

Temporary Loans to General Fund from California Water Fund—Continued

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

Section 16310.5, added by Chapter 1961, 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 would earn if otherwise invested. An appropriation to cover such interest payments is made by Item 257 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 FAIRS**

ITEM 268 of the Budget Bill

Budget page 1125

**FOR REAPPROPRIATION OF SUPPORT FOR COUNTY FAIRS
FROM THE FAIR AND EXPOSITION FUND**

For transfer to the General Fund ----- \$135,400

RECOMMENDED INCREASE IN TRANSFER----- \$141,000**ANALYSIS AND RECOMMENDATIONS**

Under Section 19627, Business and Professions Code, eligible county fairs may receive an annual appropriation not to exceed a maximum of \$65,000 per fair. Pursuant to Section 19627, \$4,680,000 is appropriated each year from the Fair and Exposition Fund for allocation by the Department of Agriculture. The \$4,680,000 is appropriated not only for the county fairs discussed in this item, but also for district agricultural associations as discussed in Item 62.

As in Item 62, the Governor's Budget proposes to continue an innovation introduced in the modified budget last year. Thus, \$135,400 of the money appropriated by Section 19627 for support of county fairs is proposed to be reappropriated from the Fair and Exposition Fund to the General Fund during the 1968-69 fiscal year. The reappropriation is a 10-percent reduction in the \$1,354,000 continuously appropriated for support of the county fairs.

As discussed in the analysis of Item 62, a similar situation with respect to fair eligibility exists in determining allocations for the county fairs. While 23 county fairs were "eligible" to receive support prior to the 1959 amendment to Section 19627, since that time only 22 fairs have been eligible. The elimination of support for one fair has resulted in annual savings of \$65,000. While \$141,000 is budgeted as an unexpended balance, only \$75,000 can be properly termed as a true savings attributable to review and approval of county fair budgets by the Division of Fairs and Expositions because \$65,000 for the ineligible fair has been included.

County Fairs—Continued

We recommend that in addition to the \$135,400 being reappropriated to the General Fund, the item be increased by \$141,000 to reappropriate the unexpended balance or savings. This would provide a total immediate addition to the General Fund of \$276,400.

**Department of Agriculture
LOS ANGELES COUNTY FAIR**

ITEM 269 of the Budget Bill

Budget page 1125

**FOR REAPPROPRIATION OF THE SUBVENTION FOR
THE LOS ANGELES COUNTY FAIR FROM THE
FAIR AND EXPOSITION FUND**

For transfer to the General Fund _____ \$25,000

ANALYSIS AND RECOMMENDATIONS

Pursuant to Section 19622(b), Business and Professions Code, the sum of \$250,000 is appropriated annually from the horseracing revenues in the Fair and Exposition Fund for support of the Los Angeles County Fair. This item effectuates a 10-percent reduction by reappropriating \$25,000 from the Fair and Exposition Fund for transfer to the General Fund. The Los Angeles County Fair experienced a similar reduction during the current year.

We recommend approval of the item.

**Department of Agriculture
CITRUS FRUIT FAIRS**

ITEM 270 of the Budget Bill

Budget page 1125

**FOR REAPPROPRIATION OF THE SUBVENTION FOR CITRUS
FRUIT FAIRS FROM THE FAIR AND EXPOSITION FUND**

For transfer to the General Fund _____ \$18,000

RECOMMENDED INCREASE IN TRANSFER _____ \$162,000

ANALYSIS AND RECOMMENDATIONS

Section 19626(a), Business and Professions Code, appropriates annually from the horseracing revenues in the Fair and Exposition Fund a maximum of \$180,000 for support of citrus fruit fairs which are non-profit corporations and not local fairs. Two such fairs qualify for allocations from this appropriation as designated in subdivision (b) and (c) of that section. These are: the National Orange Show in San Bernardino which receives \$150,000 pursuant to subdivision (b) and the Cloverdale Citrus Fair which receives \$30,000 pursuant to subdivision (c).

This item effectuates a 10-percent reduction in the \$180,000 appropriation by appropriating \$18,000 from the Fair and Exposition Fund for transfer to the General Fund. This reduces support for the National Orange Show by \$15,000 and the Cloverdale Citrus Fair by \$3,000. Both fairs experienced a similar reduction during the current year.

Testimony at a hearing by the Assembly Interim Committee on Government Organization showed that the National Orange Show could

Local Assistance**Items 271-272****Citrus Fruit Fairs—Continued**

continue without any state assistance but at a reduced level, and could manage its affairs to achieve full self-support in five years. The testimony also indicated that a major cost of the Orange Show is free entertainment, which features well-known stars who are selected to draw public attendance. The Orange Show merely accounts for its expenditures on an audit basis and does not have its budget reviewed by the Division of Fairs and Expositions.

The Cloverdale Citrus Fair exists almost entirely on its state funds and produces no significant revenues of its own. Since both citrus fairs are private operations which receive state funds virtually as a gift, they should not receive further state support.

It is recommended that Item 270 be increased to reappropriate the entire \$180,000 designated for the citrus fairs and to eliminate further state support.

Department of Agriculture**COUNTY AGRICULTURAL COMMISSIONERS****ITEM 271 of the Budget Bill****Budget page 1127****FOR SUPPORT OF SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS FROM THE GENERAL FUND**

Amount requested	\$171,600
Estimated to be expended in 1967-68 fiscal year	171,600

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This item appropriates funds under the authority of Sections 2221-2224 of the Agricultural Code, which provides for cost sharing agreements for portions of agricultural commissioners salaries in order to provide adequate and uniform enforcement of applicable Agricultural Code provisions. The appropriation makes available through agreement between the director of agriculture and any county board of supervisors a sum not to exceed \$3,300 per year or two-thirds of the salary of each commissioner, whichever is less.

Approval is recommended.

Department of Agriculture**ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT****ITEM 272 of the Budget Bill****Budget page 1127****FOR ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT FROM THE GENERAL FUND**

Amount requested	\$1,000
Estimated to be expended in 1967-68 fiscal year	None

Increase	\$1,000
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TOTAL RECOMMENDED REDUCTION	None
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Assistance to Cities and Counties for Land Under Contract—Continued
ANALYSIS AND RECOMMENDATIONS

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. Section 51260 of the Government Code provides an annual state payment of \$1 to cities and counties for each acre of land under contract, which may be used for the cost of administration and to make or assist in making additional payments to the owners of land under contract. The amounts of payments to owners is specified in the code.

Approval is recommended.

Department of the Youth Authority
ASSISTANCE TO COUNTIES FOR MAINTENANCE OF JUVENILE
HOMES, RANCHES AND CAMPS

ITEM 273 of the Budget Bill

Budget page 1128

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

Amount requested	\$3,342,000
Estimated to be expended in 1967-68 fiscal year	3,139,980
Increase (6.4 percent)	\$202,020

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This subvention program provides for the state's share of the expense of maintaining juvenile homes, ranches and camps by the counties. The subvention is authorized by the provisions of Sections 880 through 890 of the Welfare and Institutions Code. The state shares up to one-half the operating costs not to exceed \$95 per month per child. Children in this subvention program are committed by juvenile courts in lieu of commitment to the Youth Authority.

The total cost of operation of facilities in the program for 1968-69 is \$19,597,576 which will be divided \$16,255,576 county cost and \$3,342,000 state cost.

The agency projects, on information supplied by the counties, an increase from 61 camps in 1967-68 to 66 camps in 1968-69, an increase of five camps or 8.2 percent. This will provide for an increase of 295 youths or 8.8 percent in 1968-69 over 1967-68.

Projections of need in this item are based on the most current information received from the counties as to facilities that will be operated. The information is based on counties' intentions when the state budget is being assembled. The counties' budgets are acted on six months or more afterwards. During the interim or at the time of consideration of the county budgets, changes are made as to the previously expressed intentions. These changes may be due to various factors such as construction delays or county budgetary conditions. Failure of the counties

Local Assistance**Items 274-275****Assistance to Counties for Maintenance of Juvenile Homes,
Ranches and Camps—Continued**

to budget for additional facilities may contribute to substantial unexpended balances. For instance, unexpended balances in 1966-67 totaled \$472,761 and are estimated at \$202,020 in 1967-68. The amount requested for 1968-69 has been adjusted downward which may correct to a large extent this recent overbudgeting.

We recommend approval of the item as budgeted.

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

ITEM 274 of the Budget Bill**Budget page 1128****FOR SUPPORT OF ASSISTANCE FOR CONTROL OF JUVENILES
FROM THE GENERAL FUND**

Amount requested	\$55,330
Estimated to be expended in 1967-68 fiscal year	45,500
 Increase (21.6 percent)	 \$9,830

TOTAL RECOMMENDED REDUCTION..... **None**

ANALYSIS AND RECOMMENDATIONS

This appropriation provides for the state's share of the cost of controlling the movement of unescorted juveniles into Mexico at the San Diego/Tijuana border crossing. This is a joint effort of the state and the City of San Diego. A major portion of the unescorted youths turned back at this checkpoint are from other than the San Diego area.

State participation in this program is authorized under Section 1760(d) of the Welfare and Institutions Code. The total amount requested for 1968-69 is \$55,330. This is an increase of \$9,830 or 21.6 percent over the estimated 1967-68 expenditures of \$45,500.

We recommend approval of the item as budgeted.

**Department of the Youth Authority
ASSISTANCE TO COUNTY DELINQUENCY PREVENTION COMMISSIONS**

ITEM 275 of the Budget Bill**Budget page 1129****FOR SUPPORT OF ASSISTANCE TO COUNTY DELINQUENCY
PREVENTION COMMISSIONS FROM THE GENERAL FUND**

Amount requested	\$25,000
Estimated to be expended in 1967-68 fiscal year	20,000
 Increase (25 percent)	 \$5,000

TOTAL RECOMMENDED REDUCTION..... **None**

ANALYSIS AND RECOMMENDATIONS

Section 1752.5 of the Welfare and Institutions Code provides for the state sharing in the operating expenses of county delinquency prevention commissions. The state's share is not to exceed \$1,000 per annum for each commission. The Department of the Youth Authority estimates 25 county commissions will be eligible for the subvention in 1968-69.

We recommend approval as budgeted.

Department of the Youth Authority
ASSISTANCE TO COUNTIES FOR SPECIAL PROBATION SUPERVISION PROGRAMS
 ITEM 276 of the Budget Bill Budget page 1129

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

Amount requested	\$7,900,000
Estimated to be expended in 1967-68 fiscal year	4,507,682
 Increase (75.3 percent)	 \$3,392,318

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

This appropriation provides for state reimbursement to the counties for special probation supervision programs. The subsidy is authorized under Sections 1820 through 1827 of the Welfare and Institutions Code which contain an extensive formula for reimbursement based on the reduction of first commitments below a base period commitment rate established under the code provisions. The statutes provide that the program is to remain in effect until the 91st day after the final adjournment of the 1969 Regular Session. The Department of the Youth Authority is also required to furnish a report by the fifth legislative day of the 1969 Regular Session showing its experiences and results achieved under this program.

The request for 1968-69 is \$7,900,000, an increase of \$3,392,318 or 75.3 percent over 1967-68 estimated expenditures. Under the program's formula the projected expenditures or allocations to counties are based on the agency's estimate of the reductions in commitments (i.e., the state's savings) that may be effected by the counties participating in the program. While the program was authorized in 1965, county programs were not initiated until the 1966-67 fiscal year. Therefore, there has been little experience to date on which to base accurate estimates.

The imputed savings (or alternative lack of savings) to the state are affected by the classification of persons who are committed to state institutions. It has been brought to our attention that certain classifications have not been included in the commitments charged to counties thereby increasing their allocations. Whereas such cases were included in the commitment base against which the current experience is compared. This is not a valid comparison and is adverse to the state's interest.

The agency advised that all administrative decisions of the type referred to will be reexamined. If the reexamination indicates that determination of the annual commitment rates and the base rate was not predicated on an identical classification of cases, necessary adjustments will be effected. We are withholding our recommendation on the specific amount requested pending departmental actions.

It is noted that statements made by the agency in the budget and elsewhere may be overemphasizing the effect of this program in the reduction in the rate of first commitments to the Youth Authority and Department of Corrections.

Assistance to Counties for Special Probation Supervision Programs—Continued

The reduction in the rate of commitments from all counties participating in the program in fiscal year 1966-67 was 16.1 percent. However, it should be noted that the counties not participating in this program also experienced a 15.1 percent decrease in commitments under the base rates computed according to law.

We previously pointed out in this analysis that fluctuations in commitment rates have occurred in other years prior to the inception of the probation subsidy program.

Subventions for Education**THE EDUCATIONALLY HANDICAPPED MINORS PROGRAM**

ITEM 277 of the Budget Bill

Budget page 1132

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

Amount requested	\$14,250,000
Estimated to be expended in 1967-68 fiscal year	9,250,000

Increase (54 percent)	\$5,000,000
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RECOMMENDED FOR SPECIAL REVIEW	\$14,250,000
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Summary of Recommended Studies

We recommend that before final action on the authorization for the educationally handicapped is taken, the Legislature direct the State Board of Education to (1) present a complete cost analysis of the increases in state support to the educationally handicapped program occasioned by Chapter 1209, Statutes of 1967, with justification for special day class size standards proposed in accordance with that chapter; (2) submit comprehensive standards for the approval of new or expanded programs; and (3) detail the annual projected cost of educationally handicapped programs for a 10-year period.

GENERAL PROGRAM STATEMENT

Educationally handicapped children is defined by Education Code Section 6750 as "minors other than physically handicapped minors or mentally retarded minors who, by reason of marked learning or behavioral problems or a combination thereof, cannot receive the reasonable benefit of ordinary educational facilities." Programs for these children were originally authorized by Chapter 2165, Statutes of 1963, and are specifically limited to 2 percent of the total school district enrollment.

Local programs for the educationally handicapped must be approved by the Superintendent of Public Instruction in accordance with standards established by the State Board of Education. The special programs authorized are as follows:

1. Special classes for students who are unable to function in regular school programs.
2. Learning disability groups for students who are capable of remaining in the regular class program, but receive individual or small group remedial instruction with a special teacher.
3. Home and hospital instruction for pupils who are not able to attend classes are provided instruction at home or in a regularly established children's institution.

The Educationally Handicapped Minors Program—Continued

4. Special consultation for teachers, counselors, and administrators regarding the disabilities of individual students and appropriate educational services.

The provisions of Education Code Section 6755 requires that educationally handicapped programs be strictly on a permissive basis and students admitted to the program must have the written permission of a parent or guardian.

Prior to the 1967 legislative session state support to the educationally handicapped had been based on a system of reimbursements for "excess expense" incurred by the local district beyond the cost of educating a normal child to a maximum of \$910 per unit of average daily attendance. In addition, it provided a maximum of \$20 per unit of average daily attendance to support the special consultant service. With the adoption of Chapter 1209, Statutes of 1967, significant changes were made in the system of state support. The excess expense reimbursement approach was changed to an allotment system whereby districts are paid a prescribed amount in the year costs are incurred. Payments for the special day classes program were changed from an apportionment per unit of average daily attendance to a class allotment basis whereby the district will be paid the full special class amount whenever at least one-half of the minimum size for such classes prescribed by the State Board of Education is maintained. In addition, the levels of support for each of the other elements of the educationally handicapped programs were also increased. In Table 1 the previous reimbursement levels are compared to levels of support contained in Chapter 1209, Statutes of 1967, for each of the authorized educationally handicapped programs.

Table 1
Educationally Handicapped Support

Program	Previous support per ADA	Level established in Chapter 1209, 1967 Statutes	
		per class	per ADA
Special classes -----	\$910	\$13,680	\$1,140 ¹
Learning disability groups -----	910	—	1,880
Home and hospital instruction -----	910	—	1,590
Special consultation -----	20	—	10

¹ ADA authorization where at least one-half the State Board of Education standard is not maintained.

Since the inception of the educationally handicapped program in 1963 enrollment has substantially increased. Table 2 shows reported enrollment for both the elementary and secondary since the establishment of the program.

Table 2
Enrollment in Educational Handicapped Programs

Enrollment	1963-64	1964-65	1965-66	1966-67	1967-68 (est.)
Grades K-8 -----	716	2,748	6,853	9,820	13,000
Grades 9-12 -----	82	1,510	734	1,128	2,000
Totals -----	798	4,258	7,587	10,948	15,000

The Educationally Handicapped Minors Program—Continued

Funds for the support of educationally handicapped programs are made available for transfer from the General Fund to the State School Fund by legislative authorization. The authorized funds since the programs inception and the proposed budget amount are:

	1964-65 ¹	1965-66 ¹	1966-67 ¹	1967-68	Proposed 1968-69
State support ----	\$389,815	\$1,987,887	\$5,254,588	\$9,250,000	\$14,250,000

¹ Reimbursement based on preceding year enrollment.

ANALYSIS AND RECOMMENDATION

The budget proposes that a maximum amount of \$14,250,000 be authorized for transfer to the State School Fund from the General Fund to support local programs for the educationally handicapped. This is an increase of \$5,000,000 or 54 percent over the amount authorized for the current year.

It is important to recognize that the total of \$9,250,000 approved for the current year was the amount included in the budget as passed and was estimated on the level of support which was authorized prior to the adoption of Chapter 1209, Statutes of 1967. The modifications to existing law in that chapter as previously described resulted in significant changes in the financing of the educationally handicapped program. Major cost factors which affect state expenditures in the current year include:

1. The special class allotments. The State Board of Education under this new system is required to establish class standards for the educationally handicapped. The legislation states that where at least one-half the standard is maintained, a full class allotment will be paid. Although these standards have not been established, the Department of Education has recommended that eight children per class be utilized. This would mean that any class where at least four students were enrolled would receive a full class share of \$13,000 or \$3,420 per pupil, which is substantially more than the amount authorized on an average daily attendance basis when the standard is not maintained.
2. Higher program support. Expense over the authorized amount in the current year will also be required to support the increases in the levels of support for the other elements of the program outlined in table 1.
3. The current financing system. The payments for the program are placed on a current basis and will be figured on this year's enrollments, which results in a two-year acceleration of enrollment growth.

Based on the recent figures for enrollment, the Department of Education has estimated the actual amounts required to finance each of the educationally handicapped program elements shown in Table 3. Special day class allotments are based on class enrollments of the proposed standard size, and for the other programs average daily attendance is estimated to be .30 of total enrollment.

The Educationally Handicapped Minors Program—Continued

Table 3

Estimated 1967-68 Expense for Educationally Handicapped Program

Program	Estimated enrollment	Conversion factor		Authorized support	Total cost
Special day classes	11,500	÷ 8	= 1,438 classes	× \$13,680	= \$19,671,840
Learning disability groups	8,500	÷ .30	= 2,550 ADA	× 1,880	= 4,794,000
Home and hospital instruction	2,000	÷ .30	= 600 ADA	× 1,590	= 954,000
Total	22,000				\$25,419,840

The actual enrollments upon which to determine the current year expense will not be available until March 1, 1968. However, the actual amount required will certainly exceed the amount authorized for the current year. If the Department of Education estimates are accurate, it is unlikely that this underfunded condition will result in a loss of funds to school districts. This is because the Education Code allows amounts authorized for other puposes, e.g., equalization aid, which may not be necessary to finance their allocation formulas, to be used to offset the potential shortages for the educationally handicapped programs.

The Department of Education further estimates that enrollment will reach a total of 28,800 and that total state expense will reach \$30,710,340 in the budget year as shown in Table 4.

Table 4

Estimated 1968-69 Expense for the Educationally Handicapped

Program	Estimated enrollment	Conversion factor		Authorized support	Total cost
Special day classes	13,800	÷ 8	= 1,663 classes	× \$13,680	= \$22,749,840
Learning disability groups	12,000	÷ .30	= 3,600 ADA	× 1,880	= 6,768,000
Home and hospital instruction	2,500	÷ .30	= 750 ADA	× 1,590	= 1,192,500
Total	28,800				\$30,710,340

The estimates prepared by The Department of Education indicate a significant increase in both state expense and pupil enrollment for educationally handicapped programs for both the current year and the budget year over budget estimates.

We recommend that before final action on the authorization for the educationally handicapped is taken, the Legislature direct the State Board of Education to (1) present a complete cost analysis of the increases in state support to the educationally handicapped program occasioned by Chapter 1209, Statutes of 1967, with justification for special day class size standards proposed in accordance with that chapter; (2) submit comprehensive standards for the approval of new or expanded programs; and (3) detail the annual projected cost of educationally handicapped programs for a 10-year period.

Local Assistance

Items 278-279

**Subventions for Education
EDUCATIONAL TELEVISION**

ITEM 278 of the Budget Bill

Budget page 1134

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

Amount requested	\$750,000
Estimated to be expended in 1967-68 fiscal year	647,018
Increase (15.9 percent)	\$102,982

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

Chapter 1236, Statutes of 1965, encourages the use of classroom instructional television in schools throughout the state and the continued improvement in the quality of nonprofit instructional television programming. State allowances to counties and school districts are \$0.50 multiplied by the number of pupils of the district present in the class taught by the instructional television, but the amount of such allowance may not exceed one-half of the total cost to the district providing television instruction.

Instructional television served 1.5 million children or one-third of the California public school enrollment in 1966-67. It is anticipated that an additional 250,000 pupils will participate in the program in 1967-68 and at least 200,000 additional pupils will participate in the program in 1968-69.

ANALYSIS AND RECOMMENDATION

A sum of \$750,000 is proposed for support of the program in 1968-69 based on the estimated numbers to be served. This represents an increase of \$102,982, or 15.9 percent over the current level. *We recommend approval of the item as budgeted.*

**Subventions for Education
SPECIAL ELEMENTARY SCHOOL READING PROGRAM**

ITEM 279 of the Budget Bill

Budget page 1135

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

Amount requested	\$16,000,000
Estimated to be expended in 1967-68 fiscal year	11,000,000
Increase (45 percent)	\$5,000,000

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Miller-Unruh Basic Reading Act (Chapter 1233, Statutes of 1965) provides state allowances to school districts for the employment of specialist reading teachers in grades 1-3. State allowances are based upon the numbers of pupils in grades 1-3 and upon the percentages of such pupils who have reading handicaps. Prior to 1967-68 state allowances were allocated to school districts to pay salaries of special

Special Elementary School Reading Program—Continued

reading teachers on an equalization aid basis. The 1967 Legislature through Chapter 1643 eliminated the equalization aid formula and authorized 100 percent state financing for the cost of the special teachers' salaries for all school districts receiving equalization aid. The purpose of the amendment was to encourage more school districts to initiate special reading programs inasmuch as the initial participation in the program had been disappointing.

The Department of Education reports that during 1966-67 a total of 53 school districts in 29 counties participated in the program and employed 287 reading specialists. In 1967-68 it is anticipated that 163 school districts will participate in the program and will employ 1,100 reading specialists. The department reports that the districts employing reading specialists are allocating most of their teachers' time to the instruction of either individual pupils or small groups of pupils. Such individualized instruction is one of the program's major objectives. This emphasis on individual instruction is particularly encouraging inasmuch as evaluative data from other programs such as compensatory education demonstrates that such individualized instruction is one of the most effective methods of improving achievement levels. Although the achievement tests administered to pupils participating in the elementary reading program are as yet inconclusive, the results combined with the subjective judgments of teachers and administrators indicate progress.

ANALYSIS AND RECOMMENDATIONS

A sum of \$16,000,000 is proposed for support of the elementary reading program in 1968-69. The 1967 Legislature appropriated a sum of \$14,000,000 for the program for the current year comprised of a budget act appropriation totaling \$4,000,000 and an augmentation in the amount of \$10,000,000 authorized by Chapter 1209, Statutes of 1967. It is anticipated that approximately \$11,000,000 will be spent in 1967-68. Therefore the proposed sum of \$16,000,000 represents a 45 percent increase over the current expenditure level. *We recommend approval of the item as budgeted.*

Subventions for Education**MATHEMATICS IMPROVEMENT PROGRAM**

ITEM 280 of the Budget Bill

Budget page 1135

FOR SUPPORT OF THE MATHEMATICS IMPROVEMENT PROGRAM FROM THE GENERAL FUND

Amount requested -----	\$925,000
Estimated to be expended in 1967-68 fiscal year -----	250,000
Increase (27 percent) -----	\$675,000
TOTAL RECOMMENDED REDUCTION -----	None

Mathematics Improvement Program—Continued

GENERAL PROGRAM STATEMENT

Chapter 1639, Statutes of 1967, authorizes a pilot program designed to improve the instruction of mathematics in the public schools in grades 2, 3, 5, 6 and in grades 8–12. The law has two main components. First, it provides funds for the development of a test to measure the degree to which the mathematics programs in the public schools meet the objectives of the revised outline of the mathematics curriculum developed by the Statewide Mathematics Advisory Committee. Secondly, it also authorizes state support for several types of pilot programs in mathematics which are summarized below.

1. Specialized Teachers Program. The purpose of this program is to provide information in the use of a specialized teacher in mathematics in an organizational plan that enables the teacher to exchange teaching assignments with one or more teachers in the elementary school. Other objectives are to determine the effectiveness of inservice training on the improvement of mathematics in the elementary grades and to develop guidelines for inservice education programs that will assist school districts to implement the state adopted textbooks in mathematics which will be used in the schools commencing September 1970. The state will pay the costs of all regional inservice training programs including stipends for the participants and living and traveling expenses.

2. Mathematics Specialists Program. The purpose of this program is to improve the instruction of mathematics in the elementary grades by permitting school districts to employ the finest mathematics talent available. A mathematics specialist need not hold a teaching credential to be employed in the program. Districts participating in this program receive state allowances for the cost of the salaries paid their mathematics specialist. Such allowances are allocated according to an equalization formula.

3. Accelerated Instruction. The purpose of this program is to encourage school districts, in cooperation with institutions of higher education to provide accelerated instructional programs for mathematically talented pupils in grades 8–12. The basic principles and operations of the calculus will be included within the scope of these five years of study. The state will reimburse participating school districts for costs of contractual agreements with institutions of higher learning which cooperatively plan the accelerated instructional programs.

ANALYSIS AND RECOMMENDATIONS

Chapter 1209, Statutes of 1967, appropriated a sum of \$250,000, which has not yet been spent, for the Mathematics Improvement Program to cover the initial costs of state level administration and the development of a testing device. The budget proposes a sum of \$925,000 for the program in 1968-69 composed of: \$500,000 for the specialized teacher program and inservice training, \$350,000 for specialist teachers, and \$75,000 for accelerated programs. *We recommend approval of the item as budgeted.*

**Subventions for Education
COMPENSATORY EDUCATION**

ITEM 281 of the Budget Bill

Budget page 1136

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

Amount requested -----	\$11,000,000
Estimated to be expended in 1967-68 fiscal year -----	11,000,000

Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

General Fund subventions for compensatory education are composed of three parts: (1) special research and teacher training projects, (2) assistance to school districts for the reduction of elementary pupil teacher ratios in poverty areas and (3) demonstration programs in reading and mathematics for grades 7-9. These programs are authorized under the provisions of the McAteer Act Chapter 1163, Statutes of 1965 and Chapter 106, Statutes of 1966.

Federal support for compensatory education programs is authorized by Title I and Title VI, Elementary and Secondary Education Act of 1965. Title I of this act provides special programs for educationally disadvantaged children of low-income families administered by the Department of Education's Office of Compensatory Education. Title VI provides funds for compensating education programs for handicapped pupils.

The Office of Compensatory Education is responsible for computing individual school district entitlements based on the number of pupils from low-income families who reside in both the public and private schools of applicant districts. Based on entitlements, districts submit applications to be reviewed by the Office of Compensatory Education and referred to the State Board of Education for final action. Title I funds also are utilized to provide educational opportunities to the children of migrant farm workers through regional demonstration projects.

California received project funds under Title VI of this act for the first time in the current year. Under the provisions of this program the state has prepared a comprehensive plan for the education of handicapped children, which will be implemented through project grants. The Division of Special Schools and Services of the Department of Education has established a Title VI unit to review individual project applications in terms of the comprehensive state plan and to make recommendations to the State Board of Education.

ANALYSIS AND RECOMMENDATION

Total subventions for Compensatory Education for the budget year are \$90,795,303 composed of \$11,000,000 in State General Fund support and \$79,795,303 in federal funds.

State support for this program is at the same level estimated for the current year and is composed of \$1,000,000 for research and teacher training projects, \$7,000,000 for lowering pupil teacher ratios and \$3,000,000 for demonstration programs.

Compensatory Education—Continued

The \$79,795,303 in federal funds for the budget year is composed of \$74,577,136 for support of programs for the educationally disadvantaged, \$2,718,167 for education of migrant children and \$2,500,000 for education of handicapped children. These amounts are estimates at the present time and actual amounts will not be available until final federal appropriations are made.

We recommend approval of the item as budgeted.

**Subventions for Education
CHILDREN'S CENTERS**

ITEM 282 of the Budget Bill

Budget page 1137

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

Amount requested	\$14,646,702
Estimated to be expended in 1967-68 fiscal year	13,606,702

Increase (7.6 percent)	\$1,040,000

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The California Children's Centers Program has two distinct elements: (1) normal child care centers providing day care and preschool services for children of low income working parents and (2) development centers for severely mentally retarded and physically handicapped minors which serve as an alternative to residential placement in a state hospital.

These programs developed out of the Child Care Program established by Chapter 16, Statutes of 1943, which authorized school districts to establish centers and provide day care services to children whose mothers were employed in the defense effort. The program was supported through federal funds made available under the Lanham Act of 1940. Federal support was terminated in 1946 and the State Legislature continued the program on a year-to-year basis. In subsequent years the state established a means test and required parents to contribute toward the operating expenses of the program in accordance with their financial ability. In 1957 this program was made a permanent state responsibility.

Normal Child Care Centers

The Child Care Program was substantially altered by Chapter 1717, Statutes of 1965, which changed the name to the "Children's Centers Program" and added an instructional component. In addition, Chapter 1248, Statutes of 1965, authorized the Department of Education and the Department of Social Welfare to formulate a contractual arrangement to provide preschool services to children whose families were receiving public assistance. This program, administered by the Office of Compensatory Education is currently financed on a 75/25 federal/state matching basis. The administration proposes to shift 10 percent of the state's share to county governments in 1968-69 by requiring that the state, counties and federal government finance 15 percent, 10 percent and 75 percent respectively of the total program cost.

Children's Centers—Continued

Local school districts are not required to contribute to the operating expenses of the centers but are required to provide a facility and may establish an override tax to increase the level of services. State support for this program was modified by Chapter 1209, Statutes of 1967, which increases the means test eligibility requirements for both one and two parent families by 27.5 percent thereby broadening the eligibility. It also increases state support from \$0.28 to \$0.42 per attendance hour. To finance the increase in state participation, Chapter 1209, Statutes of 1967, included an appropriation of \$4,613,000 plus \$100,000 to be used to encourage the formation of new centers. Although the provisions of this chapter have increased the level of state support, a requirement that parental fees collected average \$0.14 per attendance hour has been retained. For the budget year it is estimated that a total of 27,357,623 enrollment hours for approximately 17,200 participants in 271 centers will be authorized.

Development Centers for Handicapped Minors

Development Centers for Handicapped Minors were authorized by Chapter 1248, Statutes of 1965, to provide day care to children who are not eligible for public school programs due to severe mental retardation or physical impairment. The objective of this program is to provide competent care and treatment for these children, relieve parents to engage in work, and reduce the demand for institutional placement. The financing of this program was modified in 1967. Previously, state support had been composed of (1) the difference between fees charged to parents and a statutory maximum rate of \$0.94 per child-hour with the requirement that state support not exceed \$0.83 per child-hour and (2) special transportation to a maximum of \$475 per unit of average daily attendance. The total number of these centers was also limited to 16.

With the adoption of Chapter 1538, Statutes of 1967, parental fees were eliminated, state support was increased to \$1.75 per attendance hour, transportation allowances were increased to \$675 per ADA and the limitation on the number of centers was removed. To finance the added costs of this program, the act appropriated \$2,200,000 which, when added to the 1967-68 Budget Bill appropriation of \$856,500, provides a total authorization of \$3,056,500.

ANALYSIS AND RECOMMENDATIONS

For the 1968-69 fiscal year, General Fund expenditures are estimated to be \$11,590,202 for normal child centers and \$3,056,500 for development centers for a total of \$14,646,702. In addition to General Fund support, it is estimated that the program will receive \$15,300,000 in reimbursements from the Department of Social Welfare under Chapter 1248, Statutes of 1965, as explained in the general program statement.

Normal Child Care Centers

Sections 16621-16622 of the Education Code require participating school districts to establish in their county treasury a "children's center fund" into which all funds for the operation of such centers from both

Children's Centers—Continued

state and local sources shall be paid. If during the year the fund has a deficit or surplus, the Superintendent of Public Instruction is authorized to add to or withhold from the amounts apportioned in the next succeeding fiscal year. In the past deficiencies have occurred when enrollment growth has exceeded the budget estimates. The budget indicates an increase of 1,226,190 attendance hours, which, when multiplied by the state support level of \$0.42, equals the budget increase of \$515,000 over the estimated 1967-68 expenditure.

Child care in California may be considerably affected by 1967 amendments to the federal social security program establishing a Work Incentive Program for recipients of Aid to Families with Dependent Children. Under this new system all welfare recipients will be required to participate in regular employment or special work projects except: (1) children under 16 years of age or attending school; (2) any person who because of illness, handicap, advanced age or remoteness from a project is prevented from effective participation; or (3) any person whose presence is required in the home because of the continuing illness or incapacity of another member of the household. This action requires that in cases where parents participate in this program, the state shall provide appropriate day care facilities to preschool children. Since the Children's Centers Program is providing the type of services which will be required under this new federal legislation, we believe that the Legislature should be aware of this potential expansion.

We recommend that before any additional expansion to the Children's Centers Program is authorized, the Department of Education be required to submit to the Joint Legislative Budget Committee a report, to be received no later than November 1, 1968, detailing the effects of the 1967 amendments to the federal Social Security Law on the current and prospective operation of the Children's Centers Program.

Development Centers for Handicapped Minors

The modification to the Development Center Program contained in Chapter 1538, Statutes of 1967, altered the approach to funding for this program. Previously, state support was based on the hourly pupil expense and special transportation required to support a limited number of centers. Under the system established by Chapter 1538, Statutes of 1967, the Department of Education, with the assistance of the Advisory Committee on Development Centers, has the authority to establish new centers to the extent that the authorized support levels of \$1.75 per pupil-hour and \$675 per unit of special transportation will permit.

As a result of the added appropriation and the expanded authority contained in Chapter 1538, Statutes of 1967, the Department of Education has (1) approved the expansion of 9 of the existing 14 centers to accommodate an added 170 pupils, and (2) authorized a total of 15 new centers, listed in Table 1, accommodating an added 340 students. This results in a total of 29 centers with a total enrollment of 1,020 students.

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Local Assistance

Children's Centers—Continued

Table 1
Newly Established Development Centers for Handicapped Children

<i>New centers</i>	<i>Proposed enrollments</i>	<i>Date operation will begin</i>
Orange County -----	40	February 1968
Kern County -----	20	February 1968
Contra Costa County -----	40	January 1968
Napa County -----	20	January 1968
Alameda County -----	20	January 1968
Merced County -----	20	January 1968
Yolo County -----	20	September 1968
Pasadena City -----	20	January 1968
Long Beach City -----	20	February 1968
Ventura County -----	20	September 1968
Downey City -----	20	January 1968
Ontario-Montclair Cities -----	20	September 1968
Fresno County -----	20	September 1968
Santa Barbara County -----	20	February 1968
Chula Vista City -----	20	February 1968
Total -----	340	

For the current year the budget reflects a total savings for Children's Centers of \$1,040,000. This total includes \$525,000 from authorized expenditures for the development center program. This results from the fact that project approvals for the current year were limited to the number of centers which could be financed on a full-year basis from the total amount authorized in 1967-68. The estimated budget year expense of \$3,056,500 is composed of \$2,408,000 in hourly child support and \$648,000 in transportation.

We recommend approval of this item as budgeted. However, we recommend for Legislative review the proposal that the level of state support for the preschool program be reduced from 25 percent to 15 percent of the total cost of the program and that the counties finance 10 percent of the program's cost.

CONTRIBUTIONS TO TEACHERS' RETIREMENT FUND

ITEM 283 of the Budget Bill

Budget page 1138

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

Amounted requested -----	\$71,500,000
Estimated to be expended in 1967-68 fiscal year -----	61,500,000
Increase (16.3 percent) -----	\$10,000,000

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

This annual appropriation is made as required by Section 14216 of the Education Code to provide sufficient funds to meet the unfunded liabilities of the State Teachers' Retirement System.

The total appropriation serves to provide funds adequate to fund the benefit payments from the Permanent Fund which are not met by member contributions of annuitants for service rendered after July 1,

Contributions to Teachers' Retirement Fund—Continued

1944, and those unfunded demands on the Retirement Annuity Fund which are not covered by the accumulated annuity contributions made by annuitants when they were members and the corresponding employer contributions.

The growth of the state's statutory contribution in support of this program for the last five fiscal years is shown below.

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Appropriation (in thousands) -----	\$52,513*	\$57,750	\$61,000	\$61,500*	\$71,500

* Supplemental appropriation made in these years are included in totals.

ANALYSIS AND RECOMMENDATIONS

The amount requested for transfer to the State Teachers' Retirement Fund, \$71,500,000, is \$10 million or 16.3 percent above that appropriated for that purpose in the current year. The current year appropriation is made up of two parts, \$52 million as the budgeted amount and \$9.5 million appropriated in Chapter 358 of the Statutes of 1967 for the purpose of granting cost-of-living increases to the annuitants of the system. In addition to these appropriated amounts, an amount of \$10.5 million was available from the prior year and in compliance with Section 14217 of the Education Code, which provides that any unused balance shall be made available in the following year, the amount actually appropriated was adjusted downward to \$52 million.

The requested appropriation and the prior year balance available of \$1,828,870 will provide \$73.3 million to finance the unfunded liability of the State Teachers' Retirement System for the 1968-69 fiscal year.

We recommend approval as budgeted.

Subventions for Education

GRANTS TO TEACHERS OF PHYSICALLY HANDICAPPED MINORS

ITEM 284 of the Budget Bill

Budget page 1139

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

Amount requested -----	\$150,000
Estimated to be expended in 1967-68 fiscal year -----	150,000

Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

To encourage teachers of the mentally retarded and physically handicapped to further their professional education, the Legislature in Chapter 2107, Statutes of 1963, established a program of grants to teachers attending summer school classes at an accredited college or university. The program authorizes county superintendents of schools and school districts to enter an agreement with certificated teachers to take post-graduate courses leading to a special education credential. Grants are made on the basis of \$50 per unit of college credit for tuition, materials

Item 285

Local Assistance

Grants to Teachers of Physically Handicapped Minors—Continued

and other expenses for five years or until the course of study is complete. The Superintendent of Public Instruction is required to reimburse participating districts from funds appropriated to the Department of Education. The total amounts expended since the program's inception are :

	1964-65	1965-66	1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Total expended -----	\$54,299	--	\$127,090	\$150,000	\$150,000

Prior to the current year this program was financed through special legislative appropriation and not included in the Governor's Budget; however, the 1967-68 budget included it as a local assistance appropriation.

ANALYSIS AND RECOMMENDATIONS

In the budget year the Department of Education requests \$150,000 for support of this program which is the same amount as estimated for the current year. In the summer of 1967 a total of 621 teachers participated in this program. The areas of specialization for the participants are reviewed in Table 1.

Table 1
Areas of Specialization of Participants

Mentally retarded -----	552
Orthopedically handicapped -----	30
Visually handicapped -----	7
Deaf -----	21
Speech correction -----	11
Total Participants -----	621

The budget reflects that in fiscal year 1966-67 a total unexpended balance of \$28,611 was on hand. We do not believe that this savings is a reflection of the demand for this program. Rather it resulted from cases where individuals did not complete courses or the courses taken were leading to a special education credential and therefore not reimbursable. We believe that the Department of Education can take steps administratively to insure a maximum utilization of the funds authorized in the budget year. *We recommend approval of this item as budgeted.*

Subventions for Education
FREE TEXTBOOKS

ITEM 285 of the Budget Bill

Budget page 1143

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

Amount requested -----	\$20,952,963
Estimated to be expended in 1967-68 fiscal year -----	21,260,092
Decrease (1.4 percent) -----	\$307,129
RECOMMENDED FOR SPECIAL REVIEW -----	11,000,000
TOTAL RECOMMENDED REDUCTION -----	\$18,240

Free Textbooks—Continued

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Delete 3.2 proposed new temporary help positions (plus staff benefits) -----	\$18,240	1144	64

Summary of Policy Options

1. Consideration should be given to shifting the uniform single adoption system to a multiple adoption program.

Summary of Recommended Studies

1. Direct the Department of General Services and the State Printer to submit a plan for the production of textbooks which will insure delivery of all books to the State Textbook Warehouse by August 1 of each year.
2. Direct the State Board of Education to prepare a coordinated departmental plan which will insure the processing of state adopted textbooks in time for the opening of the public schools in September.

GENERAL PROGRAM STATEMENT

California's Constitution, Article IX, Section 7, authorizes a program of free textbooks for state elementary schools. The responsibility for the adoption of texts is vested in the State Board of Education, which, in turn, is assisted by the State Curriculum Commission, an advisory group of professional educators. The three major elements of state responsibility in the provision of free textbooks are (1) selection and adoption of textbooks, (2) production or acquisition of adopted texts and (3) distribution of textbooks to school districts.

Selection and Adoption of Textbooks

The Constitution provides that the State Board of Education "shall provide, compile, or cause to be compiled, and adopt, a uniform series of textbooks . . . and they 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."

In exercising its authority over the adoption of state elementary texts the board relies heavily on the recommendations of the State Curriculum Commission. The duties of the commission are defined in the Education Code, Section 9303 as follows: "The State Curriculum Commission shall recommend to the State Board of Education, specifications for textbooks for uniform use in the schools of the state so that textbooks adopted shall conform to the minimum standard for courses of study." The commission is composed of 13 members of whom Education Code Section 7501 provides "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."

The commission periodically recommends to the state board textbook subjects which should be discontinued and replaced with new material. When a recommendation of the Curriculum Commission is approved, as is generally the case, the state board issues a call for bids and new

Free Textbooks—Continued

materials are submitted by publishers for review. To program future state textbook adoptions, the Curriculum Commission has developed a master plan for state textbook adoptions which is outlined as follows.

Table 1
Schedule of Future Adoptions

<i>Criteria for new texts to be developed at November meeting</i>	<i>Books to be Submitted by June 1</i>	<i>Adoption to be made by board at April meeting</i>	<i>Adoption period to begin July 1</i>	<i>Subject field (grades 1-8 unless specified)</i>
1966	1967	1968	1969	Reading and literature
1967	1968	1969	1970	Mathematics
1968	1969	1970	1971	Social sciences, grades K-4
1968	1970	1971	1972	Social sciences, grades 5-8, foreign languages
1969	1971	1972	1973	Health, music, science
1970	1972	1973	1974	English and related subjects
1971	1973	1974	1975	Reading and literature
1972	1974	1975	1976	Mathematics
1973	1975	1976	1977	Social sciences, grades K-4
1974	1976	1977	1978	Social sciences, grades 5-8, foreign languages
1975	1977	1978	1979	Health, music, science

A call for textbook bids by the California State Board of Education usually stimulates a great number of submissions since this state accounts for approximately 10 percent of the national textbook market. For example, during the recent adoption in English, spelling, handwriting, dictionaries and music, a total of 447 books were submitted, of which 51 were finally adopted. Books submitted are reviewed by the curriculum commission with the help of a great number of consultants who have background in elementary education or in the subject matter under consideration. Large adoptions in the past have involved literally thousands of persons reviewing and evaluating texts submitted. When the review procedure is complete the curriculum commission will formulate a recommendation to the State Board of Education for basic texts and may recommend supplemental texts, along with ratios for their distribution. When the board makes its final adoption, the law requires that the books remain in use for a minimum of four and a maximum of eight years. At the end of this period, the board has the option of extending the adoption an additional one to four years, making a maximum of 12 years possible.

Acquisition of Textbooks

When the adoption process is complete, textbooks will be manufactured in the State Printing Plant, through a lease agreement with the publishers which permits the state to print the text in return for a "royalty," generally assessed on a per-copy basis. In cases, however, where the right to print is withheld by the publisher of an adopted text or the leasing of printing plates is not competitive with the finished book price, the state will purchase the text directly from the publisher.

Free Textbooks—Continued

Distribution of Textbooks

Completed textbooks are delivered by publishers or the State Printing Plant to the State Textbook Warehouse in Sacramento for shipment to school districts. Between 85 and 90 percent of the year's total shipments are made from May to August to insure that books will be available when schools open in September. Distribution of texts is based on local orders and dispersement ratios established by the State Board of Education. Table 2 summarizes distribution for recent years and estimates the 1967-68 total.

Table 2
Number of Texts Distributed

1963-64	9,412,060
1964-65	10,404,140
1965-66	11,335,771
1966-67	7,525,788
1967-68 (est.)	20,750,000

ANALYSIS AND RECOMMENDATIONS

Selection and Adoption of Textbooks

a. Method of Adoption

The California State Constitution requires that a "uniform series" of textbooks be adopted by the State Board of Education. This is defined as a single adoption system, because all students throughout the state of similar grade and ability level are required to use the same basic textbook. This does not prevent the adoption of more than one basic text per subject and grade level, but when more than one text is adopted, the State Board of Education is required to designate the students for whom the book is intended and the ratios at which they will be distributed to comply with the "uniform series" requirement. To augment the adoption of basic texts, the state board has the authority to adopt supplemental texts to add insight and background to the subject area.

As demonstrated in Table 3, California is one of four states employing a single adoption system. Forty-six states employ either a multiple adoption system, which allows local districts to choose from a list of selected texts, or an open adoption system, which permits districts to select any text desired. It will be noted, however, that the percentage of states providing free texts declines as local participation in the selection process increases.

Table 3
Comparison of State Adoption Systems

<i>Method of adoption</i>		<i>States providing free textbooks</i>	
<i>Type</i>	<i>Number of states</i>	<i>Number</i>	<i>Percent</i>
Single	4	4	100
Multiple	22	17	77
Open	24	14	54
	50	35	60

The Legislature has had a continuing interest in the effectiveness of the state's uniform single adoption system and a desire to receive

Free Textbooks—Continued

current information on the ability of state adopted texts to meet local educational needs. In the past year the Department of Education has taken the first step in developing this information by commissioning Peat, Marwick, Mitchell & Company to prepare a preliminary review of this subject. The results of this study entitled *Methodology Development for Measuring Nature and Extent of Textbook Use* were transmitted to the department by letter dated January 5, 1968.

The objective of this report "was to provide a methodology for determining the nature and extent of use of textbooks in the public schools." The information presented is based on findings in 13 districts selected by the Department of Education based on (1) size of enrollment, (2) district organization, (3) geographic location, (4) assessed valuation, (5) ethnic composition, (6) regional description (rural-urban), and (7) transient student population. Textbooks reviewed were selected to include at least one book from each of the elementary school subject areas and grade levels. Teachers and administrators in each of the subject districts were contacted by questionnaire, personal interview or both, concerning their general feelings regarding the state program and each of the textbook subject areas under review.

The report emphasizes that the study was to develop a methodology for evaluating the state textbook program and that "it is important to keep in mind that the test districts were not randomly selected and, therefore, the data presented in this report cannot be expanded to represent the other nonsurveyed districts." It was determined, however, that of the factors considered in the selection of districts, size of enrollment, wealth of district, ethnic composition and levels of student ability most affected textbook use. Based on the findings of this study the report recommends that a comprehensive statewide evaluation be made through the use of questionnaires to teachers selected on a random basis. The report estimates that with appropriate legislative action in the 1968 session a major study could be completed in time to present its findings to the Legislature in 1970.

The State Board of Education made a departure from the established adoption procedures in the current year with regard to a fourth grade supplementary text entitled the *California Information Almanac*. The board, at its December 1967 meeting, increased this book's ratio for distribution from 1 to 30 to 1 to 10 and further stipulated that a revised edition of the book would replace all previously distributed copies each four years in both the fourth and eighth grades, the first replacement occurring in 1971 at a total cost of approximately \$100,000.

We believe this action should be of particular concern to the Legislature because a change of ratios during an adoption period is a costly proposition. In this case, the increased ratio will require an expenditure of \$48,000 (\$19,000 printing and \$29,000 royalties) for one year's use. It is also important to note that, until such time as the action of the State Board of Education is modified, the book will remain in permanent adoption, i.e., revised and distributed every four years, eliminating consideration of comparable texts which may be of equal value.

Free Textbooks—Continued

b. The Adoption Schedule

The schedule for this year's adoption of new textbooks in reading and literature is substantially the same as the system first instituted in fiscal 1965-66. There are three elements to adoption scheduling: (1) submission of materials by publishers for review by the curriculum commission; (2) receipt of bids from textbook publishers and estimated cost of production from the State Printer; and (3) recommendation by the curriculum commission and final adoption by the State Board of Education.

(1) Submission of Materials and Review. Adoption proceedings are initiated when a recommendation by the State Curriculum Commission that the use of textbooks in a particular subject area be discontinued is accepted by the State Board of Education. This recommendation will include a statement on the nature of books to be adopted, the subject and grade levels, the probable distribution of new texts and the criteria for evaluating texts submitted. With approval of this recommendation the state board will issue a call for bids, which involves the submission of proposed new textbooks in the subject area by publishers. When these materials are received, the curriculum commission will select a number of advisors who will rate the material and return their findings to the commission.

This initial review is the basis of commission retention of titles for final consideration. For the proposed new adoptions in reading and literature a list of over 1,900 titles was narrowed to a total of 644 for final consideration.

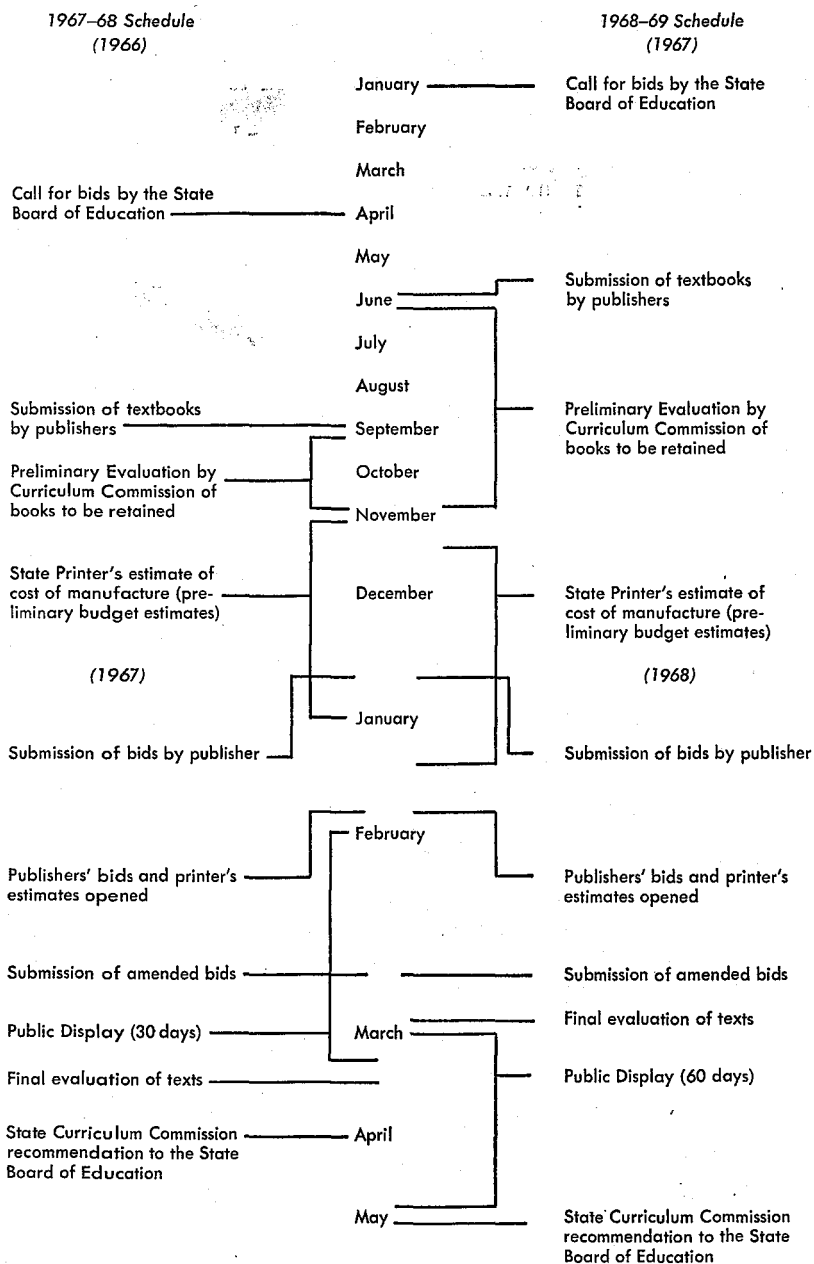
(2) Publishers' Bids and State Printer's Estimates. Textbooks held for final consideration will be bid on a finished book basis by the publisher and the State Printer will estimate the cost of production in the State Printing Plant. After original bids and estimates are opened, publishers will have an opportunity to amend and resubmit a lower cost if they so desire.

(3) Adoption of Textbooks. When textbooks held for final consideration are reviewed in terms of content and cost, the curriculum commission will formulate a final recommendation to the state board of texts for adoption. These recommended texts will be placed on public display and presented to the state board in public hearing. If the commission's recommendations are accepted, the board will make a final adoption.

In Table 4 the approximate date of each of the major events in the adoption process are compared for new texts in music, English and related subjects included in the 1967-68 budget and adoptions in reading and literature proposed for the budget year. It will be noted that while 1967-68 adoptions were completed in approximately one year, reading and literature texts will require an additional five months. There are two principal reasons for the added length of this year's adoption schedule. First, the number of texts submitted to the State Curriculum Commission for evaluation by publishers was over four times that of the preceding year, whereas texts in music, English

Free Textbooks—Continued

Table 4

COMPARISON OF ADOPTION SCHEDULES OF TEXTBOOKS
INCLUDED IN THE 1967-68 AND 1968-69 BUDGET

Free Textbooks—Continued

and related subjects could be reviewed in two months, reading and literature submissions have required almost five months. The second factor resulting in this year's expanded adoption schedule was the passage of Chapter 1574 in the 1967 legislative session. Previously, it was required that texts being considered for adoption be displayed in at least 10 public libraries for a period of 30 days. Under the provisions of Chapter 1574 the display period is extended to 60 days and will include 50 public libraries.

The date of final adoption by the State Board of Education is significant in terms of legislative review of the proposed textbook budget because it will determine when complete information will be available on the expense of the new adoptions and the cost of the total Free Textbook program. If, as in the case of this year's adoption schedule, final information is not available until after May 10, legislative review of this item is considerably restricted.

c. Cost Implications of Textbook Adoptions

The annual expenditure for textbooks has fluctuated considerably from year to year due to a wide variation in the size of annual new adoptions. Table 5 demonstrates the estimated expense for new adoptions and total textbook expense in recent years.

Table 5
Annual Textbook Expenditures

<i>Subject area of new adoptions</i>	<i>Estimated expenditure for new adoptions</i>	<i>Total textbook expense</i>
1960-61 Reading and Literature.....	\$6,085,957	\$11,736,746
1961-62 Reading and Literature ¹	1,552,923	6,876,166
1962-63 History and Geography (5 & 8).....	1,374,660	8,699,919
1963-64 Arithmetic (4 & 7) Social Studies (6 & 7).....	1,111,000	10,906,962
1964-65 Arithmetic (3, 6 & 8) Social Studies (4).....	2,593,349	11,980,511
1965-66 None.....	-	7,720,420
1966-67 Science Health Social Science (2, 3 & 5).....	13,279,968	17,525,648
1967-68 Music, English and related subjects.....	8,099,658	21,260,092

¹ Deferred purchases.

While annual state expenditures have varied substantially during the years listed above, the number of basic and supplementary titles in adoption have consistently increased. Table 6 demonstrates the number of textbook titles in adoption in recent years.

Table 6
Textbook Titles in Adoption

<i>Year</i>	<i>Titles in adoption¹</i>
1960-61.....	305
1961-62.....	360
1962-63.....	359
1963-64.....	391
1964-65.....	392
1965-66.....	445
1966-67.....	445
1967-68.....	561

¹ Includes teachers editions.

Free Textbooks—Continued

The inconsistency between the severe fluctuations in annual budgets for state textbooks and the consistent increase in the number of texts in adoption results from the fact that each newly adopted series of textbooks has cost implications over the life of that adoption for the following reasons: (1) a large portion of texts used by students over the life of an adoption are produced through funds authorized for the first year costs; (2) first year production expenditures do not include royalty payments for textbooks produced in the state printing plant since these costs are assessed when texts are distributed; (3) there are annual expenditures over the life of an adoption for reprinting texts required by increasing enrollment, textbook damage and wear.

In Table 7 the wide variations in state annual expenditures for the previous adoption in reading and literature are compared to the cost for all children served. It will be noted that the bulk of state expense occurs in the early years. However, there is state expense throughout the life of the adoption. To indicate cost to the state for each student served we have divided the total cost of the adoption by the total school enrollment served to obtain a cost per student of \$0.9459, which is then multiplied by each annual enrollment.

Table 7
Comparison of Annual Expenditures for Textbooks in Reading and Literature and the Annual Cost for all Students Served Throughout the Life of the Adoption

Year	Actual state expenditure	Cost based on number of students served			Annual total amount for all students served
		Enrollment grades 1-8	Cost per student served ¹		
1960-61-----	\$7,638,880 ²	—	—	—	—
1961-62-----	4,344,156	2,293,214	×	\$0.9459	= \$2,169,288
1962-63-----	1,872,728	2,383,701	×	0.9459	= 2,254,885
1963-64-----	1,177,408	2,480,123	×	0.9459	= 2,346,095
1964-65-----	1,629,359	2,573,394	×	0.9459	= 2,434,325
1965-66-----	1,307,550	2,646,113	×	0.9459	= 2,503,113
1966-67-----	973,352	2,713,711	×	0.9459	= 2,567,058
1967-68-----	141,147	2,786,600	×	0.9459	= 2,636,007
1968-69-----	512,711	2,840,000	×	0.9459	= 2,686,520
	\$19,957,291	20,716,856			\$19,597,291

¹ Total expenditures (\$19,957,291) ÷ total enrollment (20,716,856) = cost per student served (\$0.9459).

² First year production costs, no books were distributed until 1961-62.

Table 8 contains cost-per-student data for all basic and supplementary texts in adoption in the state during each of the past five years and demonstrates that the state's per pupil expenditures from 1963-64 to 1967-68 have increased 35 percent.

Table 8
Annual Textbook Cost Per Student Served

	1963-64	1964-65	1965-66	1966-67	1967-68
Basic -----	\$3.1436	\$3.3585	\$3.6445	\$3.6445	\$3.7209
Supplementary -----	.8775	.8788	1.4766	1.4766	1.7114
All Textbooks -----	\$4.0211	\$4.2373	\$5.1211	\$5.1211	\$5.4323
Percent Annual Increase -----	—	5.4%	20.8%	—	5.1%

Free Textbooks—Continued

The Governor's Budget for 1968-69 contains \$11 million for the proposed new adoption in reading and literature. This figure is an estimate of funds required based on the expenditure for the previous adoption adjusted to reflect an increase in the cost of labor and materials. The Department of Education estimates the cost of new adoptions at \$13 million based on the ratios adopted by the State Curriculum Commission but \$11 million is the amount which is included in the Governor's Budget.

In recent years this office has recommended that before any action is taken on the amounts included in the Budget Bill for new adoptions, the State Board of Education should present to the Legislature a complete justification for the proposed new adoptions with specific answers to the following questions:

1. Reasons for discontinuing the present adoption.
2. Changes in the educational requirements that would necessitate an increase 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.

We recommend that the Legislature request the State Board of Education to answer each of the four questions for the proposed adoption in reading and literature (\$11 million) and submit the answers to the Senate Finance and Assembly Ways and Means committees for review at the time the free textbook budget is considered.

Acquisition of Textbooks

Textbooks adopted by the State Board of Education are acquired through (1) direct purchase from the publisher or (2) through the State Printer. The expenditure associated with each of these methods of acquisition in recent years is reviewed below:

	1964-65	1965-66	1966-67	1967-68 ¹
Printing -----	\$5,308,366	\$1,746,093	\$11,198,654	\$2,875,440
Purchasing -----	2,876,886	1,569,362	3,858,493	739,209
Total -----	\$8,185,252	\$3,315,455	\$15,057,147	\$3,614,649

¹ Reprints of previous adoptions only.

Textbooks produced by the State Printing Plant are manufactured under contract with the publisher to lease the printing plates to the state in return for a royalty assessed on a per copy basis at the time the books are distributed.

When the volume of texts scheduled for production exceeds the capacity of the State Printing Plant, the State Printer may call for bids from private publishers for printing, binding or both. Table 9 demonstrates the comparative per copy costs for the various methods of acquisition for several titles currently in adoption. Of the examples reviewed, the cost of production in the State Printing Plant was 39.2

Table 9

Comparison of Private Printing and Purchase of Textbooks With Manufacture
Plus Royalty Costs at the Office of State Printing (Cost per copy)

Publisher—Title and Grade	(1) OSP estimated mfg. cost less material savings	(2) Outside mfg. plus shipping to Sacr- mento	(3) Royalty	(4) Total OSP mfg. plus royalty (1 + 3)	(5) Total outside mfg. plus royalty (2 + 3)	(6) Publisher price	(7) OSP mfg. cost as a % of outside cost (1 ÷ 2)	(8) OSP cost including royalty as a % of pub- lisher's price (4 ÷ 6)
Franklin Publications Inc.								
Many People in Many Places 3	.5835	.5656	1.05	1.6335	1.6156	1.7160	103.2	95.2
Westward the Nation in Song, Dance and Story 5	1.4064	1.4488	1.78	3.1864	3.2288	3.4944	97.1	91.2
Laidlaw Bros., Inc.								
Health 5—Pupils	.5292	.5949	.39	.9192	.9849	1.84	89.0	53.5
Health 5—Teachers	.7997	.7804	None	.7997	.7804	1.84	101.1	43.5
Health 6—Pupils	.5307	.5951	.40	.9307	.9951	1.87	89.2	49.8
Health 6—Teachers	.8137	.7585	None	.8137	.7585	1.87	107.3	43.5
Scott-Foresman & Co.								
Health for All 7—Pupils	.7322	.7856	.45	1.1822	1.2356	1.93	93.2	61.3
Health for All 7—Teachers	1.1528	1.2418	None	1.1528	1.2418	2.12	92.8	54.4
Health for All 8—Pupils	.7333	.7814	.45	1.1833	1.2314	1.93	93.8	61.3
Health for All 8—Teachers	1.1451	1.3333	None	1.1451	1.3333	2.12	85.9	54.0
Average state cost as a percentage of private manu- facture or direct purchase							95.3	60.8
Average state savings							4.7	39.2

Free Textbooks—Continued

percent less than direct purchase. It is interesting to note, however, that there is only a minor difference of 4.7 percent between the production costs in the State Printing Plant and when such plates are printed by outside contract.

For texts to be distributed to districts in time for the opening of school, all production must be complete and books delivered to the State Textbook Warehouse by the end of July. In the current year however, the Department of Education was required to notify all school districts on October 3 that shipment of 45 titles, representing 2,721,850 copies, would be considerably delayed because they had not as yet been delivered by the State Printing Plant. Some of these late deliveries were reprints of previous adoptions, but the majority were new texts and consumable workbooks in spelling and arithmetic. Final delivery of all these texts to the warehouse was not completed until November.

We believe this situation could have been avoided had proper steps been taken in advance to determine the amount of printing and binding that could not be accomplished in the State Printing Plant. Any work beyond the capacity of the plant to complete by August 1 should have been subcontracted to assure prompt distribution.

We recommend that the Legislature direct the Department of General Services and the Office of the State Printer to submit a plan for the production of textbooks in 1968-69 which will insure delivery of all books to the State Textbook Warehouse by August 1 of each year.

For the budget year the costs directly attributable to the acquisition of textbooks total \$3,681,617. This amount includes only reprints of previous adoptions and is composed of \$2,722,509 in printing expense at the State Printing Plant and \$959,108 in direct purchases. Table 10 includes the number of copies and the expenditures for production and purchase for textbooks to be acquired in 1968-69.

Table 10
Estimated Expenses
The Purchase and Printing of Previous Adoptions

Subject	Number of copies	Purchase expense	Printing expense	Total expense
Reading -----	452,889	\$396,225	\$5,497	\$401,752
Spelling -----	3,124,000	17,088	866,175	883,263
Health -----	20,000	--	29,572	29,572
English -----	916,000	103,816	750,136	853,952
Science -----	533,000	133,978	306,496	440,474
History and related social science -----	246,000	193,295	197,333	390,628
Handwriting -----	845,000	--	144,990	144,990
Music -----	564,000	74,676	422,310	496,986
Large print and braille -----	--	40,000	--	40,000
	6,700,889	\$959,108	\$2,722,509	\$3,681,617

We recommend approval of this amount as budgeted.

Distribution of Textbooks

The Department of Education is responsible for the distribution of texts delivered to the state textbook warehouse in accordance with district orders and prescribed distribution ratios. Table 11 itemizes the

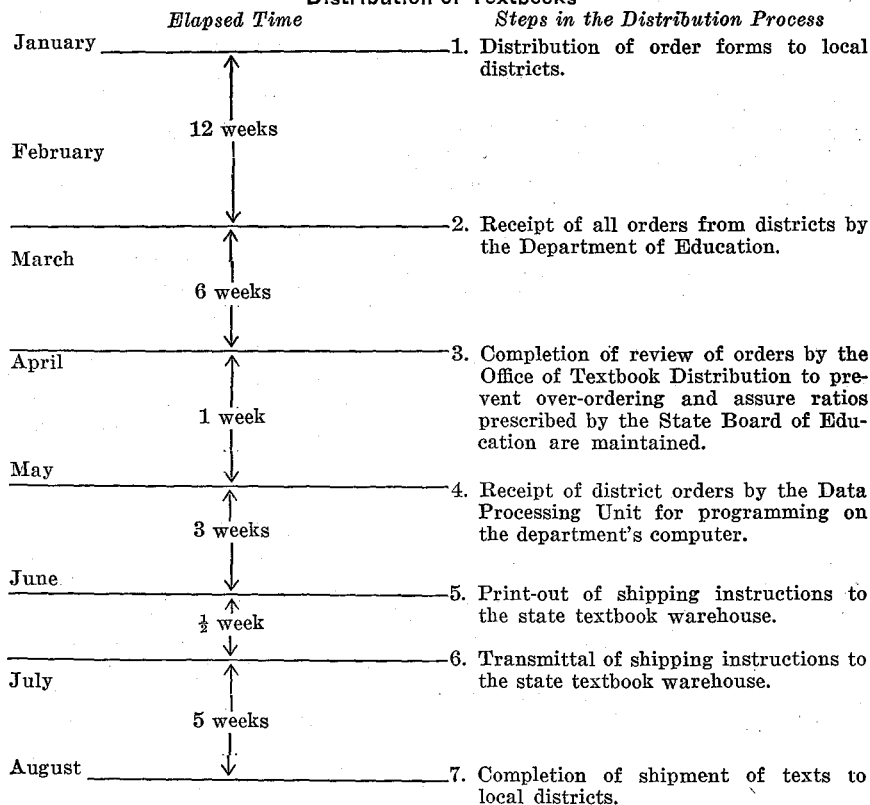
Free Textbooks—Continued

major steps in the distribution process along with an approximation of the average time span between each step.

This procedure usually begins in mid January or early February to allow completion of shipping schedules in August, and any disruption of the flow of this process could result in late deliveries to the school districts. In the current year a substantial delay of approximately six weeks resulted because the Department of Education's data processing unit was involved in tabulating the State School Fund apportionments to public schools at the same time textbook orders were to be processed. This disruption, complicated by late deliveries from the State Printer, meant that the shipment of basic texts was not completed until November 1, 1967 and the shipment of supplemental texts was not completed until December 1, 1967. We believe that it is important to the free textbook program that books be distributed to school districts in time for the opening of school in September.

We recommend that the Department of Education be directed to prepare a coordinated departmental plan which will include all divisions involved in the distribution of state textbooks that will insure processing of textbook orders in time for the opening of the public schools in September.

Table 11
Distribution of Textbooks



Free Textbooks—Continued

For the budget year the expenditures for textbooks distributed are as follows:

Personal Services State Textbook Warehouse		
Salaries and Wages	-----	\$135,244
Staff Benefits and Workmen's Compensation	-----	15,250
Total Personal Services	-----	\$150,494
Operating Expense		
General Expense	-----	\$125
Communications	-----	12,000
Traveling-in-state	-----	1,150
Freight Cartage and Express	-----	172,000
Shipping Supplies	-----	95,000
Utilities	-----	7,700
Rent—Warehouse	-----	49,200
Warehouse storage	-----	27,000
Total Operating Expense	-----	\$364,175
Royalties	-----	5,806,677
Total Expense	-----	\$6,321,346

The budget contains \$28,500 for five temporary positions which were established administratively during 1967–68. The need for added temporary help was occasioned by the previously discussed delay in the processing of textbook orders. Under normal circumstances a large number of shipments are accomplished in May and June. However, for current year shipments, there was not sufficient demand to warrant temporary help until July which resulted in a reversion to the General Fund of funds authorized for temporary help in the 1966–67 fiscal year. When orders were received, the volume was such that a double shift was activated and it operated from July until November. We believe this emergency fund augmentation was warranted at that time. We do not feel, however, that the proposed authorization of 10.5 positions is justified for fiscal 1968–69. We believe that when orders are received by the warehouse beginning in May that proper scheduling would permit distribution on time with the establishment of double shifts for the months of July and August, which could be accomplished with a total of 7.3 temporary help positions. *We recommend deletion of \$18,240 (plus staff benefits) for 3.2 temporary help positions at the State Textbook Warehouse.*

POLICY OPTIONS

1. Consideration should be given to changing California's textbook adoption system from the existing uniform single adoption method to a program of multiple textbook adoptions. Under the present system state textbooks are to be uniformly distributed throughout the state to insure that every child of comparable grade and ability level will utilize the same titles. A multiple adoption program, however, would allow local school districts to select the texts they wish to use from a list of acceptable titles and establish the ratios for their distribution to pupils.

Table 12

Number of Pupil Books in Adoption for Each Grade, 1968-69

	Grade 1		Grade 2		Grade 3		Grade 4		Grade 5		Grade 6		Grade 7		Grade 8		Total
	B	S	B	S	B	S	B	S	B	S	B	S	B	S	B	S	
Reading -----	12	5	4	3	4	4	2	3	2	3	2	3	1	2	1	2	53
Spelling -----	1	--	1	--	1	--	1	--	1	--	1	--	2	--	2	--	10
Arithmetic -----	1	1	1	1	1	2	1	2	1	2	1	2	3	11	3	11	44
English -----	2	--	2	--	1	1	1	1	1	1	1	1	2	2	2	2	20
Science -----	1	7	1	31	1	27	1	21	1	24	1	49	2	35	3	33	238
Health -----	1	--	1	--	1	--	1	--	1	--	1	--	1	--	1	--	8
History and Geography -----	--	--	--	6	--	7	4	10	6	30	2	6	2	12	2	16	103
Civics -----	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2	3
California Government -----	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	1	2
Handwriting -----	1	--	1	--	1	--	1	--	--	--	--	--	--	--	--	--	4
Music -----	1	--	1	--	1	1	1	1	1	1	1	1	2	1	2	1	16

Total of the number of books for each grade (Books adopted for more than one grade are counted more than once)

Note: B Means basic and
S Means supplementary.

Total number of different pupil books in adoption -----

Total number of teachers manuals in adoption -----

Total number of books in adoption -----

388

175

563

Free Textbooks—Continued

This approach would appear to be a significant departure from the present methods since final authority to select textbooks for individual pupils would no longer be vested in the State Board of Education, but would be given to local school officials. We believe, however, that the consistent increase in the number of textbook titles in adoption, discussed earlier, has severely restricted the concept of a uniform single adoption system. Table 12 below reviews for each grade and subject area, the number of basic and supplementary texts in adoption. As indicated, there are 501 textbooks in adoption for grades 1-8 composed of 388 different titles. In addition, there are 175 separate teacher's manuals in adoption for a total of 563 books distributed. Each public elementary school in the state is required to order and utilize each of these titles. We believe that it is difficult for any school to make use of all the prescribed texts in an efficient manner and that districts are choosing from among their deliveries of state textbooks the titles which they desire.

A multiple adoption program could alleviate many of the problems experienced under the existing system. If districts were allowed to choose the textbooks desired, the state would have greater assurance that the books ordered would be used. This approach might also serve to limit the expansion in the number of textbook titles in adoption because the State Board of Education could make final its textbook list after the receipt of local orders indicating the most popular books.

There are several alternative approaches to the development of a statewide multiple adoption system. Some of these are discussed below along with methods of controlling added expense.

1. **Unlimited Multiple Adoption:** This approach would permit the State Board of Education to adopt an unlimited list of both basic and supplemental texts. The objective of this approach would be to develop such an extensive list of adopted books that the local districts would be able to find almost any title desired. This would increase significantly the cost of textbooks since only a limited quantity of a given title would be produced, resulting in a higher cost per copy. In addition, the added expense of this approach to a multiple adoption system is limitless since there would be no restrictions on the number or variety of books selected by districts. We believe that included in any program of unlimited multiple adoptions should be a factor limiting the total state funds available to each district for textbooks. This could be developed on the basis of the cost per student index discussed earlier.

2. **Limited Multiple Adoption:** The Education Code presently defines the areas in which basic textbooks shall be adopted. A limited program of multiple adoptions might be established within this framework by authorizing the State Board of Education to develop a list of from three to five textbooks in certain subject areas, while other subject areas remained under the single adoption concept. Under this approach the number of supplementary texts would need to be expanded to insure continuity with basic texts.

Free Textbooks—Continued

We believe that the major portion of added state expense resulting from this approach could be avoided by the development in the adoption process of a model uniform series. Through this approach the State Curriculum Commission would continue to make its recommendations to the State Board of Education. In areas where multiple lists are recommended, the commission would indicate the titles which are considered to be acceptable up to the maximum authorized, indicating the order of preference for each title. Basic and supplemental texts given highest priority would constitute the model uniform adoption. The Department of Education would then determine the cost of providing this model adoption statewide and determine each district's pro rata share of that amount. The proportionate share of the total multiple adoption expense would determine the extent to which the state would provide these textbooks free of charge.

3. **Supplemental Multiple Adoption System:** Another alternative to the present system might be developed based on the adoption of supplemental texts. This approach would modify existing requirements to allow the State Board of Education to determine all subject areas in which basic texts will be adopted and establish a system of multiple adoptions for supplemental texts. In cases where the board did not make basic adoptions, local districts would choose the texts they desire from among the list of supplemental texts. A cost control feature could also be included in this program similar to the proposal under the limited multiple adoptions program. This approach would be based on the district's pro rata share of a model supplemental adoption most highly recommended by the State Curriculum Commission.

The institution of any multiple adoption program will require both the passage of appropriate legislation and a constitutional amendment.

Arguments in favor of the establishment of a multiple adoption system are:

1. Greater participation by local districts in the selection of textbooks.
2. Greater flexibility in state selection of basic textbooks.
3. In programs 2 and 3 the state would continue to maintain the quality of titles in adoption.
4. The multiple adoption approach would relieve administrative problems resulting from requirements that textbooks be distributed at prescribed ratios.

Arguments against a multiple adoption system are:

1. Uniformity in the use of textbooks would be eliminated.
2. This will increase the textbook demands on the State Printing Plant.
3. Local school districts may be required to contribute toward their textbook expenses to the extent that their orders exceed state allowances.

Subventions for Education
ASSISTANCE TO PUBLIC LIBRARIES

ITEM 286 of the Budget Bill

Budget page 1146

FOR SUPPORT OF ASSISTANCE TO PUBLIC LIBRARIES
FROM THE GENERAL FUND

Amount requested ----- \$800,000
 Estimated to be expended in 1967-68 fiscal year ----- 800,000

Increase ----- None

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Public Library Services Act established in 1963 (Chapter 1802) seeks to improve local library services by encouraging the establishment of cooperative library systems. Originally the program authorized three types of grants; planning grants and establishment grants designed to encourage local units to form cooperative systems; and per capita grants to partially defray the cost of improved services provided by the regional library systems. Chapter 97, 1966 Statutes, significantly amended the program by eliminating the planning grant and by establishing an equalization aid formula for the allocation of state support.

In addition, the amendments modified a provision of the law which limited state support to a maximum of 4 percent of the total operating expenses of California's public libraries from funds received from local sources and substituted a sliding scale limitation which increases in annual increments from 6 percent in 1967-68, 8 percent in 1968-69 and 10 percent in 1969-70. Since the enactment of the program the annual legislative appropriations for its support have totaled \$800,000 per year except in 1966-67 when the appropriation totaled \$1 million. Table 1 contains a statistical summary of the program for the period 1963-64 through 1967-68.

Table 1
Statistical Summary of Public Library Services Act
1963-64 to 1967-68

<i>Types of grants</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>
Planning -----	\$165,961	\$24,000	---	---	---
Establishment -----	247,561	315,765	\$247,231	\$328,329	\$319,842
Per capita -----	386,478	460,235	552,769	658,414	480,158
Total -----	\$800,000	\$800,000	\$800,000	\$986,743	\$800,000
Cooperative library system	5	7	11	13	13
Number of libraries					
in system -----	31	36	54	69	89
Population served -----	2,232,300	3,532,819	5,166,959	6,798,984	---
Single library system -----	5	3	0	4	7
Population serves -----	3,922,148	3,404,810	0	6,393,215	14,901,234 ¹

¹ Includes population served by cooperative systems.

The table illustrates that the program has been relatively successful in encouraging interlibrary cooperation as indicated by the increase in the number of libraries participating in cooperative library systems. In 1963-64 a total of 31 libraries participated in five cooperative sys-

Assistance to Public Libraries—Continued

tems while in 1967-68 a total of 89 libraries are participating in 13 cooperative library systems.

In recent years the State Library has proposed strenuously that the level of state support for local library assistance should be substantially increased above the level of \$800,000 per year which has been characteristic of the level of state support during the period. We requested the State Library to submit a summary document supporting its contention that additional funds be appropriated for this purpose.

Although the State Library did not submit a comprehensive summary of the effect of the current level of state support on local library development and on the existing level of services offered by regional systems, it did submit a summary on the impact of state support on the San Joaquin Valley Cooperative Library System. Table 2 which contains the summary, indicates that the amount of state support received by that system has decreased by over 50 percent between 1963-64 and 1967-68 and that expenditures for "enrichment" were drastically reduced. However, it is noted that the table only briefly explains the relationship of such reduced expenditures to the level of library services offered by the system.

ANALYSIS AND RECOMMENDATIONS

A sum of \$800,000 is proposed for subventions to local libraries in 1968-69 which is identical to the current level of state support. We recommend approval of the item as budgeted.

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

ITEM 287 of the Budget Bill

Budget page 1131

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

Amount requested	\$1,030,271
Estimated to be expended in 1967-68 fiscal year	1,030,271
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

This item provides General Fund support for reimbursements to school districts for vocational educational programs and for the state's share of the cost of the Manpower Development and Training Program. Under the allocation procedure for reimbursements to school districts for vocational programs, 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, homemaking education and business education. The item also includes matching funds to meet the 10 percent state matching requirement of the Manpower Development and Training Act.

Table 2

State Funds Received and Expended by San Joaquin Valley Cooperative Library System
Under the Public Library Services Act

	<i>State funds received</i>			<i>Expenditures</i>					<i>Total</i>
	<i>Establishment grants</i>	<i>Per capita grants</i>	<i>Total</i> ¹	<i>Salaries</i>	<i>Communi- cations</i>	<i>Delivery service</i>	<i>Enrich- ment</i>	<i>Equipment</i>	
826 1963-64 -----	\$40,000	\$39,690	\$79,061	\$21,218	\$3,564	\$483	\$50,189 ³	\$3,707	\$70,061
1964-65 -----	40,000	39,690	79,061	29,760	5,725	3,133	41,072 ³	0	79,690
1965-66 -----	—	—	—	—	—	—	— ³	—	—
1966-67 -----	—	27,483	27,483	—	5,725	1,014	20,744 ³	—	27,483
1967-68 -----	10,000	20,951 ²	30,951	—	7,500	200	21,445	0	29,145

¹ Amount received per capita was \$0.16 in 1963-64 and \$0.4 in 1967-68.

² Includes project grant of \$4,717; amount received per capita is \$0.04.

³ "During the period 1963-64 through 1964-65 it was possible to provide books for the system, process them, hold workshops for the system and provide staff training. All had to be dropped in 1965-66 and were restored on an inadequate basis in 1966-67." Enrichment reflects book purchase, book processing and staff activities.

Vocational Education—Reimbursements to School Districts—Continued
ANALYSIS AND RECOMMENDATIONS

General Fund support for vocational education subventions is proposed at \$1,030,271 which is equivalent to the present level of support. A sum of \$230,271 is proposed for the Supervision and Teacher Training Program, identical to the amount appropriated for the current year. The balance of \$800,000 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.*

Department of Mental Hygiene
COMMUNITY MENTAL HEALTH SERVICES

ITEM 288 of the Budget Bill

Budget page 1151

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

Amount requested	\$27,500,000
Estimated to be expended in 1967-68 fiscal year	23,901,031
Increase (15.1 percent)	\$3,598,970

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Short-Doyle Community Mental Health Services Act was enacted at the 1957 Session of the Legislature. The Short-Doyle program furnishes state financial assistance to local jurisdictions for the establishment of mental health services, including services to mentally retarded in locally administered programs. Although Short-Doyle programs must provide at least two of the five outpatient psychiatric, inpatient, rehabilitation, informational or psychiatric consultant services, 19 of the 41 Short-Doyle programs which were authorized by the 1967 Legislature are providing all five services during the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a state-local program expenditure level of \$35,185,656 including \$26,388,880 of state funds and \$8,796,776 of local funds. However, the budget actually proposes a General Fund appropriation of \$27,500,000 because of fiscal year financing adjustments.

The following table illustrates the program level growth of the Short-Doyle program for the 11-year period 1958-59—1968-69:

	Source of Program Level Funds		
	State funds	Local funds	Total
1968-69 (est.)	\$26,388,880	\$8,796,776	\$35,185,656
1967-68 (est.)	23,382,553	9,965,719	33,348,272
1966-67	19,963,664	8,792,334	28,755,998
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	410,762	510,762	1,021,524

Community Mental Health Services—Continued

The budget proposes a \$4,006,327 increase in program level expenditures over the budget year including \$3,006,327 in additional state funds and \$1 million in additional federal funds. The federal funds are included in Medi-Cal fee payments and are in the Health Care Deposit Fund.

Major program development during the current year was the inclusion of Amador, San Bernardino, and Tehama Counties at a current year's added state cost of \$439,238. During the budget year the proposed inclusion of Del Norte and San Benito Counties into the Short-Doyle program will result in added state cost of \$39,094. With the inclusion of these five additional counties, during the current and budget years the number of Short-Doyle jurisdictions will be increased to 46.

The budget indicates that legislation will be introduced to amend the existing law which presently provides that that portion of Short-Doyle programs approved prior to October 1, 1963, are only eligible for 50 percent reimbursement. The amendment will provide for a uniform 75 percent state-25 percent local sharing ratio regardless of the date on which the local jurisdiction authorized the provision of local mental health services. This accords with our recommendation of last year for uniform sharing. The \$1,165,000 initial year's cost of this legislative proposal is financed in the budget proposal. The budget estimates that the full year cost of this proposal is \$1,623,950 as shown on budget page 1162 line 22. The difference of \$458,950 is part of fourth quarter cost carried forward, shown on budget page 1162, line 41.

The proposed budget also includes an unspecified amount to fund the state's 75 percent share of the preadmission and aftercare screening units, day treatment centers and geriatric screening units which are proposed to be shifted to Short-Doyle financing during the budget year. However, if we assume that these units and centers, which are budgeted at \$1,396,860 in the current year, are continued at this level in the budget year, the state's 75 percent share of Short-Doyle financing will be \$1,047,645 which is more than offset by the termination of these facilities as a state General Fund supported activity.

The remaining increase in the program level support of the Short-Doyle program in the budget year over the current year will be utilized to finance workload increases, a limited expansion of existing programs, and population shifts from the hospitals to Short-Doyle programs as Chapter 1652, Statutes of 1967, becomes effective.

We recommend approval.

**Department of Public Health
CRIPPLED CHILDREN SERVICES**

ITEM 289 of the Budget Bill

Budget page 1163

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

Amount requested	\$10,884,273
Estimated to be expended in 1967-68 fiscal year	9,796,963
 Increase (11.1 percent)	 \$1,087,310

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

This program provides for the diagnosis and treatment of eligible remediable medical conditions among handicapped children. The program is administered under the provisions of Sections 249 to 271 of the Health and Safety Code which provides that whenever a parent or guardian of a child is unable to finance necessary care, a designated agency of the county requests the state to furnish such services.

The county pays a share of the costs of this program and, under the provisions of Section 270 of the Health and Safety Code, must appropriate at least one-tenth ($\frac{1}{10}$) mill on each dollar of assessed valuation in order to participate in it.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total program expenditure of \$19,202,852 including county funds and family repayments. This is a \$2,533,044 increase in total crippled children program level financing above the \$16,669,808 which is estimated to be expended during the current year. The following table details this year-to-year increase:

Crippled Children Programs Expenditures

<i>Source</i>	<i>1967-68 (Est.)</i>	<i>1968-69 (Est.)</i>	<i>Increase</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$9,796,963	\$10,884,273	\$1,087,310	11.1
Federal funds	1,128,160	1,348,317	220,157	19.5
County funds	4,988,625	5,748,062	759,437	15.2
Family repayments	756,060	1,222,200	466,140	61.7
 Total	 \$16,669,808	 \$19,202,852	 \$2,533,044	 15.2

The budget estimate of a \$466,140 increase in family repayments appears to be overly optimistic inasmuch as it represents a 61.7 percent increase over the current year as compared to 15.2 percent increase in overall program level financing. The budget also includes \$175,000 to treat chronic kidney disease, including kidney dialysis and kidney transplants.

The 1967 Session of the Legislature approved a deficiency appropriation of \$300,000 to support this program during the balance of the 1966-67 fiscal year. Language was subsequently inserted in the Assistance to Counties for Care of Crippled Children, Item 277, Budget Act of 1967 to provide that allocations of funds for this program be made in such a manner as to insure the availability of funds during the entire 1967-68 fiscal year within the limits of the appropriation.

Crippled Children Services—Continued

The Department of Public Health issued Bulletin 67-4, dated August 15, 1967, which excluded or curtailed the treatment of approximately 100 otherwise eligible conditions in order to keep expenditures within the limits of the crippled children's appropriation as required by the Budget Act of 1967.

It appears, as of the date of this analysis, that nine counties have had to go beyond this August 15 bulletin by restricting intake of crippled children cases due to a lack of state and/or county funds, and AB 82 has been introduced at the current session of the Legislature to provide a \$750,000 deficiency appropriation to the crippled children's program for the balance of the 1967-68 fiscal year.

We recommend approval of the proposed \$10,884,273 in General Fund support for Assistance to Counties for Care of Crippled Children and further recommend the inclusion of Budget Act language to restrict the allocation of funds for the crippled children program in such a manner as to insure the availability of funds during the entire 1968-69 fiscal year within the limits of the appropriation.

**Department of Public Health
TUBERCULOSIS SANITORIA**

ITEM 290 of the Budget Bill

Budget page 1164

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

Amount requested	\$2,499,997
Estimated to be expended in 1967-68 fiscal year	2,750,000
Decrease (9.1 percent)	\$250,003

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This program is authorized under Section 3298 of the Health and Safety Code which requires the state to 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 \$2,499,997 to support the tuberculosis sanatoria program during 1968-69. This is \$250,003 less than the amount which is estimated to be expended on this program during the current year due to an estimated decrease of 44,643 patient-days of care. This support includes a supplemental amount of \$3.58 per day, the same amount which was approved for the current year.

Section 3295 of the Health and Safety Code provides for the care of persons suffering from tuberculosis who violate the quarantine or isolation orders of a county health office. An agreement has been made with

Tuberculosis Sanatoria—Continued

the Department of Mental Hygiene to care for these persons at Napa and Patton State Hospitals. The budget request includes \$77,409 to reimburse the Department of Mental Hygiene for this care.

We recommend approval.

Department of Public Health

COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS

ITEM 291 of the Budget Bill

Budget page 1165

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

Amount requested -----	\$605,223
Estimated to be expended in 1967-68 fiscal year -----	579,222

Increase (3.7 percent) -----	\$25,301

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

This program furnishes local public health services, under contract, to 15 California counties, each of which has a population of under 40,000. These counties do not support a recognized local health department. The services rendered by the Department of Public Health are provided by the Bureau of Contract Services 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 support the program.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$1,058,932 to support the contract county program including a net appropriation of \$605,223 from the General Fund. This also includes \$353,709 as the counties' share of support for this program, and \$100,000 from federal funds.

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 an estimated total 1967 population of 190,200.

The Budget Act of 1967 directed the Department of Public Health to make a report to the Legislature not later than the 15th legislative day of the 1968 session, "... proposing a plan or plans whereby those counties receiving local health services from the State Department of Public Health on a contractual basis pursuant to Section 1157 of the Health and Safety Code can secure local health services as of July 1, 1968, on a different basis than is provided in that section."

The budget for this program is proposed on the same basis as in prior years pending the findings of the Legislature based on the report.

We are reserving any recommendation on this subvention pending a detailed review of the department's "Report on Alternative Plans for Financing Public Health Services for Rural Counties of California, January, 1968" which was received shortly before the date of this Analysis.

**Department of Public Health
ASSISTANCE TO LOCAL HEALTH DEPARTMENTS**

ITEM 292 of the Budget Bill

Budget page 1166

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

Amount requested	\$4,701,076
Estimated to be expended in 1967-68 fiscal year	4,605,777
 Increase (1.3 percent)	 \$95,299

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 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 \$7,214,617 to support the assistance to local health departments program, including \$4,701,076 from the state General Fund, and \$2,513,541 from federal funds. The General Fund support of this program in the budget year is \$95,299 above the \$4,605,777 which is estimated to be expended to support the program during the current year. This includes a basic allowance plus an amount equal to the current year's 20.5 cents per capita to be apportioned among the population which resides in the 43 counties which qualify for this support.

We recommend approval.

**Department of Public Health
PHYSICALLY HANDICAPPED CHILDREN**

ITEM 293 of the Budget Bill

Budget page 1167

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

Amount requested	\$2,794,000
Estimated to be expended in 1967-68 fiscal year	2,469,608
 Increase (13.1 percent)	 \$324,392

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

This is a program jointly sponsored by the Department of Public Health, the Department of Education, local school districts, and local health departments throughout the state to provide therapy to handicapped children in therapy units which are adjacent to special school

Physically Handicapped Children—Continued

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 General Fund appropriation of \$2,794,000 which will provide 285 man-years of therapy services to an anticipated caseload of 5,150 cerebral palsy and noncerebral palsy children on an equal basis.

We recommend approval.

Department of Public Health**ALCOHOLISM**

ITEM 294 of the Budget Bill

Budget page 1167

**FOR ASSISTANCE TO LOCAL AGENCIES FOR ALCOHOLISM
PROGRAMS FROM THE GENERAL FUND**

Amount requested	\$157,500
Estimated to be expended in 1967-68 fiscal year	150,000
Increase (5.0 percent)	\$7,500

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This program was originally established by Chapter 1431, Statutes of 1965. A termination date for the program of March 1, 1967, was contained in the original act. Chapter 5, Statutes of 1967, authorized an extension until June 30, 1968. The budget presentation for this during 1968-69 is conditioned upon legislative approval of a further extension.

The Budget Act of 1967, Item 281.1, authorized the Department of Public Health to enter into contracts with local agencies to support community alcoholism control services in accordance with the provisions of Sections 427 through 427.13 of the Health and Safety Code. The department is charged with the responsibility of integrating the plans and programs of other state agencies to achieve effective use of total facilities, resources and funds.

Local programs for alcoholism services are eligible for state reimbursement when a local plan and budget have been approved by the Department of Public Health. Services encompassed in the local plan may be provided directly or by documented arrangements with other agencies, organizations and individuals.

The budget provides an increase of \$7,500 to meet increased costs at the local alcoholism centers.

We recommend approval.

**Department of Public Health
MENTAL RETARDATION SERVICES**

ITEM 295 of the Budget Bill

Budget page 1168

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

Amount requested	\$1,583,000
Estimated to be expended in 1967-68 fiscal year	1,513,000
Increase (4.6 percent)	\$70,000
TOTAL RECOMMENDED REDUCTION	None

Additional Recommendation

*Budget
Page Line*

Transfer Mental Retardation Services program to the Department of Mental Hygiene	1168	4
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ANALYSIS AND RECOMMENDATIONS

Chapter 1242, Statutes of 1965, authorized the development of mental retardation regional centers offering diagnostic and counseling services to mentally retarded individuals and their families as an alternative to placement in state institutions.

Funds have been provided for the Department of Public Health to contract with community agencies for the operation of regional centers at the current years level of service adjusted for price increases and to provide payment to vendors of service when failure to provide such service would result in placement of retarded individuals in state institutions.

We recommend approval of the budget proposed for support of the centers. We also recommend the transfer of the assistance to local agencies for mental retardation services subvention program to departmental administration, Department of Mental Hygiene, Item 130.

The transfer of the regional centers for the mentally retarded program to the Department of Mental Hygiene is an essential step towards consolidating into a single agency all of the programs for the mentally retarded which are supported by the State of California and would allow the full utilization of the resources which are available through the presently authorized programs for the mentally retarded within the Department of Mental Hygiene. The transfer of the centers from Public Health to Mental Hygiene may require revisions in Chapter 1242, Statutes of 1965, which authorized the establishment of regional centers.

DEPARTMENT OF SOCIAL WELFARE

ITEM 296 of the Budget Bill

Budget page 1200

**FOR SUPPORT OF SPECIAL SOCIAL SERVICES PROGRAM
FROM THE GENERAL FUND**

Amount requested	\$15,980,508
Estimated to be expended in 1967-68 fiscal year	16,126,743
Decrease (0.9 percent)	\$146,235
TOTAL RECOMMENDED REDUCTION	\$81,986

Department of Social Welfare—Continued

Summary of Recommended Reductions

	Amount		Total	Budget	
	General fund	Federal funds		Page	Line
Additional Adoption Positions --	\$20,584	—	\$20,584	1193	57-63
Training Center -----	61,402	\$184,205	245,607	1196	41

GENERAL PROGRAM STATEMENT

The programs included in this group represent highly specialized social service, staff development, and experimental, and improvement programs. They include: (1) Demonstration and Pilot Programs in Public Assistance, (2) Child Development and Protection Programs, (3) Adoption Programs, (4) Public Welfare Manpower Programs, (5) Administrative Improvement Programs.

In terms of man-years, total positions involved in these activities as shown in the summary on budget page 1199, line 69:

Fiscal year	Total	Increase from prior year
1966-67 -----	44.3	
1967-68 (estimated) -----	52.4	8.1
1968-69 (proposed) -----	55.3	2.9

ANALYSIS AND RECOMMENDATIONS

Child Development and Protection Program

The Governor's proposal to change the state-county sharing ratio regarding the Preschool Educational Services program by means to be disclosed later makes it necessary to withhold final analysis of this program pending receipt of such information. Presently the program is financed by a combination of 25 percent General Fund and 75 percent federal funds. The proposed change will result in a sharing ratio of 75 percent federal, 15 percent state and 10 percent county. The net effect of the change would be to shift \$1,546,911 of program expenditures from the General Fund to the counties.

Adoptions

The objectives of this program are to bring together, under circumstances which protect the interest of all concerned, children needing permanent homes and people desiring to adopt them; to safeguard children when adoptions are made through private arrangements; and to provide a central resources for information on California adoptions.

The department presently proposes to reestablish a previously authorized associate budget analyst position and establish an accounting technician II position to review the 26 budgets submitted annually. The budget analyst position has been vacant for two years. (1966-67 and 1967-68).

We recommend a reduction of \$20,584 in salaries, wages and operating cost for the associate budget analyst and accounting technician II positions.

County adoption budgets in the past have been reviewed by regular program and budget staff of the department. In addition county administrative and program staff review their respective adoption budgets

Department of Social Welfare—Continued

which duplicates the department's activity. Procedures and staffing standards should be reviewed in this program because of the changes that have occurred since they were established over 10 years ago. The Management Analysis Bureau has staff budgeted whose job it is to make such studies. In addition most counties large enough to have an adoption agency also have management analysis staff available and would probably welcome the opportunity to work jointly with the department on such studies.

Public Welfare Manpower Program

The objectives of this program are to: recruit high quality manpower to public welfare in sufficient numbers to meet the needs of the state's social welfare system; and help the staff operating the system to improve in the knowledges and skills required by their tasks. The program is administrated partly by state department personnel and partly by county personnel. The program includes the following elements: (1) Training Center, (2) Local Agency Special Training, (3) Educational Leaves Stipends, (4) Professional Training Improvement for Public Welfare (field work units).

Training Center

To assist county welfare departments in improving their overall administration and service quality, the State Department of Social Welfare operates a training center in Sacramento which serves 26 county welfare departments. The remaining 32 counties operate their own orientation-induction training programs. The primary work of the training center is done in classrooms located in the Fruit Building in downtown Sacramento. Mobile classrooms are also operating on a limited basis. It cost \$182,036 (\$45,509 General Fund and \$136,527 federal) to operate the training center and mobile classrooms in 1966-67. There were 212 beginning social workers who completed the 4-week course at the training center and 145 beginning supervisors who completed the one-week (36 hours) mobile classroom course in the 1966-67 fiscal year. This would be approximately 248 man-months of training at a cost of \$734 per man-month. This does not include the salary of the trainees, which is paid directly to the trainees by the counties involved. If this is included, the cost per trainee, at the training center, would be increased by \$455 to a total of \$1,189.

We recommend the elimination of the training center for a total direct savings of \$245,607 (\$61,402 General Fund and \$184,205 federal funds).

Our recommendation is based on interviews with trainees, previous instructors, and county social welfare administrators and on the fact that no related improvement in the welfare employee turnover, recruitment or performance situation can be observed. The course, at most, should not, in the opinion of most of those interviewed, have required more than one or two weeks. The course did not meet the needs of individual students. Those attending generally included experienced social workers, nonexperienced social workers, social work

Department of Social Welfare—Continued

majors and nonsocial work majors. Most of these trainees had previous job experience or were at least social work majors and frequently found the training repetitious of things they already knew and in some areas they felt they were more knowledgeable than the instructors. Some of the students already had received training in their counties and had even seen the training movies used at the center. There was criticism by some that the instructors appeared not to be well informed on the content of the material they tried to present. Students felt they wasted time. They also said they were sometimes given $1\frac{1}{2}$ hours to do a 15-minute task. Instructors tended to hit only the highlights, while students wanted details which would be usable on the job.

In addition to the reaction to course content and instruction, there are several related problems. The daily living expenses incurred by trainees for the most part were greater than the \$8 allowed to meet such expenses. The 30 days required to be at the training center away from home was viewed as a hardship. This was further complicated by the fact that clients who are sometimes assigned to the trainees were receiving only emergency service while the trainees were away.

Two recent instructors were of the opinion that instructors spend most of their time looking up material and sometimes go into the classroom not having sufficient information. They felt the most significant problems to be that the instructors received no help from their supervisors, and were not allowed to participate in the overall training plan for the center, or in the internal conferences and training programs of the State Department of Social Welfare.

The lack of preparation and control on the part of instructors is probably due to several factors among which is the high staff turnover at the training center coupled with rapidly changing state regulations. The various individual county policy and procedural differences between the counties and the State Department of Social Welfare places the instructors at a disadvantage because they frequently are not aware of these differences.

The State Department of Social Welfare has not conducted adequate ongoing evaluation of the training center program. A state-county task force which held its first meeting October 11, 1967, is now attempting to evaluate the induction training program. The only other evaluation of the program was one done by the training bureau itself and covered the period from January 1962 to August 1964.

At least theoretically staff development of social workers appears necessary and a staff development plan is required by federal regulation. However, the use of the training center as a device to provide such training is questionable. Almost four months at a private college or university could be purchased for approximately the same amount spent per trainee for one month of training at the center. We also question spending \$1,189 on beginning social workers when there is such a high turnover in that class. There was a 49 percent separation rate during the 1966-67 fiscal year for social workers in the social service worker I class. The center has been budgeted on the basis of a

Department of Social Welfare—Continued

trainee total of 300 beginning social workers and 350 eligibility workers who are responsible for eligibility determination and an unspecified number of experienced workers and firstline supervisors. The center has actually been staffed at approximately 70 percent of the authorized budget although the workload has apparently been running about 50 percent of the estimate.

The counties should have the basic responsibility for staff training and should concentrate on actual problems rather than generalizations which are often unrelated to specific tasks of the county social worker. Local agencies have a greater knowledge of the resources available in the community, regulation requirements, and local policy and procedural requirements. Staff development can include clerical and administrative staff as well as social work staff for a more complete and integrated training program. Training regarding eligibility, grant determination and other detailed procedures can be more effectively accomplished on the job in the county.

Health and Welfare Agency

CALIFORNIA MEDICAL ASSISTANCE PROGRAM

ITEM 297 of the Budget Bill

Budget page 1203

FOR SUPPORT OF CALIFORNIA MEDICAL ASSISTANCE
PROGRAM FROM THE GENERAL FUND

Amount requested	\$336,000,000
Estimated to be expended in 1967-68 fiscal year	274,000,000
Increase (22.6 percent)	\$62,000,000

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

Expenditures for the California Medical Assistance Program are made from the Health Care Deposit Fund which is the vehicle for accounting for sources of financing as well as costs of the program.

This appropriation is for transfer of \$336,000,000 from the General Fund to the Health Care Deposit Fund and represents the state's share of the cost of the program including costs of administration of \$6,-863,577 analyzed under Item 124.

This is the first year in which the state's participation in the program has been the subject of a budget act appropriation due to a requirement under Chapter 1421, Statutes of 1967.

In prior years the General Fund participation has been a continuing appropriation under Section 14157, Welfare and Institutions Code and the amount of \$274,000,000 for 1967-68 was in this category.

The California Medical Assistance program was established in 1965 by enabling legislation to provide comprehensive medical care to public assistance recipients and medically needy persons. There are two major classifications of recipients in this program—the cash grant and the medically needy. Cash grant recipients are those persons receiving public assistance grants and Group I scope of benefits. The

California Medical Assistance Program—Continued

medically needy classification is divided into two subgroups and indicated as Group I and Group II scope of benefits. Group I eligibles are those which have the same characteristics as cash grant recipients except for example, the lack of some basic requirement such as residency, while the Group II eligibles are those who are the medically indigent. The medically indigent are those persons whose monthly income is in excess of the maintenance base, but insufficient to meet their medical needs, and who otherwise meet eligibility requirements (exclusive of residence) for one of the categorical assistance programs.

Funding: The California Medical Assistance program is a joint county, state and federal program with the federal government providing 50 percent of the cost of care. The cost of the "county option" plan which is part of the Medical Assistance program is shared by the counties and the state. The total cost of the program for fiscal year 1968-69 is estimated to be \$945,275,245 with \$386,295,812 in federal funds, \$222,979,433 in county funds and \$336,000,000 in state General Fund moneys. Total cost includes \$28,657,807 for state, county administrative and fiscal intermediary costs in 1968-69.

The amounts reported as expenditures in 1966-67 and the current 1967-68 fiscal year do not reconcile with the proposed expenditure for the budget year in any way which provides useful comparisons. Thus, examination of the budget shows that the current year expenditure at \$824,664,129 is approximately identical with the expenditure of \$824,403,336 in 1966-67. We know that this does not represent the actual trend, and it is apparent that it distorts the rate of increase in program costs assumed for next year. This is due to the budget reporting expenditures beginning with the current 1967-68 fiscal year on a modified accrual basis and reporting the 1966-67 expenditures on a full accrual basis. It will be necessary to make appropriate adjustments in these reported figures in order to extract a meaningful comparison between actual and anticipated expenditures in these three years.

The Legislature has contracted for independent estimates by actuaries and it will also be necessary to analyze these in comparison with budget estimates as soon as possible after the actuaries report is received around March 1. Preliminary calculations indicate that there will be substantial differences among the estimates for the basic component elements such as physicians' services, hospital costs, etc.

The budget also states that the 1968-69 program is projected at the 1967-68 level which assumes full service except for an adjustment made each year for the eight day limitation on length of stay in noncounty hospitals, more intensive screening of nursing home admissions, and screening of physicians' claims with charges above the sixtieth percentile of all physicians charges.

It is difficult to understand the meaning of all of these assumed program limitations. We have never been able to obtain a clear explanation of the reported rollback of physicians fees to January 1, 1967, and the related application of the sixtieth percentile maximum fee.

California Medical Assistance Program—Continued

This is because the actual administration of the fee system has been by contract with California Physicians' Service. We do not believe that in fact physicians fees are being approved at the level of those fees which were charged by individual physicians at January 1, 1967, and if this is the case, then all assumptions as to increases in physicians charges should be reexamined to see how far physicians have in fact been able to increase fees since January 1, 1967, and what this means as to increases for the next few years. It is absolutely essential that all estimates made by the Office of Health Care Service and the budget for the individual elements of this program be critically examined as to assumptions and basic data.

It should be noted that after formulation of a total estimated expenditure, \$132 million in so-called "medical assistance program adjustments" have been applied as a reduction in 1968-69 expenditures. The budget states that this will be supported by details later. In view of the magnitude and policy implications of this adjustment item *we cannot recommend approval of Item 297 at this time*. In addition to consideration of the utilization controls which are implied in this adjustment, fundamental changes in the nature of providing services should be considered. This is not only because the existing revenue system does not appear to be able to support reasonably projected costs of Medi-Cal as presently authorized and administered, but we believe it is unnecessarily costly. Greater utilization of both county hospital and certain private facilities through a system of prepaid comprehensive medical care in which there is an incentive to keep costs down is an approach which should be thoroughly explored.

This is the first fiscal year that the General Fund appropriation to the Health Care Deposit Fund has been a closed-end appropriation. This is pursuant to Chapter 1421, Statutes of 1967 which also requires that beginning in 1968-69 funds for the Medical Assistance program be appropriated in accordance with usual budgetary procedures. Chapter 4, Statutes of 1967 requires that bills for service be submitted not more than two months after the month in which the service is rendered. This is in lieu of the current six months billing requirement. This will increase the availability of payment and service statistics.

Eligibles: A 15.4 percent increase in the 1968-69 caseload is estimated in the budget. This is an increase of 242,000 eligibles from the 1,573,000 in 1967-68 or 1,815,000 estimated caseload for 1968-69. The largest increase is in the medically needy group with a 30 percent increase of from 215,000 in 1967-68 to an estimated 307,900 in 1968-69. This, we believe, may be high and should be critically reviewed. There is a 10 percent increase in the cash grant recipient group. The source of the cash grant eligibles estimated caseload is the State Department of Social Welfare.

Expenditure Estimates: The estimates used in this budget proposal were developed from base averages derived from actual payments and utilization experience. The data base for these estimates is one of ques-

California Medical Assistance Program—Continued

tionable validity as indicated in a soon to be published report by our office. The report indicates the lack of some basic utilization information needed for estimation and projection of costs in this program. We have already commented on the need to reconstitute these budget estimates to provide a more meaningful comparison between last year's, this year's and next year's expenditures, and to reexamine them for accuracy.

Physicians' Services: Charges for physicians' services increased 3.5 percent in 1967-68 and are projected to increase 5 percent for 1968-69.

Prescription Drugs: No increase in drug costs were experienced during 1967-68, but 1968-69 estimates include a 5-percent increase in cost for prescription drugs listed on the state's drug formulary.

Hospitals: County hospitals costs were adjudged for a 4.2 percent cost increase in 1968-69. Noncounty hospitals' costs were estimated to increase 8 percent in 1968-69 with a major cost increase factor being the new state minimum wage law for women. Noncounty hospital had a 5.3 percent cost increase in 1967-68.

Nursing Homes: There are several factors affecting an estimated cost increase for nursing home care which includes a 12-percent payroll increase due to the new minimum wage law and a 2-percent operating budget increase. The amount of \$27.0 million is included in the 1968-69 budget for bringing nursing homes up to the Title XVIII (A) standards and increased payments to those homes presently meeting these standards.

Social Security Amendments of 1967 (P.L. 90-248): These amendments, signed by the President January 2, 1968, will have a significant impact on program expenditures by stricter controls and requirements. Analysis of this legislation has not yet been completed and its effect on the medical assistance program has not yet been determined or included in the budget. It has, however, been determined that this legislation has such requirements as increased nursing home standards and establishment of a new category of "intermediate care facilities." This lack of analysis of the impact of the new federal amendments makes all of the program expenditure estimates of questionable validity.

County Option: Twenty-eight counties in 1967-68 participated in this option and five more counties have indicated an intention to elect the option in 1968-69. The state's share of option cost is estimated at \$60,517,036 in 1968-69 as compared to the \$44 million limitation in 1967-68.

Average Monthly Number of Certified Persons: Table I indicates the caseload estimates for the coming fiscal year by aid category and classification. It indicates by comparison the projected numerical increases in the medical assistance program caseload.

California Medical Assistance Program—Continued

Table I

<i>Eligibility Class</i>	Average Monthly Number of Certified Persons		
	1966-67 <i>Actual</i>	1967-68 <i>Estimated</i>	1968-69 <i>Estimated</i>
Cash Grant program -----	1,185,876	1,357,400	1,567,700
Old Age Security -----	290,789	298,500	305,500
Aid to Blind -----	12,772	12,800	12,800
Aid to the Disabled -----	100,804	127,000	157,200
Aid to Families with Dependent Children -----	781,511	919,100	1,032,200
Medically Needy program -----	112,318	215,600	307,900
Group I scope of benefits -----	31,897	67,800	99,100
Aged -----	12,188	30,800	42,000
Blind -----	145	400	700
Disabled -----	1,627	5,400	9,300
Families and Children -----	17,937	31,200	47,100
Group II scope of benefits -----	80,421	147,800	208,800
Aged -----	32,009	33,800	39,900
Blind -----	375	400	500
Disabled -----	5,041	7,500	9,800
Families -----	42,996	106,100	158,600
Total Number of Eligible Persons -----	1,298,194	1,573,000	1,815,600

Medical Assistance Program Expenditures by Type of Service:
Table II indicates budgeted expenditures by types of service and sub-totals as to cash grant and medically needy groups. It reflects the utilization of the program as estimated in dollar amounts for the 1968-69 fiscal year and shows the types of services utilized by cash grant and medically needy classifications.

Table II

Medical Assistance Program Expenditures by Type of Service

<i>Type of service</i>	1967-68 <i>Estimated</i>	1968-69 <i>Estimated</i>
Physicians Services:		
Cash grant -----	\$132,407,096	\$156,506,300
Medically needy -----	23,771,900	35,457,500
Subtotals, Physicians Services -----	\$156,178,996	\$191,963,800
Prescription Drugs:		
Cash grant -----	40,303,700	46,986,800
Medically needy -----	6,071,000	8,413,000
Subtotals, Prescription Drugs -----	\$46,374,700	\$55,399,800
Dental Care:		
Cash grant -----	38,297,300	45,058,800
Medically needy -----	1,399,900	2,142,900
Subtotals, Dental Care -----	\$39,697,200	\$47,201,700

Item 297

Local Assistance

California Medical Assistance Program—Continued

Table II—Continued

Medical Assistance Program Expenditures by Type of Service

<i>Type of service</i>	<i>1967-68 Estimated</i>	<i>1968-69 Estimated</i>
County Hospitals:		
Cash grant -----	\$57,881,300	\$62,188,005
Medically needy -----	41,957,100	43,894,429
Subtotals, County Hospitals -----	\$99,838,400	\$106,082,434
Other Hospitals:		
Cash grant -----	\$92,402,100	\$111,764,000
Medically needy -----	28,786,700	44,213,300
Subtotals, Other Hospitals -----	\$121,188,800	\$155,977,300
State Mental Hospitals:		
Cash grant -----	9,471,721	9,097,783
Medically needy -----	8,910,300	8,910,300
Subtotals, State Mental Hospitals -----	\$18,382,021	\$18,008,083
Nursing Homes:		
Cash grant -----	49,965,800	65,951,700
Medically needy -----	124,026,400	167,064,500
Subtotals, Nursing Homes -----	\$173,992,200	\$233,016,200
Other Services:		
Cash grant -----	27,952,200	32,650,600
Medically needy -----	4,522,800	6,375,100
Subtotals -----	\$32,475,000	\$39,025,700
Nursing Home Adjustment:		
Cash grant -----	--	7,128,000
Medically needy -----	--	19,872,000
Subtotals, Nursing Home Adjustment -----	--	\$27,000,000
Title XVIII(B) Buy-in:		
Cash grant -----	12,766,800	16,258,800
Medically needy -----	--	--
Subtotals, Title XVIII(B) Buy-in -----	\$12,766,800	\$16,258,800
Totals, Cost of Care -----	\$700,894,117	\$889,933,817
Cash grant -----	(461,448,017)	(553,590,788)
Medically needy -----	(239,446,100)	(336,343,029)
Add:		
Administration:		
State support -----	\$5,251,350	\$6,863,557
Fiscal intermediary -----	9,465,864	12,784,000
County operations -----	8,916,229	9,010,250
Total Administration -----	\$23,633,443	\$28,657,807
Totals -----	\$724,527,560	\$918,591,624
Add:		
Cost of carrying out provisions of Section 14150.1, Welfare and Institutions Code (County Op- tion) -----	147,136,569	172,683,621
Totals -----	\$871,664,129	\$1,091,275,245

California Medical Assistance Program—Continued

Table II—Continued

Medical Assistance Program Expenditures by Type of Service

<i>Type of service</i>	<i>1967-68 Estimated</i>	<i>1968-69 Estimated</i>
Less services not an obligation of the fiscal year in accordance with Chapter 1421, Statutes of 1967	—47,000,000	—61,000,000
Add service obligations from prior fiscal year in accordance with Chapter 1421, Statutes of 1967—	—	47,000,000
Total Program -----	\$824,664,129	\$1,077,275,245
Less Medical Assistance Program adjustment-----	—	—132,000,000
GRAND TOTAL -----	\$824,644,129	\$945,275,245

Because of uncertainties in estimates due to lag in receipt of billings and other factors, the Legislature established a Joint Committee in December 1967 to employ actuaries or by other means to develop estimates of costs in this program for the current year and for 1968-69. Analysis of estimates will be made by our office as soon as possible after the new data are released in February or early in March.

SUMMARY

The California Medical Assistance program has been in existence since March 1966 or 22 months, and since its inception its size and cost have increased at a substantial rate. During this period some control and utilization review features have been implemented to aid in program administration and reduce expenditures. A proposal in 1968-69 is the direct state administration of the medical consultation services. This proposal is intended to achieve a more effective utilization of the Medical Assistance program. In the area of nursing home cost alone (estimated at \$233,011,200 in 1968-69) utilization review could result in substantial savings. We believe that more fundamental changes in the system must accompany utilization controls, such as purchase of pre-paid comprehensive medical care using county hospital facilities more effectively.

More effective utilization data must be produced to provide accurate expenditure estimation of the program. The new federal legislation must be thoroughly analyzed and related to cost data to comprehend fully its effect on expenditure estimates. This legislation could affect both the amount of federal funds available and the requirements as to scope of benefits.

We cannot recommend approval of this item pending (1) further analysis of the actuarial reports contracted for by the Legislature, (2) added details as to the assumed \$132 million program savings, and (3) consideration of program changes currently under review by our office and committees of the Legislature.

DEPARTMENT OF HARBORS AND WATERCRAFT

ITEM 298 of the Budget Bill

Budget page 1231

FOR LOANS FOR HARBOR DEVELOPMENT FROM THE
HARBORS AND WATERCRAFT REVOLVING FUND

Amount requested	\$4,525,000
Amount appropriated in 1967-68 fiscal year	4,850,000
Decrease (6.7 percent)	\$325,000
TOTAL RECOMMENDED REDUCTION	\$125,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduce loan for Santa Cruz project	\$125,000	1232	17

PROGRAM STATEMENT

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 loans 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 both the department's support and for most of the local assistance programs.

As of June 30, 1967, there was a balance of \$652,350 in the Small Craft Harbor Bond Fund which is available to finance local assistance projects. This balance remains from the \$10 million authorized in the Harbor Development Bond Law of 1958 and does not require legislative appropriation for expenditure.

In prior years the department has requested appropriations for jointly financed projects which have depended substantially on the appropriation of federal funds to the U.S. Army Corps of Engineers. Recently federal appropriations for new projects have been nearly eliminated. In the proposed budget, only one loan for harbor improvement at Bodega Bay includes participation by the federal government. Consequently, the commission proposes in this budget to commit the Harbors and Watercraft Revolving Fund to finance the proposed projects by providing financing of costs that would otherwise have been a federal responsibility.

The estimated balance in the Harbors and Watercraft Revolving Fund at the end of the budget year is \$305,573. The estimated balance in the Small Craft Harbor Bond Fund on June 30, 1969 is \$75,638.

Section 85.2 of the Harbors and Navigation Code provides that up to 12½ percent (or \$500,000) of the \$4 million transferred annually

Department of Harbors and Watercraft—Continued

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. In 1967-68 the Governor's Budget included no funds from the Harbors and Watercraft Revolving Fund for such projects. This year the budget includes \$866,150 from the Revolving Fund for four major and two minor projects at units of the state park system. These projects are as follows:

1. Angel Island State Park----- \$265,000
For the dredging of Ayala Cove, 40 moorings, the extension of the concrete pier and construction of a boat ramp.
2. Clear Lake State Park ----- \$90,000
For a boat ramp and dock.
3. Del Valle Reservoir ----- \$101,150
To finance four launching ramps and riprap protection for the boat ramp.
4. Oroville Reservoir State Recreation Area----- \$391,800
For the completion of a boat launching ramp in the spillway area including parking, utilities and sanitary facilities.
5. Brannan Island State Recreation Area----- \$10,000
For launching floats.
6. Folsom Lake State Recreation Area----- \$8,200
For launching floats.

Funds for the above listed projects are appropriated in Items 361 and 362, capital outlay for the Department of Parks and Recreation.

ANALYSIS AND RECOMMENDATIONS

The department requests appropriations to fund three harbor development projects totaling \$4,525,000 as follows:

1. Santa Cruz Harbor expansion ----- \$875,000
2. Ventura Marina detached breakwater----- 3,000,000
3. Bodega Bay breakwater and dredging----- 650,000

In the 1967 Budget Act the Legislature appropriated \$2,550,000 to Santa Cruz for the expansion of its existing harbor facilities to provide 466 additional berthing facilities. The consultant for the Santa Cruz Port District has since prepared a cost estimate of \$3,425,000 for the entire project which is \$875,000 more than was appropriated in 1967. The \$875,000 is composed of three elements:

1. Land acquisition ----- \$125,000
2. Increased estimates of construction costs ----- 350,000
3. Increased costs normally funded by U.S. Corps of Engineers ----- 400,000

Item 341 of the 1967 Budget Act appropriated \$125,000 as a grant from the 1964 Recreation Bond Fund to finance the land purchase for the Santa Cruz Harbor expansion. Last year we recommended that the \$125,000 be appropriated from the Harbors and Watercraft Revolving

Department of Harbors and Watercraft—Continued

Fund as a loan. The department and the local interests objected and the grant was approved. This year the Department of Harbors and Watercraft is requesting an additional \$125,000 for the same land acquisition. The department's request is a duplication. According to the Department of Parks and Recreation, there is nothing at this time which would indicate that the grant of \$125,000 to the Santa Cruz Port District, as appropriated from the Recreation Bond Fund in 1967, will not be granted. *In accordance with the legislative decision last session, we recommend the appropriation be reduced by \$125,000 to remove the duplicate funding for land acquisition at Santa Cruz.*

The Santa Cruz project is budgeted at a total cost of \$3,425,000. The department's feasibility report indicates feasibility for only a \$2,775,000 construction loan. The report includes capital assistance of \$400,000 from the Corps of Engineers which is anticipated in addition to the loan. The budget request, however, includes the \$400,000 within the total loan to Santa Cruz in order to make the full construction amount available to Santa Cruz in case federal funds are not available. The department has given only verbal assurances that the project would be feasible, even with the additional loan of \$400,000.

The \$3 million construction loan proposed for Ventura provides for modification of the existing marina by addition of an offshore detached breakwater and accompanying sand trap reservoir. The objective of the construction is to provide a navigable, sheltered entrance, and to create an area in which the sand moving down coast will be collected in the sand trap reservoir before it can enter the channel of the marina. The Ventura Port District has contracted for an engineering, economic and financial feasibility study which has not been published as of the time of this writing.

The third project included in this item is a loan of \$650,000 to Bodega Bay for the construction of an interior breakwater to provide a protective mooring area for boats and the dredging of a new channel for access to a proposed smallcraft harbor to be constructed by local interests. The total estimated project cost is \$1,521,000. The difference between the state's participation and the total cost is to be financed by the Corps of Engineers.

We recommend approval of the Ventura and Bodega Bay projects as budgeted. We recommend approval of the Santa Cruz project in the reduced amount of \$750,000.

DEPARTMENT OF HARBORS AND WATERCRAFT

ITEM 299 of the Budget Bill

Budget page 1230

FOR LAUNCHING FACILITY GRANTS FROM THE HARBORS
AND WATERCRAFT REVOLVING FUND

Amount requested	\$444,500
Amount appropriated in 1967-68 fiscal year	651,500
Decrease (31.7 percent)	\$207,000
TOTAL RECOMMENDED REDUCTION	None

Department of Harbors and Watercraft—Continued

ANALYSIS AND RECOMMENDATIONS

This item proposes \$444,500 to finance four grants to local agencies for launching facilities. This amount compares with \$651,500 appropriated in the 1967 Budget Act for six projects.

Launching facility grants are requested as follows:

Bass Lake, Madera County.....	\$135,000
Petaluma City, Sonoma County.....	45,500
South Morro Bay, San Luis Obispo County.....	170,000
Red Hill Marina, Imperial County.....	94,000
	<hr/>
	\$444,500

In the 1967 Budget Act \$136,000 was appropriated for a grant to Petaluma City. During the current year \$45,500 of that amount was transferred to finance a grant to the San Diego Unified Port District for construction of launching facilities at National City. The budget request for \$45,500 for Petaluma City is to restore the amount available for that project to \$136,000 as originally budgeted in 1967.

The Bass Lake project includes the construction of a four-lane launching ramp with floats, a parking area and restrooms. The South Morro Bay grant is to construct a two-lane launching ramp and parking and sanitary facilities and perform some dredging. At the Red Hill Marina in Imperial County, the launching ramp has already been constructed by the local agency. The proposed grant is to construct facilities to provide water supply, sewage services, restrooms and site development to accommodate 80 trailers.

We recommend approval of the launching facility grants as budgeted.

DEPARTMENT OF HARBORS AND WATERCRAFT

ITEM 300 of the Budget Bill

FOR EMERGENCY HARBOR REPAIRS FROM THE HARBORS
AND WATERCRAFT REVOLVING FUND

Amount requested	\$100,000
Amount appropriated in the 1967-68 fiscal year.....	100,000

Increase	None
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TOTAL RECOMMENDED REDUCTION.....	None
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ANALYSIS AND RECOMMENDATIONS

This appropriation 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 when 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 from 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.

DEPARTMENT OF HARBORS AND WATERCRAFT

ITEM 301 of the Budget Bill

Budget page 1234

FOR REPAYMENT OF CALIFORNIA WATER FUND LOAN
FROM THE HARBORS AND WATERCRAFT FUND

Amount requested ----- \$106,426

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

When the launching facility program first began, allocations to local agencies were made on the basis of loans. Several loans were made but some of the projects involving relatively small amounts of money did not prove economically feasible. In 1961, the Legislature changed the launching facility *loan* program to a *grant* program. Chapter 1845, Statutes of 1965, authorized the Harbors and Watercraft Commission to convert to grants any launching facility loans not exceeding \$50,000 which were made prior to 1961. Two loans to Lassen and Mono Counties for launching facilities at Eagle and Mono Lakes were affected. The commission in 1966 converted these loans to grants. The total amount of the loans was \$106,426.

The source of funds for the two loans was a loan from the California Water Fund. This was not known in 1965 when Chapter 1845 was enacted. The purpose of this item is to repay the California Water Fund with money now committed to boating purposes in the Harbors and Watercraft Revolving Fund.

We recommend approval.

Public Utilities Commission

GRADE CROSSING PROTECTION WORKS

ITEM 302 of the Budget Bill

Budget page 1239

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

Amount requested ----- \$1,100,000

Estimated to be expended in 1967-68 fiscal year ----- 683,896

Increase (61.0 percent) ----- \$416,104

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Public Utilities Commission manages three railroad crossing safety programs, all supported by the State Highway Fund. The Grade Crossing Protection Works Fund created by Chapter 1739 of the Statutes of 1953 appropriated \$500,000 to provide the state's share in assisting cities and counties for installation of automatic protection at grade crossings on city streets and county roads. The budget bill has been used subsequently as the appropriation mechanism, but only for this first railroad crossing safety program. The state contributes 25 per-

Grade Crossing Protection Works—Continued

cent to the cost of installing each crossing device, local government matches with 25 percent, and the railroad company must pay for 50 percent of the cost. Chapter 1644 of the Statutes of 1965 amended the Public Utilities Code to provide support of maintenance of the automatic grade crossings on the same cost sharing basis. Prior to adoption of the 1965 amendment, the railroad companies were responsible for assuming the full cost of maintenance. The 1965 amendment provides for a continuous appropriation of the amount of funds required, as determined by the Public Utilities Commission, up to a maximum of \$1 million per year. The third railroad crossing safety program is the support of grade separation construction pursuant to Chapter 2091, Statutes of 1957. The grade separation program is supported by a continuing appropriation of \$5 million annually.

ANALYSIS AND RECOMMENDATIONS

The demand expressed by local government for matching funds has been used by the Public Utilities Commission to substantiate its request for funds to support the Grade Crossing Protection Fund program. Since inception of the program in 1953, the state has contributed \$3.9 million. The largest appropriation made in the past was for \$600,000 for the 1965-66 fiscal year and an appropriation of \$550,000 per year was made in each of the last two fiscal years. The Public Utilities Commission has aggressively stimulated local government interest in the program recently, partly because of an upward trend in grade crossing accidents. The Public Utilities Commission estimates that its backlog of unfilled demand will be approximately \$875,000 on June 30, 1968. Based on projecting demand for the 1968-69 fiscal year on the recent trend and on eliminating the backlog of demand over a five-year period, the commission estimates a need of \$1.1 million in the 1968-69 fiscal year.

We recommend approval of the amount requested.

SALARIES OF SUPERIOR COURT JUDGES

ITEM 303 of the Budget Bill

Budget page 1241

**FOR SUPPORT OF SALARIES OF SUPERIOR COURT JUDGES
FROM THE GENERAL FUND**

Amount requested.....	\$6,331,000
Estimated to be expended in 1967-68 fiscal year.....	6,181,468
Increase (2.4 percent)	\$149,532

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

Under provisions of Sections 68206 and 68207 of the Government Code the state must share in the salary costs of superior court judgeships. The share paid by the state is determined by county population. The state pays \$15,500 of the \$25,000 judge's salary in counties with

Salaries of Superior Court Judges—Continued

a population of 250,000 or more. In counties between 40,000 and 250,000 population the state contributes \$17,500, and in counties of under 40,000 population the state contributes \$19,500.

ANALYSIS AND RECOMMENDATIONS

The total amount requested for 1968-69 is \$6,331,000. This represents an increase of \$149,532, or 2.4 percent, over the estimated 1967-68 total expenditures of \$6,181,468. Both in the budget year and current year it is estimated savings in the amount of \$50,000 will be transferred to the Judicial Council to be expended for extra compensation and expenses of assigned judges. The estimated expenditures for 1967-68 includes \$257,468 to be requested from the Emergency Fund. The additional funds are required due to the increased number of superior court judges.

We recommend approval of this item as submitted.

CONTRIBUTIONS TO JUDGES' RETIREMENT FUND

ITEM 304 of the Budget Bill

Budget page 1242

**FOR CONTRIBUTIONS TO JUDGES' RETIREMENT FUND
FROM THE GENERAL FUND****Amount requested**

Budget Act appropriation (Item 304)-----	\$1,170,000
Continuing appropriation (Section 75101, Government Code)-----	1,347,360
Total -----	\$2,517,360
Estimated to be expended in 1967-68 fiscal year-----	2,139,691
Increase (17.7 percent)-----	\$377,669

TOTAL RECOMMENDED REDUCTION----- None

GENERAL PROGRAM STATEMENT

The Judges' Retirement System includes all judges from the municipal through the Supreme Court bench. There will be 744 judges participating in the budget year.

Contributions of state funds for its share of the support of the Judges' Retirement System are made as a continuing appropriation as required by Section 75101 of the Government Code. This contribution by the state has historically been in the exact percentage of the aggregate monthly salaries of judges as has been deducted from the individual judge's salary; thus prior to 1962 the percentage was 2.5 percent. In 1963 the percentage was increased to 4 percent and in 1964 was again increased to 8 percent, the present contribution rate.

These increases were made to endeavor to offset the effects of the increases in judgeships, salaries and a liberalization of retirement benefits on the Judges' Retirement Fund. The progressive deterioration of the solvency of the fund since the 1962-63 fiscal year is shown in Table 1. The last fiscal year in which receipts from contributions exceeded disbursements was 1959-60.

Table 1
Judges' Retirement Fund

	1962-63	1963-64	1964-65	1965-66	1966-67	<i>Estimated</i> 1967-68	<i>Estimated</i> 1968-69
Total resources, July 1-----	\$2,056,234	\$1,651,731	\$1,033,204	\$805,642	\$406,707	\$98,344	\$115,115
Total receipts from contributions----	1,140,696	1,149,137	2,409,624	2,636,263	3,109,808 ^a	3,734,744 ^b	4,641,860 ^c
Total available -----	3,196,930	2,800,868	3,442,904	3,441,905	3,516,515	3,833,088	4,756,975
Total expenditures -----	1,545,199	1,767,664	2,637,262	3,035,198	3,418,171	3,717,973	4,632,264

^a Includes allocation of \$316,000 from Emergency Fund.

^b Includes Emergency Fund allocation of \$120,000 and a budget appropriation (Item 294.5) of \$700,000.

^c Includes a Budget Act appropriation of \$1,170,000.

Contributions to Judges' Retirement Fund—Continued

The increased disbursements of \$914,291, or 24.6 percent, for the budget year over the current year reflect the ten-month cost resulting from the statutory quadrennial increase of approximately 20 percent (Section 68203 of the Government Code) in salaries paid active judges. The retirement allowances paid retired judges are based on the salaries paid active judges.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,170,000 to fund the estimated 1968-69 deficiency in the Judges' Retirement Fund. Section 75107 of the Government Code provides that:

"... it shall be the duty and obligation of the Legislature to appropriate, in the State Budget Act, or otherwise, such sums as may be necessary to make the Judges' Retirement Fund fully sufficient to pay all of the obligations of the fund which will become payable during the ensuing fiscal year."

The amount proposed by this appropriation and the \$1,347,360 which results from the continuing appropriation which is equivalent to 8 percent of the salaries of all judges prescribed by Section 75101 of the Government Code will make available a total of \$2,517,360 as the state support of retirement allowances for judges and dependents. *We recommend approval of the amount budgeted.*

We recommend the Legislature make changes in the Judges' Retirement System affecting future members which will put the system on a sounder financial basis and will also reflect the most desirable retirement objectives.

The Judges' Retirement System is an unusual system in that the members come into the system at a much more mature age than in other retirement systems. The age of the average judge being appointed or initially elected is 45 years. As long as the present method of the selection of judges is continued, the entrance into the system at an advanced age will continue.

Any revision of the system affecting future judges must take into consideration the variation in the age at entrance into the system of those persons becoming judges.

The Legislative Counsel in an opinion dated January 5, 1966, stated that the imposition of a mandatory retirement age for judges would be held unconstitutional. In lieu of a mandatory retirement age the present incentive retirement provision appears to be the best method of continuing the present policy of removing older judges from the bench and replacing them with younger men. Although the incentive retirement provision has worked very well in bringing about the retirement of older judges, it must be kept in mind that the provision is a costly one. Raising the age from 70 to 72 could considerably reduce the drain on the retirement fund.

If the incentive retirement provision is retained, the state should contribute a percentage into the Judges' Retirement Fund that is greater than the judges' on the theory that it is in the overall public interest to remove older judges from the bench and replace them with younger men. In the federal judiciary a retired judge remains on full salary after retirement.

Contributions to Judges' Retirement Fund—Continued

Included in the revision of the present system we recommend that the widow's survivor benefits be based on an actuarially determined computation rather than the present provision of an allowance which is one-half of the judge's allowance.

We also believe that the adjustment in benefits of retired members to reflect the current salary of judges is illogical and costly and should be replaced by an adjustment factor which reflects only changes in the purchasing power of the dollar. This would maintain the value of a member's retirement income but would not add to it values which reflect policy changes or productivity factors which have no logical bearing on retired persons.

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

ITEM 305 of the Budget Bill

Budget page 1243

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

Amount requested	\$500,000
Estimated to be expended in 1967-68 fiscal year	500,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

County veterans service officers may be appointed by the board of supervisors of any county. The duty of the county veterans service officer is to provide the aid necessary to assist veterans and the dependents of deceased veterans to prepare, present and pursue any claim the veteran may have against the United States resulting from war service, and in establishing the veteran's right to any privilege, preference, care or compensation provided by the laws of the United States or of this state. The county veterans service officer has the authority to administer and certify oaths and affirmations, and to take and certify affidavits and acknowledgments.

ANALYSIS AND RECOMMENDATIONS

The total state appropriation for this purpose has remained at \$500,000 since 1961-62. The total amount expended by the counties for this service in 1961-62 was \$1,278,345.43 and the amount allocated by the state was \$498,430.89 or 38.99 percent. In 1966-67 the total expended by the counties was \$2,043,089.70 and the amount allocated by the state was \$499,989.70 or 24.47 percent. Payments toward the salary of a service officer cannot exceed \$75 a month. Counties may also use these allocated funds to pay part of the salaries of assistants to service officers and operating expenses as determined by the California Veterans Board. The total amount allocated to any one county cannot exceed \$35,000 per year.

We recommend approval of this item as budgeted.

State Disaster Office

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

ITEM 306 of the Budget Bill

Budget page 1243

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

Amount requested -----	\$50,000
Estimated to be expended in 1967-68 fiscal year -----	50,000

Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None
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ANALYSIS AND RECOMMENDATIONS

Workmen's compensation for disaster workers is provided for by Chapter 10, Division 4, of the Labor Code. There are 25,000 to 40,000 volunteer disaster service workers who risk injury in the course of their service or training. The budget appropriation for the current year was \$62,000, of which it is estimated that only \$50,000 will be expended. Thus \$50,000 is requested for the 1968-69 fiscal year.

We recommend approval of the item as budgeted.

ASSISTANCE TO CITIES AND COUNTIES FOR PEACE OFFICERS' STANDARDS AND TRAINING

ITEM 307 of the Budget Bill

Budget page 1243

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

Amount requested -----	\$2,156,016
Estimated to be expended in 1967-68 fiscal year -----	1,873,700

Increase (15.1 percent) -----	\$282,316
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

This item provides assistance to cities and counties in training peace officers. In accordance with Chapter 1823, Statutes of 1959, allocations of moneys collected from a \$2 assessment for each \$20 or fraction thereof of criminal fines will be made to those cities and counties which adhere to standards for recruitment and training established by the Commission on Peace Officers' Standards and Training. This fund will pay up to 50 percent of the salary and wage costs and expenses incurred in the training of officers who meet the standards set by the Commission on Peace Officers' Standards and Training.

The penalty assessment of \$2 for every \$20 of criminal fines has been increased to \$5 for every \$20 by Chapter 1640, Statutes of 1967, and became effective on November 8, 1967. It is expected, however, that the 150 percent proportional increase will not be realized before July

Assistance to Cities and Counties for Peace Officers'

Standards and Training—Continued

1968. As a consequence, no additions to the current level training program, except pilot courses in middle management training and executive development, are planned before July 1968.

ANALYSIS AND RECOMMENDATIONS

The total amount of \$2,156,016 is requested for fiscal year 1968-69 from the Peace Officers' Training Fund. This is an increase of \$282,316 or 15.1 percent over estimated expenditures of \$1,873,700 for fiscal year 1967-68.

An emergency authorization of \$878,500 was allocated from the Peace Officers' Training Fund during the current fiscal year for reimbursements to cities and counties for training of officers during the last half of fiscal year 1966-67. Beginning in the 1968-69 fiscal year the commission will declare allocations at the close of the fiscal year.

A summary of the program is as follows:

	Actual 1966-67	Estimated 1967-68	Estimated 1968-69
Jurisdictions participating -----	389	420	457
Officers trained -----	2,985	3,535	4,150

We recommend approval as budgeted.

ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS

ITEM 308 of the Budget Bill

Budget page 1244

FOR SUPPORT OF ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS, FROM THE GENERAL FUND

Amount requested -----	\$875,000
Estimated to be expended in 1967-68 fiscal year -----	600,000
Increase (45.8 percent) -----	\$275,000
Increase to improve level of service -----	\$236,250

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

This budget item provides for a state subvention to the counties to maintain legal assistance for indigents charged with violation of the criminal laws of the state. The subvention is authorized under Section 987(b) of the Penal Code.

ANALYSIS AND RECOMMENDATIONS

The total amount requested for 1968-69 is \$875,000, which is \$275,000 or 45.8 percent above the 1967-68 estimated expenditures. The subvention is based on the state paying a percentage of the total estimated to be expended by the counties for the designated services. The amount requested represents the legal maximum, i.e. 10 percent, of the estimated county expenditure of \$8,750,000 in 1968-69.

Assistance to Counties for Public Defenders—Continued

The program was first budgeted in the 1965-66 Governor's Budget and the Department of Finance estimated \$500,000 would be needed. The actual subvention for that year was \$432,485 which was \$67,515 or 13.5 percent under the estimated expenditure. For 1966-67, the Department of Finance estimated \$600,000 would be needed and \$630,140 was expended. The additional \$30,140 was obtained from the \$67,515 carried over from 1965-66. The remaining \$37,375 is shown in the 1968-69 Governor's Budget as an unexpended balance, representing estimated savings for 1966-67. The amount estimated for expenditure in 1967-68 of \$600,000 represents 7.3 percent of the counties' anticipated expenditure of \$8,250,000. The 1967-68 estimated expenditures were held at the 1966-67 budgeted level to effect budgetary savings. As more experience is gained with this subvention item, the estimates of expenditures by counties should become more in line with actual experience.

We recommend approval of the item as budgeted.

SENIOR CITIZENS PROPERTY TAX ASSISTANCE

ITEM 309 of the Budget Bill

Budget page 1248

FOR SUPPORT OF SENIOR CITIZENS PROPERTY TAX ASSISTANCE FROM THE GENERAL FUND

Amount requested	\$22,000,000
Estimated to be expended in 1967-68 fiscal year	None

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

Reimbursements under this program will be made to owners of single family houses who are over 65 years of age, when the combined income of all residents of the home falls at or below \$3,350 annually. A detailed explanation of the administrative expenses of this program will be found in the analysis of Item 121, the Franchise Tax Board budget.

We recommend approval as budgeted.

CAPITAL OUTLAY

Summary

Immediately after World II, the state had large sums of sequestered funds available for capital outlay. Later the electorate approved a series of bond issues which largely financed the plant expansion program without competing for General Fund dollars.

Now, for the first time, neither General Fund surpluses nor bond funds are available for continued plant expansion. Instead, the expansion is now in direct and hard competition with support needs.

After giving effect to the Governor's line item vetoes, the Budget Act of 1967 appropriated a total of over \$172,833,000 for all capital outlay purposes and from all sources, excluding the highway construction program and the water development program which do not appear