in granting state funds for soil conservation projects which the commission considers necessary for the welfare of the people of the state. The 1967-68 budget requests financing for four grants totaling \$23,000.

The four projects in the budget are continuing projects for soil surveys and planning studies.

We recommend approval.

PUBLIC UTILITIES COMMISSION

ITEM 293 of the Budget Bill

Budget page 989

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

Amount requested	\$550,000
Estimated to be expended in 1966-67 fiscal year	614,758
Decrease (10.5 percent)	\$64,758

TOTAL RECOMMENDED REDUCTION

None

GENERAL PROGRAM STATEMENT

The Public Utilities Commission manages two railroad crossing safety programs, the Grade Crossing Protection Works Fund, Chapter 1739, Statutes of 1953, and the Grade Separation Fund, Chapter 2091, Statutes of 1957. Support for both funds comes from the State Highway Fund. The grade separation activity is supported by a continuing appropriation of \$5 million annually while the crossing protection works depend upon an annual appropriation which is provided by this budget item.

ANALYSIS AND RECOMMENDATIONS

The state, out of the annual appropriation, may pay up to one-quarter of the cost of installing protective devices at railroad crossings. The local agency is expected to pay one-quarter of the cost and the railroad one-half. The proposed expenditure for the budget year is \$550,000 which is the same as the amount appropriated for the current year. Table No. 1 shows the actual expenditures anticipated for this activity.

Table No. 1
Grade Crossing Protection Works

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Proposed</i> 1967-68
Prior year balance	\$25,195	\$64,758	--
Annual appropriation	600,000	550,000	\$550,000
Unexpended	-64,758	--	--
Total allocation	\$560,437	\$614,758	\$550,000

We recommend approval as budgeted.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 294 of the Budget Bill

Budget page 990

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

Amount requested	\$5,924,000
Estimated to be expended in 1966-67 fiscal year	5,881,375
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Increase (.07 percent)	\$42,625

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

This subvention is to provide the state's share of superior court judges' salaries under the provisions of Sections 68206 and 68207 of the Government Code. The Government Code provides that the state's share of salaries shall be determined by the size of the counties' populations as follows:

<i>County population</i>	<i>State share</i>	<i>County share</i>	<i>Total salary</i>
250,000 or more	\$15,500	\$9,500	\$25,000
40,000 to 250,000	17,500	7,500	25,000
40,000 or less	19,500	5,500	25,000

The counties' population is to be computed according to the highest of either the last federal decennial census or double the number of registered voters as ascertained by the Secretary of State following each general election.

ANALYSIS AND RECOMMENDATIONS

The total appropriation requested is \$5,924,000 but \$50,000 of this is to be transferred to the Judicial Council for extra compensation and expenses of assigned judges. The Chairman of the Judicial Council (Chief Justice of the Supreme Court) is thus in a position to administer the overall superior court program by assigning judges needed to relieve case backlog or temporarily replace vacant judicial positions.

The total expenditures for salaries of superior court judges in 1966-67 is \$5,851,375 which is \$30,000 less than the amount appropriated. The \$30,000 difference is also transferred to the assigned judges' program in the Judicial Council.

Therefore, the amounts expended and budgeted for superior court judges' salaries are as follows:

<i>1965-66</i> <i>(Actual)</i>	<i>1966-67</i> <i>(Estimated)</i>	<i>1967-68</i> <i>(Proposed)</i>
\$5,791,118	\$5,851,375	\$5,874,000

The amount requested in 1967-68 is \$22,625 or 0.4 percent above the 1966-67 fiscal year estimated expenditure and \$163,694 or 2.9 percent above the actual expenditures of 1965-66.

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

ITEM 295 of the Budget Bill

Budget page 991

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

Amount requested	\$500,000
Estimated to be expended in 1966-67 fiscal year	500,000

Increase	None
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TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

The duty of the county service officers is to assist veterans and dependents of deceased veterans seeking to establish claims for benefits due them in accordance with the laws of California or the United States and perform such other services as may be detailed to them for performance by the boards of supervisors. These officers are appointed by county boards of supervisors and the state pays up to \$75 a month toward their salaries and may pay an amount determined by the Department of Veterans Affairs toward the salaries of assistants and operating expenses.

This subvention has remained at \$500,000 since 1961-62.

We recommend approval of the item as budgeted.

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

ITEM 296 of the Budget Bill

Budget page 992

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

Amount requested	\$62,000
Estimated to be expended in 1966-67 fiscal year	60,000

Increase (3.3 percent)	\$2,000
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TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

Local volunteers who receive no regular compensation from the state or local jurisdiction are the core of immediate disaster relief action forces. The volunteers participate in regular practice sessions to prepare them properly to act in times of actual disasters. These volunteers are subject to injuries during training and practice sessions and actual disasters. Chapter 10 of Division 4 of the Labor Code provides for injury benefits for these volunteers numbering from 25,000 to 40,000. Service to these volunteers and calculation of benefits is provided by the staff of the Compensation Insurance Fund. Benefits for the 1967-68 fiscal year are estimated to be \$55,200 and service charges are estimated at \$6,800 for a total of \$62,000.

We recommend approval of this item as budgeted.

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

ITEM 297 of the Budget Bill

Budget page 992

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

Amount requested	\$995,200
Estimated to be expended in 1966-67 fiscal year	926,800
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Increase (7.4 percent)	\$68,400

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

This item of local assistance is to aid the cities and counties in training peace officers. The fund from which this assistance is provided as well as the expenses of the commission which supervises this program is derived from monies collected under Chapter 1823, Statutes of 1959. Chapter 1823 provides for a \$2 assessment on each \$20 or fraction thereof of criminal fines. The funds so collected are to provide for the expenses of the Commission on Peace Officers' Standards and Training. The remainder is to be disbursed to the cities and counties meeting the minimum standards of recruitment and training established by the commission. The funds are allocated not to exceed 50 percent of the salaries and expenses of the officers in training contingent upon availability of funds.

ANALYSIS AND RECOMMENDATIONS

The total amount to be expended for 1967-68 is \$995,200 which represents an increase of \$68,400 or 7.4 percent over the estimated 1966-67 disbursements of \$926,800. The moneys are to be allocated to 454 jurisdictions anticipated to be participating in the program in the budget year. This represents training for 3,450 officers as compared to 3,100 in 1966-67. The 350 increase in the number of officers trained represents a 11.3 percent increase over 1966-67.

We recommend approval as budgeted.

ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS

ITEM 298 of the Budget Bill

Budget page 993

FOR ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS FROM THE GENERAL FUND

Amount requested	\$600,000
Estimated to be expended in 1966-67 fiscal year	667,515
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Decrease (10.1 percent)	\$67,515

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

This appropriation provides for the state's contribution, not to exceed 10 percent, to provide legal assistance to indigents charged with the

Assistance to Counties for Public Defenders—Continued

violation of state criminal statutes. The expenditures are authorized under Chapter 1334, Statutes of 1965 (Section 987b, Penal Code).

ANALYSIS AND RECOMMENDATIONS

The total amount requested for 1967-68 is \$600,000 which is identical to the amount appropriated for this function in the current year in the Budget Act of 1966, although it is \$67,515 under the amount now estimated for expenditure in the current fiscal period since the latter includes a carryover of \$67,515 appropriated under Chapter 1334, Statutes of 1965, when this subvention program was authorized.

The amounts estimated for expenditure in the current and budget years are under 10 percent of estimated county expenditures of \$7,250,000 and \$8,350,000 during those same fiscal periods. The amount budgeted is 28.1 percent under the total that could be requested under the statutes pertaining thereto based on estimated county expenditures.

It is noted that actual expenditures for this item in 1965-66 were \$432,485 which is \$167,515 or 38.7 percent below the amount requested for 1967-68.

The amount to be appropriated is within the discretion of the Legislature. The amount requested appears to be within the limits established under the Penal Code. We have no specific reasons to recommend a reduction or augmentation in the amount requested.