funding of all manpower programs referred to the federal Manpower Administration for consideration.

To implement the system, the Manpower Administration has funded manpower planning staffs for the Manpower Area Planning Councils in nine urban areas throughout the state. These staffs are generally located in the office of city mayors. In addition to these staff positions, HRD provides 14 federally funded executive secretary positions to the councils. In rural areas this type of planning staff support to the Ancillary Manpower Planning Boards is provided by three federally funded positions also employed by HRD and serve seven rural areas.

Recommendations made by the various Manpower Area Planning Councils and Ancillary Boards are forwarded directly to the Regional Manpower Administrator with a copy to the State Manpower Planning Council. The state council may comment upon these recommendations to the Regional Manpower Administrator. The State Manpower Planning Council plans are to be likewise forwarded to the Regional Manpower Administrator for consideration and action. In this instance the Manpower Area Planning Councils are provided a copy of the state plan upon which they may comment. Differences between such local recommendations and the comments on such manpower planning and funding by the state council are reconciled at the Regional Manpower Administrator's level. Because the funding source of the majority of such programs is through the Department of Labor, necessarily the federal budgetary constraints and policy decisions will be reflected in the emphasis and direction of the programs. As this manpower planning system, since its reorganization, has not gone through a complete cycle of local submission of programs and recommendations for funding, its impact on the federally funded state administered manpower programs cannot be assessed at this time.

Department of Mental Hygiene

SUMMARY

Proposed total program expenditures 1972–73 (all funds)	$397,872,324
Estimated total program expenditures 1971–72 (all funds)	368,862,329
Increase (7.9 percent)	29,009,995

GENERAL PROGRAM STATEMENT

Proposed total expenditures for all programs conducted by the Department of Mental Hygiene during 1972–73 are $397,872,324. These programs are to be financed by $340,275,179 from General Fund appropriations and $57,597,145 from federal funds and reimbursements.

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SUMMARY—Continued

The 1972–73 expenditures represent an increase of $29,009,995 or 7.9 percent above the total amount estimated to be expended during the current year.

The department administers the following programs:

1. Prevention of mental illness and mental retardation.
2. Diagnosis of mental illness and mental retardation.
3. Care and treatment of persons suffering from mental illness and mental retardation.
4. Research into the causes of mental illness and mental retardation.
5. Training to assure sufficient manpower to carry out departmental programs.
6. Assistance to communities providing local mental health services in 58 programs.

These programs will be carried out at state and local facilities including seven state hospitals for the mentally ill, five state hospitals for the mentaly retarded, 58 community Short-Doyle programs, and departmental administration. The two neuropsychiatric institutes, formerly included as part of this program, are proposed to be transferred to the University of California on July 1, 1972.

Department of Mental Hygiene

DEPARTMENTAL ADMINISTRATION

Item 241 from the General Fund — Budget p. 115 Program p. 875

Requested 1972–73	$7,037,930
Estimated 1971–72	6,607,312
Actual 1970–71	6,534,833
Requested increase $430,618 (6.5 percent)	
Total recommended increase	$1,331,636

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

5. The reduction of data processing equipment for a General Fund savings of $94,000. 659
6. The transfer of departmental data processing requirements to the computer being installed in the Department of Human Resources Development. 660
7. An augmentation of $1,500,000 for statewide minor capital improvement projects. 662

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene is charged with the responsibility of conducting California's mental health programs within established guidelines, both medically and administratively. Executive authority is vested with the Director of Mental Hygiene. To aid the director in fulfilling his responsibilities, the department maintains a program of administration which is divided into two broad areas: Medical Program Administration and Administrative Management.

Medical Program Administration includes the Division of Direct Services, the Division of Local Programs and the Program Review Unit. Administrative Management includes bureaus and units for accounting, budget planning and analysis, facility planning, program audits, data processing, legal services, guardianship, and management systems.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures for departmental administration in the amount of $12,166,211. This includes a General Fund appropriation of $7,037,930 and $5,128,281 in reimbursements. The proposed total represents a decrease of $1,458,199, or 10.7 percent, from the amount estimated to be expended in the current year. The General Fund amount proposed for 1972–73, however, represents an increase over the current year of $430,618, or 6.5 percent. The net decrease in expenditures represents a reduction in reimbursements and is not connected with a decrease in proposed workload.

The budget proposes the creation of 66.9 new positions in departmental administration. 38.5 of these positions were administratively created during the current year and are proposed to continue, while 28.4 positions are new. In addition, the budget proposes the transfer of the Community Services Branch, a total of 915.5 positions, from the State Department of Social Welfare to the Department of Mental Hygiene. These positions will be located in the Departmental Administration Program, although their functions will be performed in, and they will be funded through the Mental Illness and Mental Retardation Programs.

Proposed New Positions

We recommend approval of 60.9 of the proposed 66.9 new positions in the Departmental Administration Program. We further recommend that the 6 positions proposed to be added to the Patient Benefit

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DEPARTMENTAL ADMINISTRATION—Continued

and Insurance Unit not be approved.

The positions recommended for approval represent various professional and clerical positions which are related to verifiable increases in workload. The new duties imposed on the department by Chapter 1609, Statutes of 1971, relating to evaluation studies, together with the assumption by the department of administration of the Short-Doyle/Medi-Cal Program account for most of the workload increase. The remaining workload is accounted for by increased demands in the data collection and processing elements, as a result of full implementation of the local cost reporting/data collection system.

The budget proposes, however, the addition of four professional and two clerical positions in the Patient Benefit and Insurance Unit. These positions do not appear to be justified on a workload basis and we recommend against their approval for a General Fund savings of $48,024 in salaries and wages, plus related operating expenses.

The Patient Benefit and Insurance Unit is responsible for the location, protection and conservation of patient's benefits, and the collection of revenue on an equitable basis. The unit also assists community health programs with determining patient's ability to pay, and with uniform fee collection activities. The budget proposal to add six positions to this activity at a time when inpatient populations at the hospitals for the mentally ill have declined nearly 27 percent in the past year is not justified. If there is indeed sufficient need to make a concerted effort for increased fee collections in local programs, redirection of existing staff resources should be utilized rather than the addition of new staff.

Bureau of Nutrition

We recommend the elimination of the Bureau of Nutrition for a General Fund savings of $26,340 in salaries and wages, plus related operating expense.

The Bureau of Nutrition is charged with the supervision of the food preparation system in the state hospitals. In recent years, the bureau has developed a ration schedule which is used at all state hospitals. This schedule is automated to provide nutritional portions for any number of patients. Food service personnel at the hospitals order and prepare food according to the schedule. The budget proposes to support 29 food administrator positions at the various state hospitals during the budget year. In addition, the hospital administrators at each hospital closely monitor food purchasing, preparation, and delivery operations with minimum direction from the Bureau of Nutrition. As hospital populations continue to decline, the need for supervision of food preparation from headquarters staff becomes less and less justifiable. The projected decline in patient population mitigates against the retention of the Bureau of Nutrition and we therefore recommend its elimination.

Transfer of Community Services Branch

We recommend that the proposed transfer of the staff of the Community Services Branch from the State Department of Social Welfare to the Department of Mental Hygiene be given special review by the Legislature.

The budget proposes the transfer of 915.5 positions from the State Department of Social Welfare (SDSW) to the Department of Mental Hygiene. This transfer represents the relocation of the Community Services Branch (CSB) of SDSW.

The Community Services Branch, formerly called the Community Services Division, has been located in the State Department of Social Welfare since 1966 when it was transferred from the Department of Mental Hygiene by action of the Legislature through Budget Act amendment. The major reason for the 1966 transfer was to make maximum use of federal funds available to SDSW under the single state agency concept.

The primary function of CSB is to provide precare and aftercare services to mentally ill persons, and protective living services to the mentally retarded. The core of the staff of CSB consists of psychiatric social workers who evaluate placement plans for patients and find community resources that will permit satisfactory convalescence for mentally ill and retarded patients after hospital release. CSB provides these services under contract with county Short-Doyle programs and regional centers for the mentally retarded.

The proposed transfer of CSB back to the Department of Mental Hygiene merits special legislative review for several reasons. The Governor's Reorganization Plan No. 1 of 1970 called for the incorporation of the CSB staff into the Department of Health created by that plan. Through various executive and legislative actions the implementation of Reorganization Plan No. 1 has been delayed until July 1, 1973. Transfer of CSB during the coming fiscal year may be counter to expressed legislative intent.

Second, the budget proposal calls for the transfer of the entire CSB staff, consisting of 915.5 positions. During the current year, funds for the operation of CSB were budgeted in the Departments of Public Health and Mental Hygiene. CSB staff, however, remained under the administrative direction of SDSW, with Public Health and Mental Hygiene contracting with SDSW for CSB staff services. Most of these positions are psychiatric social workers and clerical staff assigned on a projected caseload basis. Caseload is largely determined on the basis of contracts between CSB and local mental health and mental retardation agencies. During the current year, seven Short-Doyle counties which had formerly contracted with CSB have opted to contract with other agencies for precare and aftercare services for the mentally ill. It is our understanding that in the budget year, between 8 and 10 additional Short-Doyle counties have indicated that they will no longer be contracting with CSB for services. This raises the question

DEPARTMENTAL ADMINISTRATION—Continued

as to the need for the entire existing staff of CSB regardless of the agency in which it is located. Additionally, of the 915.5 positions proposed to be transferred, only 885.5 of these positions have had specific legislative approval as CSB positions. The remaining 30 positions were formerly included in SDSW's budget and were administratively transferred to CSB during the current year.

Third, the budget proposal would split the CSB staff between the Mental Illness program and the Mental Retardation program, providing identical administrative staff for each component. This duplication of administrative staff has not existed prior to the current fiscal year, and we fail to see adequate justification for it at the present time. It appears reasonable to assume that the administrative structure which has been successful in the past would continue to be so should the transfer be approved. During the current year, nine top administrative positions were added to CSB for reasons which are unclear from a program standpoint.

For the above-stated reasons, we recommend that the Legislature give special review to the proposed transfer of the Community Services Branch Personnel prior to the approval of this item.

STATE HOSPITAL COST REPORTING SYSTEM

System Background and Objectives

For the past two years in the analysis of the Budget Bill we have discussed the State Hospital Cost Reporting System which was developed as a result of 1966 federal legislation requiring a more accurate determination of the cost of care provided Medicare recipients. In May of 1967, the department began developing this system which was basically designed to identify labor cost centers for the various types of care on specific wards in all the state hospitals (since labor costs represent approximately 80 percent of all costs). The basic objectives of the system were to (1) provide a method for determining actual costs, (2) provide an automated billing system, and (3) provide headquarters and hospitals with useful information for management purposes. A private consultant was retained in April 1967 to develop and install the hospital cost reporting system for a total cost of $390,000. After experiencing a number of delays, the system was completed and the department began operating in the spring of 1970. Achievement of the stated objectives was expected to increase state revenues from the federal government, insurance companies and individual patients and also permit a detailed analysis of workload, costs and revenues to assist in the management of the state hospital system.

Any evaluation of the effectiveness of the State Hospital Cost Reporting System must therefore examine both the generation of additional revenues and the effectiveness of the management reports produced by the system.

Management Reports of Questionable Value

In last year's analysis, while we noted that although the Department of Mental Hygiene claimed that the monthly hospital management reports were producing highly satisfactory results, we pointed out that the hospital administrators were not making adequate use of the management reports and the department had not assigned staff to analyze the information at the headquarters level. Further, we did not concur with the department that the information being collected constituted a "management information system" because it (1) collected data on labor costs only, (2) did not contain any means upon which effectiveness of programs could be measured, and (3) provided no systematic means to make changes in the program once deficiencies were discovered.

We recommended that the Department of Mental Hygiene submit to the Joint Legislative Budget Committee by August 1, 1971, a thorough analysis of the utilization and effectiveness of the monthly hospital cost reports. The Legislature adopted this recommendation and the department complied by submitting a report on July 19, 1971. In our opinion, this report does not meet the quality of analysis implied by our recommendation because it merely consisted of a number of unsubstantiated statements about this system by the departmental headquarters staff and contained approximately three pages of anonymous testimonials from "hospital administrators." The hospital administrators' statements were not substantiated with factual data and consisted of such generalizations as, "We have utilized the information in planning programs and staff assignments on an ongoing basis," or "The information from management reports has been considered an important factor in our decisions to close wards and consolidate patient population." Actual changes which have occurred or specific benefits derived from such changes were not identified or discussed.

Auditor General Concurrence

In a recent audit of the data processing functions of the department of Mental Hygiene, the Auditor General concurred with our findings over the past two years regarding the management reports and recommended that the Department of Mental Hygiene establish a task force to determine the management reporting requirements of the department including indicators for evaluating treatment programs. We concur with the intent of this recommendation but, after making similar recommendations for the past two years, doubt that the department will respond to the implications of the Auditor General's recommendation or will be able to make an objective analysis of the department's management reporting requirements. *We recommend that the management reports be eliminated as an output of the hospital cost reporting system if the department cannot adequately demonstrate their usefulness with specific information which documents savings or other benefits achieved.* Without such evidence,

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DEPARTMENTAL ADMINISTRATION—Continued

these reports cannot justify the direct expenditure of funds, computer time and the indirect expenditure of man-hours necessary to produce them.

Revenue Underestimated

The Auditor General's report also indicates that the State Hospital Cost Reporting System has failed to produce the revenues originally projected, although revenues are still above those which accrued under the manual system. For the previous two years revenues increased by over $40 million but have decreased by $9,117,023 during the past year.

The Auditor General explains the sharp increase in revenues during the first two years of operations as the natural result of introducing a collection system, computerized or not, to an environment which had virtually no collection system previously in terms of identifying costs. Further, the Auditor General concludes that the decrease in revenues during the last year is due to a decrease in patient population in the state hospitals and the leveling-off of Medi-Cal claim collections. This may indicate the start of a decreasing revenue trend which will eventually eliminate the need for an automated billing system.

The Auditor General has also questioned the need for a fast response billing system because Medi-Cal claims represent the largest revenue source and these claims tend to represent services rendered to long-term mentally retarded patients whose status does not change quickly. The Auditor General's conclusion is that a reevaluation of the need, objectives and requirements for the State Hospital Cost Reporting System is required. We concur, and will closely monitor the department's activities in this regard during the coming year.

LOCAL COST REPORTING/DATA COLLECTION SYSTEM

The Department of Mental Hygiene as a result of the Community Mental Health Services Law, Chapter 1667, Statutes of 1968 (Lanterman-Petris-Short Act), began developing a local cost reporting/data collection system in the fall of 1970. The development and implementation of the system was complete in September of 1971 and the system is now fully operational. The objectives of the reporting system as outlined in the 1968 act are to:

1. Guarantee that charges for services to mentally disordered persons or persons affected with chronic alcoholism under a county Short-Doyle plan shall not exceed the actual cost thereof in accordance with standard accounting practices.
2. Establish uniform methods for determining individual patient's ability to pay.
3. Provide uniform collection procedures.
4. Supply management information relating to the cost of patient care and treatment, specifically the cost of program priorities detailed

by types of services defined by law.

5. Permit analysis and comparison of local facilities within a common frame of reference.

6. Provide cost/effectiveness analysis to be used in determining local program economic feasibility.

7. Apply to all facilities but be designed to be flexible and adaptable so that each facility can tailor the system to that facility's unique activities and needs.

8. Provide management control.

Although it is too early to determine the impact of the new system on the counties or the Department of Mental Hygiene's ability to use the data being gathered, the department reports that the implementation has occurred with few problems and only minor modifications must occur to make the system fully operational.

Program Effectiveness Measurement

In our analysis of the 1970–71 Governor's Budget we recommended that the Department of Mental Hygiene and the private consultant selected for Phase B (implementation) of the Local Cost Reporting/Data Collection System continue to define evaluation criteria for mental health program effectiveness during the system development. As a result of this recommendation, the department amended its contract with the consultant to include a requirement for an analysis of methods for developing effectiveness criteria.

The consultant, in a memo to the department's management, dated December 8, 1971 (three months after the contract was terminated), concluded that:

"1. There are no definite reliable uniformly accepted standard measures of patient benefits;

2. Those patient benefit evaluation methods that do exist are founded upon the subjective judgment of a professional clinician;

3. Program effectiveness criteria are difficult to quantify, and validating data more difficult to isolate from other societal factors; and

4. Outcome evaluation generally involves a patient tracking system."

By this memo, the consultant is admitting a lack of success in solving the effectiveness criteria problem. However, even though unsuccessful, the state at least has the results of a specific inquiry into the problem of measuring the effectiveness of a social program with documented findings. This in itself is a positive step since, to our knowledge, no other attempt of this kind has been made.

DATA PROCESSING SERVICES UNIT

We recommend that the Department of Mental Hygiene's computer configuration be reduced by one printer, two tape drives, two video terminals, one disc drive, and 131,000 positions of core storage for a savings of $94,000.

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DEPARTMENTAL ADMINISTRATION—Continued

We also recommend that the Department of Mental Hygiene, with the assistance of the Department of Finance EDP Control and Development Division, take immediate steps to phase out the Department of Mental Hygiene RCA Spectra 70/45 computer and transfer all data processing requirements of the department to the new IBM 370/165 computer being installed in the Department of Human Resources Development.

Overestimated Computer Needs for Local Cost Reporting System

During the initial stages of the design of the Local Cost Reporting/Data Collection System, the department estimated that the eventual requirements of the system would mandate a larger computer configuration than the department possessed at that time. However, actual experience with the implemented system indicates that this was an overestimate since the local cost reporting system has not resulted in a demand for more equipment.

The department has continued its request for rental funds for the above equipment items however, for the purpose of providing services to other departments in compliance with the provisions of the state EDP Long-Range Master Plan.

The total funds requested for operation of the Department of Mental Hygiene computer system during the proposed fiscal year is $1,539,599. We recommend that this budget request be reduced by $94,000 which will eliminate one printer, two magnetic tape drives, one disc drive and 131,000 positions of core storage.

Similar problems have arisen with this EDP installation in the past and in our 1970–71 Analysis of the Governor's Budget, we recommended a reduction of $246,891 for additional computer equipment and staff. This recommendation was accepted by the fiscal committees but the final amount reduced was $429,000 due to erroneous budget data in the department's original submission.

It should be noted that the Auditor General, in the EDP audit of the Department of Mental Hygiene mentioned earlier, evaluated the extra equipment procured for the local cost reporting system and recommended a reduction. This audit also called attention to the following: (1) the EDP installation makes poor use of multiprogramming and job scheduling techniques; (2) an inordinant amount of programming test and rerun time is evident; and (3) there is a general lack of EDP controls with respect to the State Hospital Cost Reporting System. These findings coincide with our earlier assessment of this particular EDP installation.

Consolidation of Mental Hygiene Computer

For the past several years we have recommended that the State of California make maximum effort to consolidate its electronic data processing resources. Consolidation would provide a number of obvi-

ous benefits, in our judgment, including lower unit costs and greater overall productivity. Consolidation will also greatly assist in the control, development and management of the state's EDP resources in order to achieve maximum benefits at the least cost.

A recommendation to phase out the DMH computer and consolidate this workload on the Department of Human Resources Development's new computer is consistent with our past recommendations and can be supported as follows: (1) the state is now operating under a statewide long-range master plan for electronic data processing which has as a primary goal the consolidation of EDP resources based on the activities of functionally similar departments; (2) in past years we have recommended that a Human Relations Agency Service Center be developed (a full discussion of this recommendation can be found under our Department of Finance analysis Item 61; and (3) an IBM 370/165 computer is being installed at the Department of Human Resources Development (HRD) which represents approximately one-third of all of the computing power which now exists in the State of California. After all the programs required by HRD are transferred to the new computer, there will be substantial computer time for additional work and the system can be readily expanded for future work. The recommendation to phase out the DMH computer should result in savings on equipment rental, operations and management personnel together with increasing the computing power available to the department. These factors coupled with a decreasing requirement for the State Hospital Cost Reporting System, a local cost reporting data collection system that has only minimal requirements and the problems identified with the DMH computer center in recent years make this consolidation a logical next step in the state's program to reduce the proliferation of electronic computers.

If the HRD computer becomes an agency computer center as recommended, the probability of providing an integrated "people oriented" information system which crosses departmental boundaries will also be enhanced.

Minor Capital Outlay

The proposed budget for the Department of Mental Hygiene contains no funds for minor capital outlay. This is the second year in which no funds have been budgeted for this purpose. In fiscal year 1970–71, minor capital outlay was funded with a $700,000 appropriation. Thus, in a three-year period, the department has had available only $700,000 with which to conduct minor construction projects.

This policy has had a detrimental effect on the maintenance of many of the buildings and utilities of the state hospitals. Continuation of this policy will only allow further deterioration of facilities and will ultimately increase costs of maintenance and repairs when they must finally be made. Even if the decision is made to close certain hospitals, and populations continue to decline, those hospitals remaining in the

DEPARTMENTAL ADMINISTRATION—Continued

system will continue to have ongoing repair and maintenance needs which will go unmet unless funds are provided.

We recommend, therefore, that a lump sum appropriation of $1,500,000 be made to the Department of Mental Hygiene for statewide minor capital improvement projects. We further recommend that these funds be used only for projects directly related to patient care or for the maintenance and repair of critical utilities, and that the department submit a report on the expenditure of these funds to the Joint Legislative Budget Committee by March 31, 1973.

Department of Mental Hygiene
RESEARCH AND TRAINING

Item 242 from the General Fund — Budget p. 155 — Program p. 871

Requested 1972–73	$1,661,347
Estimated 1971–72	4,948,193
Actual 1970–71	7,060,476
Requested decrease $3,286,846 (66.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Department of Mental Hygiene conducts and supports research into the causes underlying mental illness and mental retardation. In addition, the department develops and implements training programs to alleviate the shortage of trained manpower in the field of mental health.

Research is conducted at specified research centers located at the various state hospitals and neuropsychiatric institutes and is focused on particular mental health problems. Training activities are carried out in local mental health programs, state hospitals, at centers for training in community psychiatry, and in colleges and universities.

In the past, the discharge of research and training activities has been difficult due to a policy which has required the budgeting of resources to specific units and facilities. The budget proposes that this policy be changed during 1972–73 to permit the allocation of resources on an objective basis. This will permit the establishment or deletion of positions to fit circumstances.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The amount proposed in this item provides support for both research and training activities. Of the total General Fund amount,

$809,342 is requested for research activities, and $852,000 is requested for training. The amount for research represents an increase of $23,389 above the amount estimated to be expended during the current year, while the amount requested for training represents a decrease of $3,310,240. The General Fund amounts for research and training will be augmented by federal funds and reimbursements to bring total 1972–73 support to $5,667,002 for research and $1,793,194 for training, providing a total program expenditure of $7,460,196. This is a decrease in total program of $1,775,219, or 19.2 percent below the current year.

The decrease in expenditure is largely attributable to the decline in patient population at the hospitals for the mentally ill, resulting in a decline in psychiatric technician training. The budget proposal does provide for the retraining of surplus psychiatric technicians to serve in hospitals for the retarded and in community mental health programs. The budget also provides for the transfer of a portion of the medical residency program from state hospitals to local programs.

Department of Mental Hygiene
PROGRAMS FOR THE MENTALLY ILL

Items 243 and 245 from the General Fund — Budget p. 155, L-38 — Program p. 861

Requested 1972–73	$220,968,947
Estimated 1971–72	211,110,744
Actual 1970–71	198,832,302
Requested increase $9,858,203 (4.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. We recommend the Department of Mental Hygiene submit a detailed plan for the closure of state hospitals to the Legislature by April 1, 1972. — 668

GENERAL PROGRAM STATEMENT

In terms of dollar expenditures, the largest program conducted and administered by the Department of Mental Hygiene is the provision of services to the mentally ill. This program involves the maintenance of eight state hospitals for the mentally ill, and the provision of financial assistance to 58 county and community local mental health programs.

The program has two basic elements, state services to the mentally ill, which the state supports 100 percent from the General Fund, and contract services provided to local mental health programs which are supported 90 percent from state funds and 10 percent from local

281 11 5 405

PROGRAMS FOR THE MENTALLY ILL—Continued

funds.

Under the first element, state hospital services are provided to mentally ill persons who have been arrested for criminal offenses, and to mentally ill persons from those counties not having an organized mental health program. The state is also responsible under this element for the treatment of mentally ill persons who cannot be identified as residents of any county and for whom the cost of care cannot be charged to any specific local program.

The second element is the provision of financial assistance to community mental health programs pursuant to the Short-Doyle and Lanterman-Petris-Short Acts. There are currently 56 counties and two cities maintaining approved Short-Doyle programs.

The Lanterman-Petris-Short Act (LPS) authorizes Short-Doyle programs to deliver up to 10 different mental health services which are eligible for 90 percent state reimbursement. These services include direct patient services such as inpatient, outpatient, and partial hospitalization; special patient services such as diagnosis, precare, aftercare, rehabilitation, and emergency services; and program support services such as information, consultation and education, research and evaluation, and training.

Under LPS, a single state appropriation is made to the Department of Mental Hygiene for services to mentally ill persons. This appropriation is to cover reimbursement to Short-Doyle programs, for operation of the state hospitals for the mentally ill, and for other direct services of the department to the mentally ill. The Director of Mental Hygiene determines the amount of state funds available to each local program according to approved priorities.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total General Fund expenditure of $220,968,947 in two items for support of the mentally ill in state hospitals and for subvention to local programs. These items are as follows:

Item 243,	for support of the hospitals for the mentally ill for judicially committed patients, patients committed pursuant to the Penal Code and those mentally ill patients whose county of residence is not participating in a local mental health program as provided in Division 5 of the Welfare and Institutions Code, Department of Mental Hygiene	$19,531,664
Item 245,	for assistance to local agencies in the establishment and operation of mental health services, in accordance with the provisions of Division 5 of the Welfare and Institutions Code	$201,437,283
Total		$220,968,947

Within the $201,437,283 proposed for local support is $78,126,686 for support of state hospital services for local programs. The amount available for reimbursement to local programs is $123,310,597 which will cover 90 percent of local program costs. Included in the $123,310,597 is $7,188,108 for the purchase of precare and aftercare services, $500,000 for the purchase of alcoholic rehabilitation services, and $16,370,000 for the purchase of services through the Medi-Cal program. Also included is $8,459,360 for fiscal year adjustments which represent the June 1972 costs carried forward into the budget year, and the payments to counties whose county share of the cost of program increases has exceeded a rate of $0.01 per $100 of assessed valuation as prescribed by law.

State Hospital Closure

Although the proposed budget for 1972–73 does not specifically recommend any hospital closures during the budget year, little doubt is left that this course of action is intended to be taken in order to realize the recommended savings and position eliminations proposed in the

Table 1

Estimated June 30 Inpatient Population, Hospitals for the Mentally Ill

Hospital	*Estimated Inpatient Population* 6/30/72	6/30/73
Agnews	0	0
Atascadero [1]	1,225	1,220
Camarillo	1,625	1,400
DeWitt	0	0
Mendocino	500	370
Metropolitan	1,362	1,150
Napa	1,513	1,320
Patton	900	740
Stockton	818	800
Totals	7,943	7,000
Totals, less Atascadero	6,718	5,780

[1] Since Atascadero treats primarily those patients committed under sections of the Penal Code, its population is not subject to the same factors as other hospitals and should therefore not be included in these calculations. It is presented here for informational purposes only.

Table 2

Proposed Changes in Positions, Hospitals for the Mentally Ill 1972–73

Transfer in authorized positions	+5.0
Reduction in authorized positions	
Administration	−138.5
Care and welfare	−183.4
Adjustments to workload	−1,471.0
Support and subsistance	−407.0
Plant operation and farming	−253.5
Proposed new positions	
Programs for mentally ill children	+71.0
Programs for mentally ill adolescents	+16.5
Net totals, hospitals for the mentally ill	−2,360.9
Total savings related to position changes	$14,673,324

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PROGRAMS FOR THE MENTALLY ILL—Continued

budget. In fact, the program budget on page 888 recommends the elimination of 982.4 positions related to "hospital closure." Tables 1 and 2 show estimated inpatient populations at the hospitals for the mentally ill for the end of the current and budget years, and the budget proposal relating to position changes in these hospitals.

Examination of Tables 1 and 2 suggests that the department plans to initiate the closure of at least two hospitals during the budget year for a projected savings of $14,673,324.

Historical Background

In order to understand the rapid decline in the number of mentally ill patients resident in the state hospitals, it is necessary to consider the fundamental changes which have occurred in California's mental health programs, especially since July 1, 1969.

In 1955, the only mental health services supported by the state were provided in a network of 14 state hospitals, 10 for treatment of the mentally ill and four for the treatment of the mentally retarded. Inpatient populations totaled 37,000 in the hospitals for the mentally ill and 11,000 in hospitals for the mentally retarded. Alternatives to inpatient care were few, and hospital stays were lengthy.

The Legislature in 1957 passed the Community Mental Health Services (Short-Doyle) Act which provided for the establishment of community-based mental health services which were to be financed on a 50–50 basis by the state and the counties. Short–Doyle programs were intended to provided community-based mental health services, primarily to the mentally ill, and to act as an alternative to state hospitalization.

By 1963, patients resident in hospitals for the mentally ill had decreased to 35,000. In that same year the Legislature, in order to further stimulate the growth of Short-Doyle programs, changed the state–county sharing ratio from 50–50 to 75–25. Federal legislation enacted about the same time provided further stimulus by granting construction funds for community-based mental heath facilities.

In 1967, the Legislature passed the Lanterman-Petris-Short Act (LPS), to become effective on July 1, 1969, and in 1968 Short-Doyle funding was again revised. As a result of LPS two basic factors have worked to make community mental health programs the dominant element in the provision of services to the mentally ill. First, commitment procedures were radically changed by the provisions of LPS, resulting in the reduction of inpatient population. Second, LPS changed the funding ratio of Short-Doyle programs from 75–25 to 90–10, resulting in a major increase in new and expanded local programs which has further worked to reduce inpatient population at

state hospitals for the mentally ill.

Table 3 illustrates the decline in inpatient populations at the hospitals for the mentally ill since LPS became effective.

Table 3

Hospital	*Actual 6/30/69*	*Actual 6/30/70*	*Actual 6/30/71*
Agnews	1,472	1,150	942
Atascadero	1,322	1,354	1,319
Camarillo	2,388	2,155	1,885
DeWitt	684	358	141
Mendocino	1,308	1,115	817
Metropolitan	2,032	1,614	1,732
Modesto	1,087	0	0
Napa	2,745	2,038	1,797
Patton	1,687	1,604	1,229
Stockton	1,391	1,283	1,012
Totals	16,116	12,671	10,874
Change from preceding year	−2,715	−3,445	−1,797
	(−14.4%)	(−21.4%)	(−14.2%)

Concurrent with the decline in state hospital populations there has been an increase in the number of patients receiving treatment in Short-Doyle programs.

Since California operates under the concept of a single system of mental health care with a single state appropriation for providing such care regardless of where it is given, the community mental health programs have become the controlling factor with respect to state hospital utilization. With the development of community-based resources and services, together with legislative direction to provide alternatives to inpatient treatment, community mental health programs have come to rely less and less on the state hospitals for the provision of services. In order for the hospitals to survive at all as vendors of services, they must offer programs which are appropriate to the treatment philosophy of local program directors and the treatment needs of the patient, at a cost which is competitive with community-based alternatives.

As a direct result of the declining patient population since 1969, two state hospitals, Modesto and DeWitt, have been closed, and the north campus of a third, Stockton, has been closed. During the current year, the department has begun to phase out the west campus of Agnews State Hospital with closure scheduled for June 30, 1972. On page 865, line 41, the Program Budget states that "other closures are clearly indicated in the immediate future."

The budget document stops short, however, of proposing the closure of any specific hospitals. Instead, it proposes the net elimination of 2,360.9 positions related to hospital treatment and support operations at a savings in salaries and wages of $14,673,324.

As in the past, we continue to support the closure of state hospitals

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PROGRAMS FOR THE MENTALLY ILL—Continued

when it appears the treatment programs and facilities are surplus to the needs of the mental health system. Projections on the future utilization of state hospitals for the mentally ill tend to support the budget proposal. However, it is critical that the Legislature be completely aware of the full implications of this proposal.

We recommend, therefore, that the Department of Mental Hygiene submit to the Senate Finance Committee and the Assembly Ways and Means Committee by April 1, 1972, a complete and detailed plan for the closure of state hospitals during fiscal year 1972–73, such plan to include the specific hospitals or portions thereof to be closed, the proposed disposition of the patients therein, an operational timetable for closure, and the amount of estimated savings to be gained expressed in both man-years and dollars.

The basis for this recommendation is to permit the Legislature to assess the effects of this decision on patient care and welfare along with the ability of local programs to absorb increased workload.

Local Program Funding

Although the budget proposes increased total General Fund expenditures for local programs of $19,502,070, or 18.8 percent, above the amount estimated to be expended during the current year, virtually

Table 4

Comparison of Proposed Budget Year Costs with Current Year Costs for Local Mental Health Programs

	1971–72	*1972–73*	*Change from 1971–72*
Cost of local programs	$109,540,001	$118,642,347	$9,102,346
Less income	−10,718,927	−11,841,396	1,122,469
Less estimated savings	−2,694,861	−5,919,697	3,224,836
Net cost of local programs	$96,126,213	$100,881,254	$4,755,041
Less 10 percent county share	−9,612,621	−10,088,125	475,504
Totals, state program cost	$86,513,592	$90,793,129	$4,279,537
Other state funds available to local programs			
Alcoholic Rehabilitation Services	($332,157)	$500,000	$167,843
Community Services Branch	4,038,108	7,188,108	3,150,000
Medi-Cal payments	8,000,000	16,370,000	8,370,000
Totals, state funds available for programs	$98,883,857	$114,851,237	$15,967,380
Fiscal year adjustments:			
June 1972 costs carried forward	−7,709,360	7,709,360	--
Payments to counties exceeding $0.01 per $100 assessed valuation	850,000	750,000	−100,000
May–June 1971 costs carried forward	12,116,187	NA	−12,116,187
Totals, state expenditures	$103,808,527	$123,310,597	$19,502,070

all of this increase represents funds which will support existing programs or which were formerly budgeted in other agencies. No new funds for the care and treatment of additional patients resulting from hospital closure have been included in local program expenditures.

Table 4 compares the costs of local programs in the current year with the proposed costs for the budget year. The table shows that the state funds allocated to finance the reimbursable services of local mental health programs (i.e., those services for which the state pays 90 percent of the costs) are proposed to increase by $4,279,537 or only 4.9 percent in 1972–73. Programs for which state funds are provided through the Department of Mental Hygiene (alcoholic rehabilitation services, precare and aftercare services, Short-Doyle/Medi-Cal payments) are estimated to increase by $11,687,843 in state funds. All of this increase, however, represents costs which have been funded by other agencies in the past and therefore cannot be considered as increased program costs.

The additional $4.3 million proposed for reimbursable services, therefore, represents less than could be considered as adequate for normal cost-of-living increases.

Without additional funding, together with ample lead time to develop treatment alternatives, we have serious doubts as to the ability of most local programs, especially those in southern California, to adequately care for patients released from the hospitals.

The decline in patient population at the state hospitals for the mentally ill has been due in large part to the policy of transferring $15 for each forecasted patient day in the hospital which local programs do not use. Funds so transferred to local programs are used for approved augmentations and expansion of service, and have thus acted as an incentive for local programs to underutilize state hospitals, thereby resulting in lowered inpatient populations. The result of this underutilization has been the basis for the hospital population projections, which have in turn been used to justify the proposed reduction in state hospital operations.

It is apparently the intention of the Department of Mental Hygiene to realize the full $14,673,324 in reduced hospital operations as a General Fund program saving. If this is done, the proposed state hospital expenditures will not contain sufficient funds to continue the $15 per day rebate program and thus the incentive for local programs to continue to underutilize hospitals will be eliminated. Furthermore, there will be no incentive to expand local programs beyond existing levels if additional funding is not provided.

PROGRAMS FOR THE MENTALLY ILL—Continued

Budget Error

In connection with the proposed level of funding for local mental health programs, there is an error in the printed budget regarding the amount proposed to be expended for purchased services in local programs. On page 864, line 67, of the Program Budget, the figure $20,813,413 is shown. Our analysis of the components which make up this amount indicates that the printed figure is understated by $1,484,601.

If the correct amount of $21,803,014 is substituted on page 864, line 67, it would reduce the state cost as shown on line 75 from $90,793,129 to $89,456,988. However, since the error appears to have occurred in the miscalculation of federal funds it may be more equitable to increase the gross program cost as shown on page 864, line 64, by the amount of the error, thus leaving the General Fund amounts unchanged.

In any event, the amounts proposed for expenditure for local mental health programs in 1972–73 are understated by $1,484,601.

State Hospital Services to Children and Adolescents

We recommend approval.

The budget proposes an augmentation in staffing for state hospital programs for mentally ill children and adolescents. Units to serve these patients are located at Napa and Camarillo State Hospitals, and the services which are provided are purchased by local mental health programs.

Typically, hospital programs for children and adolescents are much higher in cost than other hospital programs due to the richer staffing levels required for program effectiveness. The budget proposes to add an additional 87.5 treatment positions to the programs at Napa and Camarillo, at a total cost of $901,656 in salaries and wages.

Because programs for children and adolescents are among the least highly developed in community mental health programs, a greater reliance is put on hospital-based programs. Funds for the expansion and development of programs for children and adolescents are not apparent in the 1972–73 Short-Doyle allocations. For this reason we recommend approval of the proposed augmentation of 87.5 positions at a cost of $901,656.

State Hospital Services Not Included Under LPS (Item 243)

We recommend approval.

Item 243 contains the appropriation to finance those services to the mentally ill which are specifically exempted from the 90–10 sharing ratio under the provisions of the Lanterman-Petris-Short and Short-Doyle Acts.

The department is required to provide treatment services to men-

tally ill persons who have been arrested for criminal offences. In addition, the Short-Doyle Act provides that counties with less than 100,000 population may choose to continue having their mental health needs served by the state hospital system. Costs for such services are borne 100 percent by the state.

The budget proposes an appropriation of $19,531,664 to provide mental health services as described above during 1972–73. This is an increase of $1,236,636 above the amount estimated to be expended during the current year.

NEUROPSYCHIATRIC INSTITUTES

The budget proposes the transfer of the two neuropsychiatric institutes from the administration of the Department of Mental Hygiene to the University of California (Item 289). The total funds transferred from DMH amount to $14,169,970 ($10,702,784 in salaries and wages, $2,827,973 in support, and $639,213 for the psychiatric residency program).

Under the provisions of Reorganization Plan No. 1 of 1970, the transfer of the NPI's to the University was proposed. Legislative and executive actions, however, have delayed the scheduled implementation of the plan until July 1, 1973. Despite this, the budget recommends the transfer a year early.

Although we see no specific objection to the transfer of the neuropsychiatric institutes, a question is raised as to whether or not such a transfer can be effected through the budget process. The constitutional provisions which govern the University would appear to preclude such a transfer unless accepted on the part of the Regents. As of this writing, the Regents have taken no action regarding the transfer of the neuropsychiatric institutes.

Department of Mental Hygiene
PROGRAMS FOR THE MENTALLY RETARDED

Item 244 from the General Fund — Budget p. 155 Program p. 868

Requested 1972–73	$110,606,955*
Estimated 1971–72	83,998,335
Actual 1970–71	68,652,713
Requested increase $26,608,620 (31.7 percent)	
Total recommended reduction	None

* Includes funds formerly budgeted in other departments.

PROGRAMS FOR THE MENTALLY RETARDED—Continued

GENERAL PROGRAM STATEMENT

The care of the mentally retarded is a multidepartmental activity. The Lanterman Mental Retardation Services Act of 1969 requires coordination between the interested departments so that the specialized services provided by each are properly focused on the problems of the mentally retarded without unnecessary duplication. Coordination is provided by the Human Relations Agency through the office of the Coordinator of Mental Retardation Programs.

For the 1972–73 fiscal year, the Governor's Budget includes a single program budget for the mental retardation program. The program will be financed from the budgets of five different departments and the office of the coordinator. Total expenditures for the program as shown in the program budget are proposed to be $255,093,270. The General Fund portion of this total is proposed to be $186,303,544.

Of the General Fund amount, $110,606,955 is appropriated to the Department of Mental Hygiene. The remaining $75,696,589 is appropriated in the budgets of other state agencies. A complete summary of mental retardation program expenditures proposed for 1972–73 can be found on page 728 of the Governor's Program Budget Supplement.

The mental retardation program of the Department of Mental Hygiene includes the following elements:

1. Public information and prevention
2. Case finding and case management
3. Basic living and care
4. Specialized services
5. Evaluation
6. Research
7. Manpower development and training
8. Administration

The main contribution of the Department of Mental Hygiene to the total state mental retardation program is the operation and administration of the state hospital program. During 1972–73 the department will operate five hospitals exclusively for the treatment of the mentally retarded. In addition, mental retardation programs will be operated at four hospitals for the mentally ill.

During 1972–73 the inpatient population in the hospital programs is expected to decline from 10,289 to 9,800. All patients admitted to, or released from, hospitals for the mentally retarded must be processed through the regional centers for the mentally retarded which are administered by the Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the amount budgeted.

The Mental Retardation Program Budget appropriates $110,606,955

from the General Fund to the Department of Mental Hygiene for the operation of programs for the mentally retarded. Federal funds and reimbursements will bring the amount proposed to be expended by the department during 1972–73 to a total of $115,395,427. Although the General Fund amount appropriated to the department represents an increase of $26,608,620, or 31.7 percent above the amount expended by the department during the current year, the actual increase is much less, since funds are included in the 1972–73 appropriation which were formerly budgeted in other departments. Of the General Fund amount appropriated to the department, $8,194,653 will be transferred to the Department of Public Health for the operation of the regional center program. This will be accompanied by the transfer of $6,172,543 in federal funds and reimbursements.

The General Fund amount actually proposed to be expended by the Department of Mental Hygiene during 1972–73 totals $102,412,302. Of this total, $89,569,302 will provide support of state hospitals for the mentally retarded, and $12,843,000 is budgeted for servces to the mentally retarded provided by the Community Services Branch which is proposed to be transferred to the Department of Mental Hygiene in 1972–73. This same amount was included during the current year in the Department of Public Health regional center budget.

Hospital Programs for the Mentally Retarded

The major element of the state hospital program will be basic living and care for the 10,044 mentally retarded patients residing in the hospitals during 1972–73. The budget proposes a General Fund expenditure of $89,569,302 to support hospital programs in the budget year. This is an increase of $5,570,967, or 6.6 percent, above the amount estimated to be expended during the current year.

The state hospital programs are intended to serve patients who need the specialized training and care offered only in state hospitals, and not available in the community. Under the provisions of the Lanterman Mental Retardation Services Act of 1969, admission to state hospital programs may only be through the referral of a regional center or, under specific circumstances, by court commitment. Patients discharged from state hospitals must be discharged to the regional centers for aftercare and followup.

Population Trends

During the past few years, admissions to hospital programs for the mentally retarded have been reduced by utilizing increased community placements through the services afforded by the regional centers and the Community Services Branch, and by adopting the policy of admitting only one person for every two released. This has helped to keep the hospital population relatively stable for the past several years and has alleviated the overcrowded conditions that once existed.

The average hospital population projected for the 1972–73 fiscal

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PROGRAMS FOR THE MENTALLY RETARDED—Continued

year is estimated at 10,044, with an inpatient population of 9,800 projected for the end of the fiscal year. The yearend population estimate represents a decrease of 489 patients from the number estimated to be resident on July 1, 1972.

Staffing Increase

Because the regional mental retardation centers administered by the Department of Public Health have been active in placing many retarded persons in the community, the state hospitals have received patients whose degree of illness is more severe. To compensate for the patient "difficulty factor" in hospital programs the budget proposes an augmentation of 353 nursing positions for hospital programs at a total cost of $1,782,810. This staffing increase represents the fourth of five steps in achieving 100 percent of the 1968 SCOPE staffing standards. The August 1971 SCOPE survey showed that hospital programs for the retarded were authorized to reach 88 percent of the 1968 standard. The augmentation proposed by the budget is anticipated to bring the staffing levels up to 96 percent of the standard.

Regional Diagnostic Center Program

We recommend approval of the amount budgeted.

Program Description

Created by the Legislature in 1965 primarily to provide an alternative to state hospitalization, the Regional Center Program provides assistance to mentally retarded persons and their families through a network of centers which provide diagnosis, counseling, continuing evaluation, and assistance in the purchase of appropriate health and social services for mentally retarded persons. As provided by Chapter 1594, Statutes of 1969, all mentally retarded persons to be admitted to state hospitals after July 1, 1971, must first be evaluated by a regional center and cared for by a center upon discharge from state hospitals.

The Regional Center Program is administered by the Bureau of Mental Retardation Services of the Department of Public Health, which has the responsibility for providing professonal administrative guidance to the regional centers. There are now 13 regional centers operated by local nonprofit agencies under contract with the Department of Public Health. Four of the 13 centers were established during the current year.

Change in Appropriation for Budget Year

In the current year, all General Fund expenditures for the Regional Center Program were included in a separate appropriation to the Department of Public Health. However, in the budget year, all proposed expenditures for mental retardation services are included in appropriations to the Department of Mental Hygiene. Funds for the Regional Center Program, to be administered by the Department of

Public Health, are to be provided to the department through a reimbursement from the Department of Mental Hygiene.

Proposed Expenditure for Regional Center Support

For the budget year, the Department of Public Health is to receive $14,367,196 in reimbursements for support of the Regional Center Program. This amount includes $8,194,653 from the General Fund, $5,622,953 in federal funds and reimbursements, and $549,590 in family repayments. The proposed General Fund expenditure reflects an increase of $213,000, or 2.7 percent, above the amount estimated to be expended in the current year. The department states that this increase is necessary to meet second year costs at the centers established in the current year.

Protective Services

In the budget year, $12,843,000 in General Fund support for protective services to mentally retarded persons is proposed in Item 244, Department of Mental Hygiene. The 1971 Budget Act appropriated the funds to the Department of Public Health and the 1970 Budget Act appropriated the funds to the Department of Social Welfare.

Program Changes in the Current and Budget Years

As previously mentioned, four new regional centers were established in the current year. In order to meet the increased workload for establishing these centers, five man-years of temporary help were adminstratively added in the department during the current year. The department has not proposed the continuation of these positions in the budget year because the major expansion of the center program will be completed in the current year.

In addition, the sheltered workshop program for the habilitation of mentally retarded persons was administratively transferred from the Department of Rehabilitation to the Regional Center Program in the current year. This program is supported through the use of federal funds and reimbursements.

In the budget year, a new regional center is proposed for establishment in East Los Angeles. And, $300,000 is proposed for expenditure to provide staff to the State Developmental Disabilities Advisory Council and Program Evaluation and to the 13 area mental retardation boards for planning and development of area plans. The new center as well as the advisory board staffs are to be funded from federal funds and reimbursements.

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