DEPARTMENT OF BENEFIT PAYMENTS

GENERAL SUMMARY

Funds for the Department of Benefit Payments are contained in five items and one control section of the 1975–76 Budget Bill. In the budget year the department is requesting a total of $1,153,104,105 from the General Fund, an increase of $185 million over the amount anticipated to be expended in 1974–75.

Table 1 compares the current year and the budget year by budget item, indicating where the increases are occurring.

Table 1
Department of Benefit Payments' General Fund Requests for 1975–76

Budget Bill Item	*Purpose of Expenditure*	*1974–75 estimated General Fund expenditures*	*1975–76 General Fund request*	*Dollar increase*	*Percentage increase*
287	Departmental operations....	$13,909,149	$13,848,668	–$60,481	–.4%
288	Aged, blind and disabled cash grants..........................	474,088,500	568,861,100	94,772,600	20.0
Section 32.5	AFDC cash grants	429,234,950	513,857,400	84,622,450	19.7
289	Special benefits to adult recipients	2,346,000	4,441,500	2,095,500	89.3
290	Demonstration projects and training........................	191,937	191,937	None	None
291	County welfare department operations	48,485,700	51,903,500	3,417,800	7.0
		$968,256,236	$1,153,104,105	$184,847,869	+19.1%

In terms of all federal, state and county funds the Department of Benefit Payments will be directly and indirectly involved in the expenditure of an anticipated $3,118,309,186 in fiscal year 1975–76. This represents an increase of $389 million over the current year estimates. Table 2 compares the expenditure estimates for the current year and 1975–76.

Table 2
Department of Benefit Payments— Total Welfare Expenditures, All Funds

Budget Bill Item	*Purpose of Expenditure*	*Estimated Total 1974–75 expenditures*	*1975–76 estimated expenditures*	*Dollar increase*	*Percentage increase*
287	Departmental operations	$47,690,096	$47,499,652	–$190,444	.4%
288	Aged, blind and disabled cash grants	1,200,798,700	1,352,115,000	151,316,300	12.6
Section 32.5	AFDC cash grants	1,249,213,607	1,469,025,300	219,811,693	17.6
289	Special benefits to adult recipients	2,346,000	4,441,500	2,095,500	89.3
290	Demonstration, projects, training, Cuban refugees............................	11,077,443	11,246,534	169,091	1.5
291	County welfare department operations	218,505,900	233,981,200	15,475,300	7.1
		$2,729,631,746	$3,118,309,186	$388,677,440	14.2%

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET

Item 287 from the General Fund — Budget p. 764

Requested 1975–76	$13,848,668
Estimated 1974–75	13,909,149
Actual 1973–74	9,701,906
Requested decrease $60,481 (0.4 percent)	
Total recommended reduction	$167,470

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. Employment Tax Program. Withhold recommendation on 173.5 requested new positions for the Employment Tax Collection Program until the Departments of Benefit Payments and Finance indicate how and where the positions are to be utilized. 541
2. Fund Transfer. Recommend (1) schedule for Item 287 identify $1,649,539 for transfer to Health Care Deposit Fund and $3,112,339 as payable from Health Care Deposit Fund for the cost of services rendered the Medi-Cal Program by the Department of Benefit Payments; and (2) language be added specifying that $1,649,539 be transferred to Health Care Deposit Fund to match federal funds. 542
3. Proposed Health Operations Positions. Withhold recommendation on proposed 28 new positions for Health Audits Bureau because no funds are budgeted. 542
4. Control Section 32.5. Withhold recommendation on General Fund amount for control Section 32.5 pending review of department's May estimates of caseload and cost. 543
5. Unemployment. Recommend department initiate project to determine interrelationship between unemployment and AFDC-U caseload. 545
6. Error Rate. Recommend department prepare estimates of effect the federal government's quality control program will have on cash flow. 546
7. Details of Operating Expense and Equipment. Recommend Legislature withhold approval of the department's Operating Expenses and Equipment Budget, Item 287 (b). 547
8. *Responsible Relatives. Reduce $34,700.* Recommend approval of 33 Office Services Bureau positions requested and reduction of two of the proposed six Responsible Relative Bureau positions. 548
9. *Responsible Relatives. Reduce $132,770.* Recommend 548

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DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

$45,770 reduction in contract funds for investigations; a $70,000 reduction in funds for contract services from the Attorney General; and elimination of a vacant assistant operations security officer position at $17,000.

10. County EDP System. Recommend Legislature withhold approval of $500,000 for development of the Model Modular County EDP System pending a report by the department to the fiscal committees during budget hearings regarding more precise determination of plans and costs for developing the system. 550

GENERAL PROGRAM STATEMENT

The Department of Benefit Payments was created pursuant to Chapter 1212, Statutes of 1973, (AB 1950) and is the successor to the State Department of Social Welfare. The department's three major areas of responsibility are the administration of welfare, collection of payroll taxes, and auditing of certain health care programs.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $13,848,668 for the Department of Benefit Payments which is $60,481, or 0.4 percent, less than estimated expenditures for the current fiscal year. In addition $6,079,004 in General Fund money is available to the department from Item 153, the support item for the Franchise Tax Board. These funds will be transferred to the Department of Benefit Payments for administration of the Employment (withholding) Tax Operations. Table 1 shows total General Fund support by program function.

Table 1
General Fund Expenditures for Operation of Department of Benefit Payments, (Including Reimbursements from Franchise Tax Board)

Operations	*1974–75*	*1975–76*	*Dollar change*	*Percent change*
Employment Tax Operations (reimbursement)	$6,079,004	$6,079,004	None	None
Health Operations	2,817,827	2,713,510	$−104,317	−3.7%
Welfare Operations	11,091,322	11,135,158	43,836	0.4
Total	$19,988,153	$19,927,672	$−60,481	0.3%

The Governor's Budget anticipates that it will cost $47.5 million (all funds) to operate the Department of Benefit Payments in fiscal year 1975–76. Table 2 shows the spread of operating costs among the three major programs of the department. It also shows the percentage of General Fund money required of each of the three major programs.

Table 3 shows that the cost per man-year of administrative staff varies substantially among the three major programs from a high of $24,724 in Welfare Operations to a low of $16,720 in Employment Tax Operations. The Governor's Budget anticipates a two percent decline in the cost per

Table 2
Total Administrative Expenses—Department of Benefit Payments with General Fund Sharing Ratios
1975–76

Operations	*All funds*	*Federal Funds and Dedicated Funds*	*General Fund*	*General Fund as percent of all funds*
Employment Tax	$23,705,917	$17,626,913[b]	$6,079,004	25.6%
Health	4,292,114	1,578,604[a]	2,713,510	63.2
Welfare	19,501,621	8,366,109[a]	11,135,512	57.1
All Programs	$47,499,652	$27,571,626	$19,928,026	41.9%

[a] Federal Funds
[b] Unemployment Insurance Fund and Disability Insurance Fund

man-year for Welfare Operations, a 3.7 percent increase for Employment Tax Operations and a 1.3 percent increase in Health Operations.

Table 3
Department of Benefit Payments
Cost per Administration Man-Year by Major Program

	1974–75			*1975–76*		
Operations	*Operating costs*	*Man-years*	*Cost per man-year*[a]	*Operating costs*	*Man-years*	*Cost per man-year*
Employment Tax	$23,105,917	1,381.9	$16,720	$23,705,917	1,364.8	$17,369
Health	4,402,294	238.0	18,497	4,292,114	229.0	18,742
Welfare	19,581,885	792.0	24,724	19,501,621	807.5	24,150
All Programs	$47,090,096	2,411.9	$19,524	$47,499,652	2,401.3	$19,780

[a] Cost per man-year includes salaries, benefits, rent, supplies, travel, equipment, communications, etc.

Position Changes

The Governor's Budget requests the position changes summarized in Table 4.

Table 4
1975–76 Governor's Budget Position Change Requests

Program	*Man-Years*
Employment Tax Collection Operations	+173.5
Health operations	+28.0
Welfare operations	
a. Responsible Relative Program	+39.0
b. Social Service estimates	+0.5
c. Civil Rights Program	+2
	+243.0
Positions Transferred Out	
Data Processing Positions to Department of Employment Development	−19.0
Accounting positions to Department of Health	−9.0
	−28.0

AUDITS AND COLLECTIONS

Employment Tax Operations

Most employers in California must withhold payroll taxes for unemployment insurance, disability insurance and personal income taxes. When these payroll taxes are withheld, they are sent to the Department of Benefit Payments Audits and Collections Division. The Audits and Collections Division has two branches, the Central Operations Branch and the

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Field Operations Branch, which handle payroll tax collection, auditing and accounting functions.

Central Operation Branch. This branch now collects payroll taxes from more than 482,000 employers. Tax collections in fiscal year 1975–76 are expected to total approximately $3.3 billion. Table 5 indicates the number of employers and anticipated collections by program in 1975–76. At the start of the current fiscal year the Central Operations Branch had 657.6 authorized positions.

Table 5
Estimated Number of Subject Employers and Tax Collections
1975–76

	Employers	*Tax revenues*
Unemployment insurance	404,200	$877,000,000
Disability insurance	498,350	444,770,000
Personal income tax	429,700	2,022,000,000
		$3,343,770,000

Within the Central Operations Branch there are four bureaus. The largest is the Tax and Insurance Accounting Bureau which has 546.6 of the branch's 657.6 positions. This bureau has the following major responsibilities; the banking of tax revenues, the control of employer wage reports, the verification of tax submittals to assure accuracy, the maintenance of the employer registration files, the allocation of tax revenues to proper funds, the reconciliation of bank accounts, the maintenance of employee accounts and the computation of employee benefit entitlements in contested cases.

The other large bureau in the Central Operations Branch is the Tax Audits and Collections Bureau which has 70 positions. The major responsibilities of this bureau are: the approval of refunds, the preparaton of bankruptcy claims, the processing of tax appeals and preparation for appeals hearings, handling all out of state employers' accounts.

The remaining two bureaus are the Technical Services Bureau (26 positions) which provides policy interpretation, program expertise and program evaluation for the payroll tax program and the Classified School Employees Trust Fund Bureau (13 positions) which handles the collection of taxes from school districts in order to cover the cost of unemployment insurance benefits paid out to school district employees.

Field Operations Branch. The Field Operations Branch is the second of the two branches in the Audits and Collections Division which handles payroll tax matters. It has 37 field offices with 520 positions, an average of 14 positions per field office. The major functions of a field office are to register new employers, audit employers' books, collect delinquent taxes, determine the amount of wages actually paid to an employee in cases where the unemployment insurance benefit is contested and obtain wage reports from employers who have not submitted them.

Employment Tax Program

We withhold recommendation on 173.5 requested new positions for the employment tax collection program until the Department of Benefit Payments and the Department of Finance indicate how and where the positions are to be utilized.

In a letter dated December 4, 1974, the Department of Finance approved funds for 173.5 additional positions for the employment tax program for fiscal year 1974–75. The budget proposes the continuation of the positions which are fully federally funded, at the same level of funding, $3,388,699. The funds are to come from the Employment Development Department.

Many of the position classifications and bureaus which appear on pages 770 and 771 of the Governor's Budget will not actually be used. The department simply classified and allocated the positions as shown when it learned it would have extra federal funds available for this fiscal year. The department is now in the process of deciding the proper classification and location for these positions for the current and budget years.

Ultimate General Fund Impact. In addition to federally funded tax collections and audits, the Audits and Collections Division collects and audits employers' payroll withholding of state personal income taxes. Approximately 25 percent of the division's activities are General Fund supported. Any major addition of personnel in this division has an ultimate impact upon General Fund costs.

We have not been able to analyze the need for the additional 173.5 positions because the Departments of Benefit Payments and Finance have not indicated where the positions will be established. Until we know this, we cannot determine what work is to be done by these positions or whether it is of sufficient priority to justify additional positions. Secondly, we do not know how the department plans to divide the additional staff between permanent and intermittent positions.

Health Operations

The Department of Benefit Payments operates a program to audit certain providers of health care, handle health audit appeals and recover funds from insurance companies and other third parties who have an obligation to pay all or part of Medi-Cal recipients' bills. Staff for this program has been located in the Department of Benefit Payments' Audits and Collections Division since July 1, 1974, the effective date of Chapter 1212, Statutes of 1973 (AB 1950). The Health Operations Program has 238 positions in fiscal year 1974–75. Table 6 indicates the spread of positions among the various bureaus.

Table 6
Health Operations Program
Currently Authorized Positions

1. Chief of Health Operations	2
2. Health Audits Bureau	97
3. Health Recovery Bureau	72
4. Health Appeals Bureau	10
5. Support Staff located in other bureaus	57
	238

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

The Governor's Budget shows a drop in man-years for this program from 238 in 1974–75 to 229 in 1975–76. This decline is due to the transfer back to the Department of Health of nine accounting bureau support positions. The 229 positions for 1975–76 do not include the 28 proposed new positions.

To stay within the Governor's Budget, the program's 1975–76 vacancy rate will be higher than the assumed vacancy rate for 1974–75. The Governor's Budget indicates that the number of audits performed by the Health Audits Bureau will increase from 656 in 1974–75 to 837 in 1975–76. This is without consideration of proposed new positions. The Governor's Budget also indicates that recoveries from third parties liable for certain medical expenses which were provided to Medi-Cal recipients will increase from $6 million to $15 million (250 percent). This increase is due to computerization of some portions of the recovery program.

Proposed Health Operations Positions

We withhold recommendation on the 28 proposed positions for the Health Audits Bureau because there are no funds budgeted for them.

The Governor's Budget proposes to add 28 new positions to the Health Audits Bureau in fiscal year 1975–76. According to the department, the 28 proposed new positions are to be used to perform the kinds of audits indicated in Table 7.

Table 7
Spread of Proposed New Health Audits Bureau Positions by Kind of Audit and with Cost/Benefit Ratios

		Cost/Benefit Ratio	
Kind of audit	*Number of new positions*	*Recovery*	*Cost of recovery*
Community and county hospital audits	16	$6.40	$1.00
Medically indigent care at county hospitals	1	5.00	1.00
Prepaid health plan audits[a]	10	Unknown	
Waiver audits	1	Unknown	
	28		

[a] These audits are to be done for purposes of monitoring PHP's.

The department indicates that the 1975–76 cost of the 28 new positions would be $655,046, of which $308,046 is General Fund money.

We withhold recommendation on the 28 proposed positions because we have been informed by the Department of Finance that although the positions are proposed, the funds for the positions have not been included in the budget. We have not been able to determine how the positions are to be funded. We will present additional comments and recommendations at the budget hearings.

Fund Transfer

We recommend (1) the schedule for Item 287 identify $1,649,539 for transfer to the Health Care Deposit Fund and $3,112,339 as the amount payable from the Health Care Deposit Fund for the cost of services rendered the Medi-Cal Program by the Department of Benefit Payments;

and (2) language be added to Item 287 specifying that the $1,649,539 be transferred by the Controller to the Health Care Deposit Fund to match federal funds for support of the Department of Benefit Payments.

The Governor's Budget estimates that the Health Operations program will cost $4,402,294 in 1974–75 and $4,292,114 in 1975–76. The Health Operations program consists of audit and recovery functions related to the Medi-Cal program and various other programs in which the state subvenes funds to the counties. Such programs are the Crippled Children's Services, family planning and Short-Doyle. Of the above amounts, approximately $3,162,946 in the current year and $3,112,339 in the budget year represent the cost of administrative services rendered the Medi-Cal program by the Department of Benefit Payments. The General Fund share of these amounts is $1,676,361 and $1,649,539 for the current and budget years. The General Fund share is supposed to be sent to the Health Care Deposit Fund where it is matched with federal funds and returned to the department as the $3.1 million figure.

As of mid-January, none of the $1,676,361 General Fund money budgeted for the current year had been transferred to the Health Care Deposit Fund to be matched with federal money and returned to the department. The department advises us that some of the $1.6 million allocated for transfer has been expended. The department is attempting to determine if matching funds can still be obtained through some other method.

WELFARE PROGRAM OPERATIONS

Cash Grant Programs

The budget does not have an appropriation item for the Aid to Families with Dependent Children (AFDC) and Aid to Potential Self-Supporting Blind (APSB) programs. The Welfare and Institutions Code provides that state funds necessary for these programs shall be continuously appropriated. Control Section 32.5 of the Budget Bill provides for a limit on the funds available. However, the section provides that the Director of Finance may approve expenditures for increased caseload or cost in addition to the amount stated in the section. Because there is no specific budget item for the AFDC and APSB programs we will discuss them in this portion of the departmental budget.

Control Section 32.5

We withhold recommendation on the appropriate General Fund amount for Control Section 32.5 pending receipt and review of the department's May estimates of caseload and cost.

Table 8 presents the funds requested by program for Section 32.5. It also shows the dollar and percentage increase in the budget year.

The amounts requested as shown in Table 8 are based on estimates prepared by the Department of Benefit Payments in November. In April and May the department will prepare updated estimates based on more caseload and cost experience. Upon completion of these updated estimates the Department of Finance will submit a budget letter changing

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 8
Comparison of General Fund Support for Aid to Families With Dependent Children (AFDC) and Aid to Potential Self-supporting Blind (APSD) in Current and Budget Year

	Current Year	*Budget Year*	*Dollar increase*	*Percent increase*
Aid to Families With Dependent Children (AFDC)				
Family Group (FG)	$352,601,300	$402,765,500	$50,164,200	14.2%
Unemployed (U)	46,876,000	76,624,800	29,748,800	63.5
Foster Care (BHI)	29,311,950	33,990,900	4,678,950	16.0
Aid to Potential Self-supporting Blind	445,700	476,200	30,500	6.8
Total	$429,234,950	$513,857,400	$84,622,450	19.7%

the General Fund request for Control Section 32.5. It should be noted that in effect Control Section 32.5 is an open-ended appropriation. Regardless of the amount of money placed in Control Section 32.5, the state is required by law to pay its share of AFDC grants.

The Governor's Budget indicates that the $84,622,450 requested General Fund increase results from two factors: changes in caseload and a 14.5 percent cost-of-living adjustment. Table 9 shows these changes by program according to information contained in the Governor's Budget. We discuss these two factors under the headings A. Caseload Changes, and B. Grant Increases.

Table 9
Factors Accounting for 1975–76 General Fund Increase

Program	*Cause of Increase or Decrease*	*General Fund Cost*
AFDC—Family Group	a) caseload decrease	$−4,800,000
	b) cost-of-living adjustment	54,900,000
AFDC—Unemployed	a) caseload increase	22,700,000
	b) cost-of-living adjustment	7,100,000
AFDC—Foster Care	a) caseload increase	4,700,000
	b) cost-of-living adjustment	—
		$84,600,000

A. Caseload Changes

Table 10 presents the caseload data used to arrive at the dollar amounts shown in the Governor's Budget.

Table 10
1975–76 Governor's Budget
Change in Average Monthly Caseload

	Estimated 1974–75 average monthly persons count	*Estimated 1975–76 average monthly persons count*	*Change from current year*	*Percentage change from current year*
AFDC—Family Group	1,177,212	1,175,193	−2,019	−0.2%
AFDC—Unemployed	149,863	209,759	50,896	40%
AFDC—Foster Care	31,094	32,152	1,058	3.3%
APSB	175	175	None	None

Projected Cost Increase in AFDC-U Programs. The major AFDC caseload change projected in the Governor's Budget is in the AFDC-Unemployed program. In December, the Department of Benefit Payments Estimates, as released to the Department of Finance, projected that the AFDC-U caseload would increase by only 7,200 persons in 1975–76 over the average monthly caseload of the current year. However, the Governor's Budget as submitted in January increased this caseload estimate by over 50,000 persons in the belief that the 1975–76 unemployment rate in California would be sufficiently high to cause a sharp increase in the number of families needing public assistance.

The AFDC-U caseload increases shown in the Governor's Budget may prove to be somewhat conservative based on the experience of the AFDC-U caseload in the 1970–71 recession. However, the effect of adverse economic conditions on AFDC-U caseload in 1975–76 should be easier to forecast near the end of the current fiscal year when the department's revised estimates are due. At present the various estimates of 1975–76 AFDC-U caseload are highly speculative and should be so regarded.

Unemployment

We recommend that the Department of Benefit Payments initiate a study to determine the interrelationship between general economic conditions, unemployment and the growth and decline in the AFDC-U caseload.

During the 1970–71 recession the Department of Benefit Payments did not gather data about the characteristics of the AFDC-U caseload which would allow it to forecast what would happen to this caseload in the event another recession took place. California, along with the rest of the nation, is in a recessionary period, and little data are available with which to project its influence on the AFDC-U caseload. We believe that it is appropriate for the department to devote the resources necessary, in the remainder of this fiscal year and in 1975–76, to examine the relationships between the AFDC-U caseload and unemployment rates and general economic conditions.

Projected AFDC-FG Decrease. The budget projects a small increase in the number of families receiving family group benefits. However, this growth is more than offset by a reduction in the number of children per family. The budget anticipates that this "person" reduction will result in budget year caseload expenditures being $4.8 million less than current year expenditures. AFDC-FG (Family Group) grants will be adjusted on July 1, 1975 for a cost-of-living increase, at a General Fund cost of $54.9 million. The net expenditure increase in 1975–76 from the General Fund is projected to be $50.1 million.

Although the effect of unemployment is not as great on the AFDC-Family Group program as it is on AFDC-U, there is some impact on the FG caseload when economic conditions are on a downturn. Therefore, while we agree with the budget assumption that families will continue to be slightly smaller during the coming fiscal year, it appears doubtful that there will be a reduction in the number of persons receiving assistance.

Wishful Thinking. The budget projects an average FG caseload of

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

1,175,193 persons in the 1975–76 fiscal year. In November 1974, the number of persons on the caseload was 1,189,346. We share the administration's hope that the number of persons on the FG caseload will decrease, but it is difficult to view this as other than wishful thinking, considering the economic condition of both the nation and California.

B. Grant Increases

AFDC-Family Group and Unemployed grant entitlements are automatically adjusted each year by the state to take into account changes in the cost-of-living which occurred in the prior year. Increases in grant entitlements resulting from cost-of-living adjustments are payable to the recipient on July 1 of each year. Foster care grants are adjusted by county boards of supervisors without regard to the Consumer Price Index. The dollar totals shown in the Governor's Budget for the AFDC-FG and U Programs assume that the Consumer Price Index will rise by 14.5 percent in the 12-month base period used for calculating such adjustments.

Table 11 shows the average monthly grants and dollar increases used to arrive at the cost-of-living amounts requested in the Governor's Budget.

Table 11
1975–76 Governor's Budget
Average Monthly Grant

Program	*1975–76 average monthly grant per person*	*Estimated increase over current year*	*Percentage increase from current year*
AFDC—Family Group	$82.33	$10.58	14.7%
AFDC—Unemployed	75.65	10.88	16.8
AFDC—Foster Care	303.54	29.89	10.9
APSB	226.76	14.62	6.9

Effect of the Error Rate Program on the General Fund

We recommend that the Department of Benefit Payments prepare estimates of the effect the federal government's quality control program will have on the state's cash-flow situation and upon federal, state and county cost sharing ratios in 1974–75 and 1975–76.

The federal Department of Health, Education, and Welfare (HEW) has initiated a major quality control program which is intended to reduce state and county errors in the administration of welfare. Under the program, by June 30, 1975, not more than five percent of the children's (AFDC) cases can be given welfare checks in excess of the amount they are legally entitled to receive and not more than three percent of the cases can be mistakenly classified as eligible and thus paid welfare grants to which they are not entitled.

Neither the department's December estimates nor the Governor's Budget have attempted to estimate the effect the federal quality control program will have on the state General Fund in 1974–75 or 1975–76.

Federal reductions in AFDC fund advancements because of the quality control program, have caused California to experience cash-flow problems. The state is likely to experience even greater problems in the remainder of the current fiscal year. The combined effect of federal reductions in fund advancements and potential federal claim cuts for grants paid could result in an overall reduction of the federal share and an increase in the state and county share of AFDC grant costs.

The department should inform the Legislature how it has handled past cash flow problems, how it intends to handle any future problems and how the management of such problems will affect the counties. In addition, the fiscal committees of the Legislature should be told how much additional General Fund money will be required in 1974–75 and 1975–76 in the event the state does not fully meet its error control goals.

Civil Rights Coordinator

A civil rights coordinator and one clerical position were administratively established during the current fiscal year and are proposed as new positions for the budget year. We believe they are justified. The coordinator is the technical staff person responsible for knowing what the 58 county welfare departments are doing to comply with Title VI and VII of the U. S. Civil Rights Act both in terms of fair employment practices and equal access to services. He collects and evaluates ethnic data, works with counties to develop better bilingual service delivery capabilities, evaluates county welfare department affirmative action plans and performs other tasks related to the civil rights program.

ADMINISTRATION DIVISION

We are in agreement with the return of 19 data processing positions to the Department of Employment Development and 9 accounting positions to the Department of Health.

These positions were transferred from the Departments of Health and Employment Development when the Department of Benefit Payments was created. However, they have remained vacant and the Department of Benefit Payments has contracted for these services from the other departments during this fiscal year. The department wishes to continue to obtain data processing services for the Employment Tax Program through contract with the Department of Employment Development in 1975–76. Thus, the funds for this purpose will stay in the Department of Benefit Payments although the positions will transfer back. In the case of the health accounting functions, the funds and the positions will return to the Department of Health because the entire responsibility for this phase of the health program is to be returned.

Details of Operating Expenses and Equipment

We recommend the Legislature withhold approval of the Department of Benefit Payments Operating Expenses and Equipment Budget, Item 287(b) of the Budget Bill.

We have asked the department to answer a detailed list of questions about what is included in the Operating Expenses and Equipment (OE&E) budget and how these figures were derived. We do not believe that the OE&E budget for the Employment Tax Operations was built on enough actual experience, partially because of a number of delays in

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

receiving cost accounting reports from the Employment Development Department's computers. We cannot recommend this item until the department responds to our request for additional data.

Responsible Relative Program

We recommend approval of the 33 Office Services Bureau positions requested and reduction of two of the proposed six Responsible Relative Bureau positions for a General Fund reduction of $34,700.

We recommend a $45,770 reduction in contract funds for investigations; a $70,000 reduction in funds for contract services from the Attorney General; and the elimination of a vacant assistant operations security officer position at $17,000 for a total savings of $132,770.

Chapter 1216, Statutes of 1973, (AB 134) made the state directly responsible for the administration of the Responsible Relative Program effective July 1, 1974. Prior to that time, the 58 county welfare departments administered this program which required children of aged welfare recipients to contribute money to help offset the cost of supporting their parents.

In a letter dated December 3, 1974, the Department of Finance approved funds which provided for the establishment of 39 positions for this program in the current fiscal year. Thirty-three of these positions will go to the Office Services Bureau and six to the Responsible Relatives Bureau. The Governor's Budget proposes to continue these positions in fiscal year 1975–76.

Office Services Bureau. The Office Services Bureau handles all the banking functions associated with the program, responds to problems raised in letters regarding amount of liability owed and prepares the necessary forms so that required information can be entered into the computer system.

We have reviewed the operation of the Office Services Bureau and conclude that the 33 positions added in the current year should be continued in the budget year. The original program design placed too much emphasis on data processing and did not anticipate the manual functions which would have to be performed. As a result, the following workload is not being processed:

1. Approximately one-half of the computerized billings for the 15,000 relatives who now pay are for the wrong amount and need to be corrected. Correction is very slow due to inadequate staffing and the lack of an adequate filing system.
2. Approximately 12,000 responsible relatives who are billed each month do not pay. Nothing is being done about this. If extra staff is added these persons will receive warning letters from the Attorney General's office notifying them to comply.
3. Approximately 30,000 forms with names of relatives who may owe something are piled up in large stacks on the floor of the Business Services Bureau. These names need to be entered into the computer system so questionnaires can be sent out for liability determinations.
4. Approximately 36,000 relatives need to be asked to again submit information to determined if they are now liable for a payment.

5. Approximately 40,000 new recipients need to be asked for their children's names and addresses.

The Department of Benefit Payments estimates the additional staff would be able to resolve serious problems with existing caseload of 15,000 paying relatives, as well as get to various backlogs which would allow approximately 12,500 more payors to be added to the system. This would, it is estimated, increase revenues from the current $300,000 a month to $550,000 a month in 1975–76. If revenues develop as projected in 1975–76, then it would cost approximately $1 to collect $6 and the General Fund would realize approximately $4,920,000 in revenue.

The Governor's Budget proposes that 33 clerical positions added to this bureau be continued in fiscal year 1975–76. Eighteen of the positions are to be permanent and the remaining 15 are to be intermittent and used as required to handle fluctuations in workload.

Responsible Relatives Bureau. The Responsible Relatives Bureau processes complex liability determination problems, answers most correspondence and is responsible for program reporting and continuing improvement of the system. The December augmentation letter authorized up to six additional analyst positions for this bureau. We recommend the reduction of two of these positions unless additional correspondence workload materializes. We believe that the correspondence functions and analytical functions of the bureau can be adequately handled by the addition of four analysts.

Additional Fund Reductions

We recommend the reduction of $132,770 in additional funds from the Responsible Relative Program for the following reasons. First, the original plan to investigate certain nonpaying responsible relatives through contracted investigations, coordinated by the Operations Security Bureau, has not materialized. Thus, one assistant operations security officer position at a cost of $17,000 has remained vacant and $45,770 in investigative funds has not been used. Second, the program does not need the magnitude of service from the Attorney General's office that was originally budgeted. Therefore, we recommend the amount budgeted for these services be reduced from $120,000 to $50,000. The remaining $50,000 would be used in the event the Attorney General's services are required in 1975–76.

The McGeorge Fair Hearings Contract

The budget proposes $311,652 to contract with McGeorge Law School for part-time fair hearings officers.

The department conducts administrative hearings to judge the fairness of decisions made by county welfare department personnel in handling welfare cases. Recipients of aid and applicants for aid have the right to appeal decisions made involving their cases when they feel an error has been made which adversely affects their entitlements to assistance. When a request for a fair hearing is made, the department proceeds to schedule a hearing. Under the current operating procedure, the department both hires and contracts for attorneys to perform the hearings.

Budgeting for fair hearings is on the basis of hearing officer units. For each hearing officer, the following support staff is added:

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Hearing Officer Budget Unit

Classification	*Man-years per unit*
Hearing officer	1.0
Review officer	0.2
Social services consultant	0.1
Senior clerk	0.2
Steno II	0.2
Clerk II	1.4
	3.1

In a letter dated November 15, 1974, the Department of Finance approved funds to augment the McGeorge Fair Hearing contract for the current fiscal year and the budget proposes $311,652 for the continuation of the contract. The augmentation added the equivalent of six referee man-years to the four referee man-year equivalents originally in the McGeorge contract.

The McGeorge workload fluctuates according to need. If McGeorge's services are not needed then cases are not referred and consequently contract funds are not expended. There has been heavy use of the McGeorge contract this fiscal year because the *King v. Martin* decision required the department to dispose of fair hearings cases within 90 days rather than the 124 days it previously took. This reduction in average process time requires heavier use of McGeorge staff and departmental support staff.

Model Modular County EDP System

We recommend that the Legislature withhold approval of $500,000 contained in the Governor's Budget for the development of the Model Modular County EDP System pending a report by the department to the fiscal committees during budget hearings regarding a more precise determination of plans and costs for developing this system in the 1975–76 fiscal year.

At present, California counties must report voluminous amounts of data to the state and the federal government. This reporting requirement has resulted in the independent development by the counties of a number of individualized electronic data processing (EDP) systems. Although some counties have joined to share the cost and benefits of developing and maintaining certain common systems, there are no systems which are used statewide in such basic areas as eligibility determination, grant calculation or warrant writing.

The department states that county expenditures for welfare EDP have increased from $6 million in the 1970–71 fiscal year to $12.5 million in 1973–74. It believes that this trend may be controlled if the counties would use a model system based in part on existing county systems. The department proposes to develop such a system and the $500,000 included in the Governor's Budget for the 1975–76 fiscal year is intended to permit initial development of the model system, including pilot implementation in three counties. An undetermined amount of funds is being expended in the current year on the model system effort, primarily through the County

EDP Systems Bureau of the department.

County Participation

Unlike the department's last attempt with regard to county/state EDP systems which was called the Expanded Data Reporting System (EDRS), the present effort apparently includes a high degree of county participation. We were critical of the EDRS effort because it lacked such participation, and believe that the department's policy of local government inclusion is not only necessary but is a more logical approach.

Fundamental Questions

We are in basic agreement with the department that welfare information processing needs improvement and we support the department's goal to achieve a more effective and less costly information-processing program. However, we did raise in a December 10, 1974 letter to the Director of Benefit Payments certain fundamental issues regarding the model system program we felt should be addressed. These were (1) an approximation of multi-year state costs, including maintenance operation once the system is implemented, (2) a cost/benefit analysis, (3) the control over maintenance and modification of completed modules, (4) whether or not counties will be required to use the system, and when and by what means, (5) the policy regarding tailoring standard modules to satisfy an individual county's request for modification, (6) provision to reassess the entire project feasibility depending on how much original system design and computer programming must be done in order to develop the system and (7) a reassessment of the priority of resolving certain identified project tasks such as the question of central maintenance and control.

The essence of the department's December 24, 1974 response to our letter is that a cost/benefit analysis, and therefore multi-year costs, can be developed only after a more precise definition of the proposed system is obtained. This will occur once a state/county evaluation team has defined system modules and how they will be developed. It is estimated that this definition will be completed by May 1, 1975.

Another factor affecting potential state cost is that of federal participation. We understand that the department has been unsuccessful in obtaining maximum federal participation and will therefore seek funding which could provide 50–50 sharing of the development cost.

Further, although the department addressed each of the considerations raised in our letter, we continue to be concerned that the state not invest funds in the development of a system which not all counties will actually use. Despite assurances from department staff that this will not occur, we believe that a strong indication of commitment is required, such as a tentative timetable for county cutover to the model system which the counties can agree.

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS—STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED

Item 288 from the General Fund — Budget p. 271

Requested 1975–76	$568,861,100
Estimated 1974–75	474,088,500
Actual 1973–74	369,862,960
Requested increase $94,772,600 (20 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. May Caseload Estimates. Withhold recommendation on appropriate amount for Item 288 pending review of department's May caseload estimates. — 552

GENERAL PROGRAM STATEMENT

On January 1, 1974, the federal Social Security Administration began the direct administration of cash grant assistance programs for California's aged, blind and disabled recipients. Prior to that time the 58 county welfare departments in the State of California were responsible for the provision of cash grants to these recipients. The new program, commonly known as the Adult Program or the SSI/SSP program, resulted primarily from the enactment of Public Law 92-603 (HR 1) and Chapter 1216, Statutes of 1973 (AB 134). As provided in the enabling legislation, the state forwards the funds appropriated in this item to the federal government.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on appropriate amount for Item 288 pending receipt and review of department's May caseload estimates.

The budget proposes an appropriation of $568,861,100 as the state share of the cost of the adult aid program. This amount is $94,770,400, or 20 percent, more than is estimated to be expended during the current fiscal year. In April and May the department will prepare updated estimates based on recent caseload and cost experience. Upon completion of these updated estimates the Department of Finance will submit a budget letter changing the General Fund request for Item 288. Our office will review these updated estimates and recommend changes in dollar amounts where appropriate. It should be noted that Item 288 is an open-ended appropriation. Regardless of the amount of money placed in Item 288, the state is required to pay for its share of aged, blind and disabled grants.

Table 1 shows the General Fund support being requested for 1975–76.

Table 1
1975–76 Governor's Budget—General Fund Request for Cash Grant Assistance to Aged, Blind and Disabled

Program	*1975–76 Governor's Budget*
Aged (OAS)	$274,978,020
Blind (AB)	16,377,780
Disabled (ATD)	277,505,300
Total	$568,861,100

The overall requested 20 percent increase in General Fund support for Item 288 is spread among the three programs shown in Table 2.

Table 2
1975–76 Governor's Budget General Fund Grant Cost Increases by Program

Program	*Estimated 1975–76 increase over 1974–75*	*Percentage increase over 1974–75*
OAS	$42,863,520	18.47%
AB	1,348,080	8.99%
ATD	50,561,000	22.28%
	$94,772,600	20.0%

Table 3 indicates the average monthly grant per person anticipated by the Governor's Budget.

Table 3
1975–76 Governor's Budget Average Monthly Grant Per Person[a]

Program	*1974–75 Average monthly grant per person*	*1975–76 Average monthly grant per person*	*Change from 1974–75 average grant*	*Percentage change*
OAS	$135.68	$130.88	$−4.80	−3.5%
AB	203.14	219.67	16.53	8.1%
ATD	205.79	199.79	$−6.00	−2.9%

[a] Excludes special circumstance and special benefits (average monthly grant equals total cash grants divided by caseload divided by 12 months)

Table 4 shows the factors involved in the requested $94,772,600 General Fund increase.

Table 4
1975–76 Governor's Budget Growth Factors and Offset Savings

Growth factors and offset savings	*1975–76 General Fund*
A. Caseload growth	$37,600,000
B. Cost-of-living adjustment	100,400,000
Gross cost increases	$138,000,000
C. Anticipated offset savings	(43,227,000)
1975–76 Requested Increase	$94,772,600

DEPARTMENT OF BENEFIT PAYMENTS—STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED—Continued

The caseload estimates upon which the General Fund request is based are shown in Table 5.

Table 5
1975–76 Governor's Budget
Average Monthly Adult Caseload

Program	*1974–75 average monthly persons count*	*1975–76 average monthly persons count*	*Estimated increase from current year*	*Percentage increase over current year*
Aged (OAS)	315,736	350,203	34,467	10.9%
Blind (AB)	12,850	12,850	None	None
Disabled (ATD)	265,398	320,424	55,026	20.7%
	593,984	683,477	89,493	15.1%

The Governor's Budget projects significant caseload growth in both the aged and disabled programs. These large caseload increases were not expected because the department's September estimates projected an average monthly 1974–75 caseload of only 576,614 persons.

The caseload changes which came about between the department's September and December estimates added over 50,000 persons to the estimated adult caseload for 1975–76. This resulted primarily from the department's attempt to reconcile the various conflicting reports on caseload which it receives from the federal Social Security Administration. The Department of Finance subsequently added another 34,943 persons following its review of caseload primarily because the latest information available indicates that the federal government is not going to be able to annually redetermine the eligibility of all adult recipients. This could mean that the caseload discontinuance rate will be low and that consequently the growth rate of the caseload may not level off as quickly as anticipated by the department's December estimates.

The Governor's Budget indicates that the caseload growth in the adult program will generate a General Fund cost of $37,600,000 in 1975–76. This includes approximately $13.9 million for the cost-of-living adjustment payable in 1975–76.

The Size of the State Cost-of-Living Adjustment

The Governor's Budget states that $100,400,000 additional General Fund money will be required in 1975–76 in order to pay the cost-of-living adjustment due to aged, blind and disabled recipients. Under current law, the state must grant an automatic cost-of-living adjustment to recipients only on the state portion of the grant. The first state cost-of-living adjustment will be larger than subsequent years because it will be based upon changes in the Consumer Price Index which have taken place since July 1973. The department has chosen the month of December 1974 as the comparison month. This means that the first cost-of-living adjustment will cover 18 months of inflation, from July 1973 to December 1974. The estimated change in the Consumer Price Index during this period is 17.5 percent.

Current law does not specify what month the department is to use in applying this first cost-of-living adjustment. Thus, if any month after December 1974 but prior to July 1975 is used, the amount of the cost-of-living adjustment would be higher than the amount budgeted.

Federal Cost-of-Living Adjustment

The federal cost-of-living adjustment is payable July 1, 1975 and is estimated to result in a 9.1 percent increase in the federal portion of the grant, increasing it from $146 a month to $159 a month for most recipients. However, state law does not allow this increase to be passed on to the recipient. For example, if an individual receives a grant of $235 a month composed of a federal portion of $146 and a state portion of $89 and the federal portion increases by $13, the gross entitlement of $235 is not increased. Only the interrelationship between federal and state share changes so that the federal portion becomes $159 and the state portion $76. Under current law, the state cost-of-living increase is applied only to the state portion of the grant and not to the federal portion. The 17.5 percent increase in the Consumer Price Index for the period of July 1973 to December 1974 applies only to the state portion of the grant. In this case, the 17.5 percent increase on the $76 (after the federal cost-of-living increase) translates into a $13 cost-of-living adjustment and increases the $235 entitlement to $248.

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS—COST OF SPECIAL CIRCUMSTANCES AND SPECIAL BENEFITS

Item 289 from the General Fund — Budget p. 761

Requested 1975–76	$4,441,500
Estimated 1974–75	2,346,000
Requested increase $2,095,500 (89.3 percent)	
Total recommended reduction	Pending

1975–76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
289 (a)	Special Circumstances	General	$2,682,200	556
289 (b)	Special Benefits	General	1,759,300	556
	Total		$4,441,500	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. May Caseload Estimates. Withhold recommendation pending receipt and review of the department's May caseload estimates. 556

DEPARTMENT OF BENEFIT PAYMENTS—COST OF SPECIAL CIRCUMSTANCES AND SPECIAL BENEFITS—Continued

GENERAL PROGRAM STATEMENT

Chapter 1216, Statutes of 1973 (AB 134) established a special needs program for aged, blind and disabled welfare recipients. Under the program relatively few special need items are provided because most have been averaged into the basic grant, consistent with the federal flat-grant approach. Those continuing special needs allowances which are available are paid entirely from the state General Fund and administered by the county welfare departments, not by the federal Social Security Administration.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending receipt and review of the May caseload estimates.

The 1975–76 Budget Bill divides Item 289 into two parts:

(a) Special circumstances	$2,682,200
(b) Special benefits	$1,759,300

Special Circumstances: Item 289(a)

Section 12550 of the Welfare and Institutions Code provides for a special circumstances program to be administered by the county welare departments. This program is to provide payments to aged, blind and disabled recipients to meet nonrecurring special needs which include: replacement of essential household furniture and equipment or clothing when lost, damaged or destroyed by a catastrophe; necessary moving expenses; required housing repairs; and unmet shelter needs. The Department of Benefit Payments has estimated that these special circumstance allowances, payable entirely with state General Fund money, will cost $2,682,200 in fiscal year 1975–76, an increase of $1,178,000 over the current year.

It should be noted that the 1974–75 budget contained $7,708,700 to cover the anticipated expenses of Item 289(a). The amounts budgeted for this subitem in the 1974–75 budget were based on actual claims experience under the former program for aged, blind and disabled. We believe two factors account for the low level of expenditures. First, the regulations issued by the department are extremely restrictive, making it impossible for many prospective recipients to qualify for benefits. Secondly, the Social Security Administration has not referred all qualified persons to the county welfare departments to file their claims.

Special Benefits: Item 289(b)

Section 12152 of the Welfare and Institutions Code provides that if an aged, blind or disabled person is ineligible for a cash grant solely because he owns a home in excess of $25,000, he shall be entitled to the relevant total benefit. It provides, further, that the state will bear the full costs of payments and administration of this program. The Department of Benefit Payments has estimated that this will cost the General Fund $1,279,300 in fiscal year 1975–76, an increase of $437,500 over the current year.

Section 12352 of the Welfare and Institutions Code provides that aged, blind and disabled recipients who have no exempt income of thier own to declare shall be able to declare up to $20 from the contributions made by their sons or daughters under the Responsible Relative Program as exempt income. This has the effect of increasing their spendable income by up to $20 a month. The Department of Benefit Payments estimates that they will receive $6.7 million in responsible relative conributions in 1975–76 of which $480,000 will be used to pay the benefits provided by Section 12352.

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS SPECIAL PROGRAMS

Item 290 from the General Fund — Budget p. 763

Requested 1975–76	$191,937
Estimated 1974–75	191,937
Actual 1973–74	95,073
Requested increase None	
Total recommended reduction	Pending

1975–76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
290(a)	County training	General	$22,880
290(b)	Demonstration programs	General	169,057
			191,937
290(c)	Cuban Refugees and repatriated Americans	Federal	10,234,900

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Modular EDP System. Recommend Legislature withhold approval of the requested $191,937 pending receipt of report on Model Modular EDP System. 558

GENERAL PROGRAM STATEMENT

Item 290 contains the appropriation for the 25 percent state matching share for state training of county welfare department personnel and 50 percent state matching share for demonstration projects operated at the county welfare department level. The item shows the amount of federal funds anticipated to be expended on the Cuban Refugee and Repatriated Americans program. Table 1 indicates the division of the requested General Fund money between training activities and demonstration projects.

Table 1
County Training and Demonstration Projects, 1975–76

Item		
290a	County training	$22,880
290b	Demonstration projects	169,057
	Total	$191,937

DEPARTMENT OF BENEFIT PAYMENTS
SPECIAL PROGRAMS—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend the Legislature withhold approval of the requested $191,937 pending receipt of the report on the Model Modular EDP System's developmental plans and costs for 1975–76.

The Department of Benefit Payments is in the process of trying to develop a better electronic data processing (EDP) system for use by county welfare departments. (See page 550 of this Analysis.) There may or may not be a relationship between the use of demonstration project money and the development of the Model Modular EDP System. This will not be clear until April or May 1975 when the department will be able to cost out the developmental phase of the Model EDP project.

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS— ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS

Item 291 from the General Fund — Budget p. 763

Requested 1975–76	$51,903,500
Estimated 1974–75	48,485,700
Actual 1973–74	49,889,744
Requested increase $3,417,800 (7 percent)	
Total recommended reduction	Pending

1975–76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
291(a)	AFDC Administration	General	$46,128,700
291(b)	APSB Administration	General	41,800
291(c)	SSP Administration	General	2,133,000
291(d)	Food Stamp Administration	General	3,600,000
			$51,903,500

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. May Caseload Estimates. Withhold recommendation on appropriate General Fund dollar amount for Item 291 pending review of the department's May caseload estimates. 559
2. Quarterly Report. Recommend Department of Benefit Payments, Department of Finance and Legislative Analyst jointly agree on format for a report containing statistical data and narrative analysis on operation of county welfare departments. 562
3. Control of County Expenditures. Recommend department outline its position on methods of controlling state expendi- 563

tures for operation of county welfare departments.

4. Total Welfare Picture. Recommend all funds subvened to counties for operation of county welfare department programs be shown in one item of the Budget Bill and discussed under one section in the Governor's Budget. 564

GENERAL PROGRAM STATEMENT

Item 291 of the 1975–76 Budget Bill contains the General Fund appropriation for the state's share of the costs which the 58 county welfare departments incur in administering the AFDC eligibility and grant determination program, the food stamp eligibility and benefit determination program and the remainder of the aged, blind and disabled programs administered at the county level.

Table 1 indicates the funds requested by program for fiscal year 1975–76.

Table 1
1975–76 Governor's Budget General Fund Request by Program

	1975–76 General Fund Request
AFDC administration	$46,128,700
APSB administration	41,800
Food stamp administration	3,600,000
Adult program administration	2,133,000
Total	$51,903,500

Table 2 indicates the state, federal and county sharing ratios anticipated by the Governor's Budget for the administration of these programs by the county welfare departments.

Table 2
1975–76 Governor's Budget
Administrative Cost Sharing Ratios and Total Cost

	Percentage Distribution			
	Federal	*State*	*County*	*All Funds*
AFDC administration	49.2%	25.4%	25.4%	$181,764,700
Food stamp administration	50.%	7.2%	42.8%	50,000,000
Adult program administration	—	98.1%	1.9%	2,216,500
Total All Funds Item 291				$233,981,200

The amount requested in Item 291 is based on estimates prepared by the Department of Benefit Payments in November and released in December. In April and May the department will prepare updated estimates based on more cost experience. Upon completion of these updated estimates the Department of Finance will submit a budget letter changing the General Fund request for Item 291. At that time our office will review these updated estimates and recommend changes in dollar amounts where appropriate.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the appropriate General Fund amount for Item 291 pending receipt and review of the department's May caseload estimates.

**DEPARTMENT OF BENEFIT PAYMENTS—
ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS—Continued**

The budget proposes an appropriation of $51,903,500 for the state's share of county administrative costs. This amount is $3,417,800, or 7 percent more than is estimated to be expended during the current fiscal year.

We have been given very little data to support the request for funds for the operation of county welfare departments. We believe this is because the Department of Benefit Payments has very little budget justification information at this time.

In recent years, growth of the county welfare departments in terms of the total number of employees and total costs has been substantial for the programs funded through Item 291.

Table 3 shows that in the last eight fiscal years the number of county welfare department employees has increased 74 percent even though county welfare departments no longer administer the cash grant assistance programs for the aged, blind and disabled. Many county welfare department positions once associated with the adult cash grant program have been transferred to the following programs operated by the county welfare departments:

Medically indigent and medically needy only eligibility determinations.

Nonpublic assistance food stamp program eligibility determinations

Homemaker program.

AFDC Program (quality control and eligibility processing).

Table 3
Growth in Number of County Welfare Department Employees

Year Ending June 30	*Public Welfare Personnel in County Welfare Departments*
1967	19,981
1968	21,963
1969	24,243
1970	28,521
1971	31,268
1972	35,462
1973	36,582
1974	34,802

Table 4 shows that the costs of administering AFDC and Food Stamp

Table 4
Growth in AFDC and Food Stamp Cost

Fiscal Year	*AFDC Eligibility and Grant Determination Program (all funds)*	*Nonassistance Food Stamp Eligibility and Food Stamp Determination Program (all funds)*
1971–72	$108,382,908	$10,398,864
1972–73	121,241,084	24,784,731
1973–74	147,087,374	29,643,696
1974–75 estimated	170,032,500	46,400,000
1975–76 estimated	181,764,700	50,000,000

Programs have been growing continually in recent years at the county welfare department level.

Between fiscal years 1971–72 and 1975–76, it is estimated that AFDC administrative costs will have increased by 68 percent and food stamp administrative costs by 481 percent. In addition, the cost of the county welfare department's AFDC eligibility and grant determination program is growing rapidly. The department's September estimates projected a 1974–75 cost of $156,667,700. Three months later, the department's December estimates projected a 1974–75 cost of $170,032,500. The department knows that costs are going up but it does not know why this is happening and whether or not it is justified.

Table 5 illustrates that even though the AFDC caseload has been declining, AFDC administrative costs have been increasing.

Table 5
AFDC Administrative Cost Per Case

Fiscal Year	*AFDC administrative cost (in millions)*	*AFDC average monthly case count*	*AFDC yearly administrative cost per case*
1971–72	$108.4	476,157	$228
1972–73	121.2	460,357	263
1973–74	147.1	436,458	337
1974–75 estimated	170.0	441,808	385
1975–76 estimated	181.8	445,175	408

Administrative costs per case could be expected to increase from year to year to keep pace with inflation, unless some program improvement had been introduced to reduce per case costs. Table 6 compares the growth rate of the Consumer Price Index with the growth rate of AFDC administrative costs per case. AFDC administrative costs per case have grown faster than inflation. However, in 1975–76 the increase in cost per case may be less than inflation if the departmental estimates are correct.

Table 6
Growth in Consumer Price Index Compared to Growth in AFDC Administrative Cost Per Case

Fiscal Year	*Percentage increase in California CPI from prior year*[a]	*Percentage increase in AFCD cost per case from prior year*
1972–73	5.6%	15.3%
1973–74	10.4%	28.1%
1974–75	11.1%	14.2%
1975–76	7.0%	5.9%

[a] Compares the month of June in one year to month of June in following year.

The administrative costs for the Food Stamp Program relate only to services provided to nonpublic assistance families. Food stamp administrative costs for households receiving public assistance are charged principally to AFDC. Table 7 contains the annual administrative cost per nonassisted households.

This year, as last, we cannot account for the high per case cost of handling food stamp eligibility determinations and benefit entitlements. Nor can we account for the anticipated increased costs between 1973–74 and 1974–75.

DEPARTMENT OF BENEFIT PAYMENTS—
ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS—Continued

Table 7
Food Stamp Administrative Costs Per Case

Fiscal Year	*Nonpublic assistance food stamp costs*	*Nonpublic assistance households*	*Annual administrative cost per non-assistance household*
1972–73	$24,784,731	88,537	$280
1973–74	29,643,696	108,913	$272
1974–75	46,400,000	138,700	$335 estimated
1975–76	50,000,000	139,400	$359 estimated

Chapter 1216, Statutes of 1973, (AB 134) made the state responsible for all nonfederal food stamp administrative costs above the amount ($22,900,-000) the counties were paying in calendar year 1973. The 1974–75 budget, as a result, contained a $12 million General Fund appropriation to cover anticipated state food stamp administrative cost. This was the first state fiscal involvement in the Food Stamp Program. Subsequent to the passage of the state budget, the federal government passed PL 93-347 which increased the federal share of food stamp administrative costs from approximately 23 percent to 50 percent. The effect of the increased federal sharing in 1974–75 was to reduce anticipated state expenditures by $8.8 million to $3.3 million. The department anticipates that in fiscal year 1975–76, county costs will be $21,400,000 which is still $1.5 million short of the county expenditure limit of $22.9 million. Once the counties reach an expenditure level of $22.9 million limit any additional program growth will be paid for entirely by the state and federal governments. At that time, there will be little if any financial incentive for the counties to keep tight control over the growth of food stamp administration costs. Several counties already have reached their 1973 expenditure limit.

Quarterly Report

We recommend that the Department of Benefit Payments, the Department of Finance and the Legislative Analyst's Office jointly agree on the format for a report containing statistical data and narrative analysis regarding the operation of county welfare departments. The report would be prepared by the Department of Benefit Payments on a quarterly basis.

Due to the absence of basic data about the operation of county welfare departments and in light of escalating administrative cost, it is important that the state gather and analyze information which will allow the administration and Legislature to make fiscal decisions and formulate policy regarding the operation of county welfare department administered programs.

The recommended report should contain the following kinds of information:

(a) The total number of employees by program by county;
(b) Caseloads and workload processed by program by county;
(c) Workload output per position by program by county;
(d) Cost per case by program by county;
(e) Ratio of support staff to line staff by program by county;
(f) Comparison of administrative overhead costs to line operating costs by program by county;
(g) Ratios of first line supervisors to eligibility workers and social workers by program by county; and

(h) Comparison of salary ranges for commonly used classifications by county.

Most of this information is currently available from quarterly administrative claims submitted by counties.

Control of County Expenditures

We recommend that the Department of Benefit Payments outline its position during the budget hearings on methods of controlling state expenditures for the operation of county welfare departments.

The Department of Benefit Payments should outline to the Legislature what mechanisms it is interested in pursuing in fiscal year 1975–76 to control the growth of the administrative costs of programs operated by county welfare departments and what additional statutory authority it may need. Some alternatives that should be considered for controlling administrative costs are as follows:

1 Introduce state mandated maximum staffing ratios.
   a. Relating eligibility workers and social workers to caseload and/or workload
   b. Relating administrative and clerical positions to the number of eligibility workers and social workers
   c. Relating first-line supervisorial staff to the number of eligibility workers and social workers
2. Change the various program's sharing ratios so that the counties will bear nearly the same percentage of administrative cost in each program, thus avoiding the incentive to add staff on the basis of whichever program has the best sharing ratio. The new sharing ratio might be set to keep the county total dollar participation at about current levels provided the overall county fiscal involvement was sufficient to encourage good management.
3. Limit state expenditures to a maximum dollar amount per case served.
4. Require county welfare departments to submit to the state budget requests for administrative expenses. Such budget submittals could follow a format prescribed by the department and contain standardized support data. (The department's analysts would review these budgets in detail to justify expenditure of state funds.)
5. Begin comprehensive review of the various forms required by the state for the processing of eligibility, calculation of benefit entitlement, cost claiming and data reporting. County welfare departments spend a large amount of staff time processing long and complex client forms and filling out forms for the state. To the extent these forms can be simplified to reduce the amount of staff time required to process them, administrative savings are possible.
6. Develop data processing programs for use by county welfare departments which would make it possible for the counties to more rapidly process the large volume of eligibility information.

DEPARTMENT OF BENEFIT PAYMENTS—
ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS—Continued

Total Welfare Picture

We recommend that all funds which are subvened to the counties for the operation of county welfare department programs be shown in one item in the Budget Bill and discussed under one unified section in the Governor's Budget.

For several years, the Legislature has not had a total picture of what it is costing to operate county welfare departments. In part, this is because the appropriations for the operation of various programs are spread between the Department of Health budget and the Department of Benefit Payment's budget and are included in several different budget bill items.

County welfare departments essentially have two kinds of programs: programs to determine eligibility and calculate benefit entitlement and programs to provide some kind of direct or indirect service to the recipients. If all of these county welfare department administrative funds were placed in one budget item, the total of all federal, state and county funds would be approximately as shown in Table 8.

Table 8
Estimated Costs of Operating County Welfare Departments

	1975–76	
	All Funds	*General Fund*
A. Eligibility and benefit determination programs		
1. AFDC	$181,764,700	$46,128,700
2. Aged, blind and disabled	2,216,500	2,133,000
3. Food stamps	50,000,000	3,600,000
4. Medically needy only and medically indigent determinations	76,305,000	53,413,920
B. Service Program		
5. Homemaker services	65,000,000	16,250,000
6. Other social services	164,772,100	0
7. Adoptions	12,698,750	12,698,750
8. Child protective services	3,000,000	0
9. WIN	7,222,000	0
10. Boarding home licensing	1,770,000	1,644,000
Total	$564,749,050	$135,868,370

DEPARTMENT OF CORRECTIONS

Items 292–296 from the General Fund — Budget p. 772

Requested 1975–76	$180,638,314
Estimated 1974–75	175,378,277
Actual 1973–74	150,509,779
Requested increase $5,260,037 (3.0 percent)	
Total recommended reduction	$102,605

1975–76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
292	Departmental Operations	General	$177,839,380
293	Transportation of Prisoners	General	200,000
294	Returning Fugitives	General	700,000
295	Court costs and county charges	General	1,598,934
296	Local detention of parolees	General	300,000
			$180,638,314

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. Population Projection. Recommend department review population projection and make necessary adjustments. 568
2. Double Celling. Recommend department prepare alternatives for elimination of double celling. 568
3. Reorganization. Recommend legislative consideration of Adult Authority reorganization. 571
4. *Community Correctional Centers. Reduce $102,605.* Recommend deletion of 8.5 positions related to closure of Parkway Center. 573

GENERAL PROGRAM STATEMENT

The Department of Corrections, established in 1944 under the provisions of Chapter 1, Title 7 (commencing with Section 5000) of the Penal Code, operates a system of correctional institutions for adult felons and nonfelon narcotic addicts. It also provides supervision and treatment of parolees released to the community to finish serving their prescribed terms, advises and assists other governmental agencies and citizens' groups in programs of crime prevention, criminal justice and rehabilitation.

To carry out these functions, the department operates 12 major institutions, 19 camps, four community correctional centers and 60 parole units. The department estimates these facilities and services will be used by approximately 25,015 adult felons and nonfelon drug addicts and 18,905 parolees in 1975–76.

DEPARTMENT OF CORRECTIONS—Continued

ANALYSIS AND RECOMMENDATIONS

The total operations of this department and special items of expense from all funding sources for the budget year are summarized in Table 1.

Table 1
Budget Summary

		Change From Current Year	
Funding	*Proposed*	*Amount*	*Percent*
General Fund	$180,638,314	$5,260,037	3.0
Correctional Industries Revolving Fund	15,669,011	639,208	4.3
Inmate Welfare Fund	4,682,501	−36,928	−0.8
Federal Funds	41,063	-	-
Reimbursements	2,537,367	-	-
Total	$203,568,256	$5,862,317	3.0
Program			
I. Reception and Diagnosis	$2,168,201	$−157,889	−6.8
Man-years	124	−9	−6.8
II. Institution	$169,558,559	$5,260,125	3.2
Man-years	6,801.9	−71.9	−1.1
III. Releasing Authorities	$2,413,828	$159,449	7.1
Man-years	73	-	-
IV. Community Correctional	$20,914,142	$252,669	1.2
Man-years	891.3	−36.7	−4.0
V. Administration (undistributed)	$5,714,592	$47,963	0.9
Man-years	231.4	−8.6	−3.6
VI. Special Items of Expense	$2,798,934	$300,000	12.0
Total expenditure	$203,568,256	$5,862,317	3.0
Total Man-years	8,121.6	−126.2	−1.5

The proposed General Fund increase of $5,260,037 is attributable largely to population and price increases, the cost of operating three additional conservation camps and workload increases totaling $781,543 related to recent court decisions on inmate and parolee rights. Also reflected is (1) a reduction in positions which were administratively established during the current year for workload arising from the California Supreme Court decision *In re Olson,* (2) elimination of the work unit parole project, and (3) a reduction in research staff. These budgetary changes will be discussed under the appropriate program analyses herein.

Olson Decision workload

The *Olson* decision compels the disclosure, upon the request of an inmate and/or his attorney, of all documents in his file, except those which would endanger an informant or institution security. The department was administratively authorized 115 positions at an estimated salary cost of $1,041,730 during the current year to remove the confidential information from the files and to review the remaining contents with the inmates and /or their attorneys. The department has found that the workload is not as large as originally anticipated and employee reductions below the authorized level are planned for the current year. None of the 115 positons is continued in the budget year because the file purging will be completed and future files will be constructed to permit separation of the excluded information without requiring increased staff. There are four other recent court decisions having a fiscal impact on this budget. They are discussed in the "Releasing Authorities" section of this Analysis.

The 4.3 percent increase in the Correctional Industries Fund reflects an expansion of textile products manufacturing and price increases. The $2,537,367 in reimbursements for the budget year is identical to the amount shown in the Governor's Budget for the current year. The amount is substantially below the $8,215,572 in such reimbursements received in the 1973–74 fiscal year. The difference reflects the budgetary policy of showing federal reimbursements for special projects only after they are received. The budget document identifies special projects which are anticipated to be reimbursed by federal funds totaling $5,436,177 in the budget year. The $2,537,367 in reimbursements which is shown as part of the department's expenditure program reflects services provided to other state agencies, housing of federal and out-of-state prisoners, and services to employees and inmates.

I. RECEPTION AND DIAGNOSIS PROGRAM

Through four reception centers, the department processes four classes of persons: those committed to the department for diagnostic study prior to sentencing by the superior courts, those sentenced to a term of years, those returned because of parole violaton and non-felon addicts.

The department provides the courts a comprehensive diagnostic evaluation of and recommended sentence for convicted offenders awaiting sentencing. Newly committed felons or nonfelon addicts are a largely unknown factor and there is a need to evaluate the individual for suitable program determinations and proper institutional assignment. The new felon commitments are received at reception centers located adjacent to and operated as part of regular penal institutions for males at Vacaville and Chino, for females at Frontera, and for nonfelon addicts at Corona.

Program Reductions

The program reduction of $157,889 shown in Table 1 reflects a net reduction of nine positions partially offset by merit salary adjustments and price increases. The staff reduction reflects the transfer of reception center staff to the main institution budget at Deuel Vocational Institution because of the conversion of the reception center facility at that institution to regular inmate housing.

II. INSTITUTION PROGRAM

The department operates 12 institutions, ranging from minimum to maximum security, including two medical-psychiatric institutions and a treatment center for narcotic addicts under civil commitment.

Major treatment programs include 23 industrial manufacturing operations and seven agricultural enterprises which seek to reduce idleness and teach work habits and job skills, vocational training in various occupations, academic instruction ranging from literacy classes to college correspondence courses, and group and individual counseling. The department will also operate 19 camps which will house an estimated 1,080 inmates during

DEPARTMENT OF CORRECTIONS—Continued

the budget year. These camp inmates perform various forest conservation, fire prevention and suppression functions in cooperation with the Division of Forestry.

The institution program will provide for a projected average daily population of 25,015 inmates in the budget year, an increase of 535 inmates or 2.19 percent over the current year. This is a relatively minor increase when compared with increases of 1,715 inmates (7.5 percent) and 2,720 (13.6 percent) in the current and past fiscal years, respectively. This projection is based on a number of factors, including continuation of economic conditions existing in the early summer of 1974. The worsening economic and employment conditions could result in further increases in crime, which should result in additional commitments to the state.

Population Projection Appears Low

We recommend that the department review it population projection for the budget year and make necessary budgetary adjustments.

The projected increase of 535 or 2.19 percent in average daily population (ADP) appears too low based on the first six months experience of the current year, during which the ADP has increased by 491, averaging 81.8 inmates per month. In order to end the current year with the ADP originally projected, the monthly increase would have to be reduced to an average of 33.3 inmates. This does not appear reasonable in view of current experience which attributes population build-up to both court and Adult Authority actions.

Continuation of court commitment and adult Authority paroling and parole revocation practices as reflected in institution population increases in the first half of the current year would produce an ADP for the budget year approximaely 500 inmates above the budgeted projection and result in serious underfunding of the department. The funding deficiency would approximate $500,000 if the population increase is spread among existing institutions (compounding existing overcrowding problems) or $3,250,000 if additional facilities are opened.

Double Celling

We recommend that the department prepare, for consideration by the Legislature, alternatives for eliminating double-celling of inmates.

Historically, the housing of two inmates to a cell was standard penal practice despite strong professonal opposition to it. With the decline in institution population in the late 1960s and early 1970s, it was possible to eliminate double celling. The populaton decline resulted from the combined factors of lower court commitments brought about by the probation subsidy program, increased plea bargaining, increased legal representation of indigent defendants and other undetermined factors plus the somewhat more liberal term-setting and paroling policies of the Adult Authority.

At that time, the Legislature had the opportunity to continue the same level of double celling and close institutional facilities or eliminate double-celling. The Legislature chose the latter alternative. Double-celling was, however, reinstituted because of an increase in the percentage of felony defendants who were committed by the superior courts, a reduction in the number of releases granted by the Adult Authority and a significant increase in parole revocations for parole violations not resulting from a new conviction. These factors, which reflected an express administration policy, have resulted in double-celling of approximately 3,500 inmates as of the end of 1974. An increase of 500 to 1,000 in inmate population will compound the existing situation. This amount of overcrowding in the already volatile prison environment is extremely hazardous, especially because it would have to be concentrated in the older penal facilities, San Quentin and Folsom.

In this situation the department is subject to opposing points of view. One does not want additional facilities on the basis that their existence would result in additional incarcerations; the other supports the previous executive policy and demands a greater use of incarceration for public protection and as a deterrent to larger increases in criminal activity. Regardless of the policy of the new administration, we believe that additional facilities should be constructed in recognition of current population projections and the fact that it takes approximately five years from initial budgeting to opening of the facility. If methods are developed or policies adopted to reduce overall penal population, the new facilities can replace existing archaic institutions.

As new construction would not be available for approximately five years and if inmate population continues to increase as in the first six months of the current fiscal year, the population will exceed existing capacity to an intolerable extent. Current projections indicate a male felon population of 25,475 in 1980. Compared to existing institutional capacity of 20,217 on a one-inmate-per-cell basis, this will result in a shortage of 5,258 cells. The proposed budget makes no provisions for additional capacity.

Table 1 shows proposed institution program expenditures of $169,558,-559 in the budget year. The net increase of $5,260,125 or 3.2 percent over the current year results from merit salary adjustments, workload and price increases partially offset by a net decrease of 71.9 authorized positions. The staff reduction reflects the deletion of 91 positions administratively added for implementing the *Olson* decision and other reductions totaling 1.9 positions partially offset by 64.8 new positions, 43.8 of which were administratively established during the current year.

The 64.8 new positions for this program include ten for workload increase at the California Conservation Center, Susanville; 21.6 for the opening of three conservation camps; 17.7 previously authorized positions deleted under Section 20 of the Budget Act of 1974 (related to termination of unfilled positions); eight for workload increase because of the *Bye* decision; 0.5 under the Inmate Welfare Fund and seven under the Correctional Industries Revolving Fund. The *Bye* decision requires additional due process procedures in hearings involving the out-patient status of nonfelon addicts. The Section 20 positions are those generally not filled on a permanent basis due to recruitment problems or to afford greater administrative flexibility, and all have been previously justified on a workload basis. These position authorizations are used to contract for services for which permanent employees cannot be recruited (usually psychiatrists) or to pay current employees for providing needed services on an overtime basis.

New Camps

The budget provides $206,462 for 21.6 new positions to operate three camps which will house 220 inmates in the budget year with a potential of 240 inmates at maximum capacity. These inmate-operated camps are currently functioning with Ecology Corps personnel under the Division of Forestry. The replacing of ecology corps staff with inmates should produce savings for the Division of Forestry, but such savings are not reflected in the Governor's Budget.

We note that the camp budget data on page 777 of the Governor's Budget reflect only a $23,282 increase in overall expenditures and no change in the number of inmates assigned or in personnel years, whereas the salary cost of the 21.6 new positions without staff benefits will total $206,462. While the overall budget totals in regards to these new camps appear to be in order, the data on budget page 777 relating to "work projects-cooperating agencies" appears to be incorrect. The department should clarify this matter.

Inmate Pay Increase

The budget contains $100,000 to provide a 13.8 percent overall pay increase (averaging $16 per year or $1.33 per month) to the 6,241 paid positions for inmates who work in the institutions. In addition, there are 2,759 nonpaid inmate positions. Because of inflationary increases in the prices of products purchased in the inmate canteens compared to the average inmate pay of $9.67 per month, the increase is warranted.

III. RELEASING AUTHORITIES

This program includes the activities of the Adult Authority and the Women's Board of Terms and Parole relating to adult felons and the Narcotic Addict Evaluation Authority which relates to civilly committed narcotic addicts. The function of these boards is to fix and reset as required the terms to be served within the institutions and on parole. They may grant parole and order suspension or revocation of parole as authorized by law. The Adult Authority is assisted in case hearings by hearing representatives who serve on two-man panels with board members or separately.

The U.S. Supreme Court in the case of *Morrissey v. Brewer* of July 29, 1972, provided that paroling authorities must follow specified minimum due process and procedural requirements when ordering parole revocations. Included in these minimum requirements are prerevocation and revocation hearings. The prerevocation hearing must be held in the parolee's community and afford him an opportunity to present evidence in his own behalf. The hearing is conducted by hearing representatives or other designees of the parole boards. If there is a finding of probable cause to revoke parole, the parolee is incarcerated at a departmental reception center pending a final hearing on revocation at which the parolee must be provided another opportunity to present his case. On May 14, 1973, the

U.S. Supreme Court in *Gagnon v. Scarpelli* also mandated that paroling authorities returning technical parole violators must provide counsel for indigent parolees upon request. This ruling has increased the length and complexity of parole revocation hearings.

In addition, recent California Supreme Court decisions including *In re Sturm, In re Prewitt, In re LaCroix,* and *In re Valrie* have required the parole boards to prepare written reasons for denying parole and to hold special additional hearings prior to placing parolees in custody after their arrest for additional crimes to determine if parole is to be revoked.

Adult Authority Reorganization

We recommend legislative consideration of organizational changes in the Adult Authority.

Prior to the 1959–60 fiscal year, the Adult Authority consisted of seven members who met in two-member panels to hear cases in the various institutions and to determine parole revocations. In order to handle the increasing caseload, reduce travel requirements and avoid increasing the size of the board, board representatives were authorized in 1959–60.

The board representatives were teamed initially (1 to 1) with board members for case hearing purposes, but the decisions of these "mixed" panels had to be ratified by another board member. Subsequently, panels composed only of representatives were authorized, but the requirement for board ratification of their actions was retained. Institution and parole population increases plus the additional workload resulting from recent court decisions have had a significant impact on the board's workload requirements.

The workload growth over the years has resulted in enlargement of the Adult Authority until it now consists of nine members and 15 hearing representatives plus six new representatives requested in this budget. Additionally, the department was budgeted for four new board members during the current year, but the necessary legislative authorization for the member increase was not enacted. Three of these four board-member positions were reclassified to hearing representatives. In our judgment, the combined total of nine board members and 24 representatives (assuming approval of the six proposed) produces an over-size and unwieldy organization.

The indeterminate sentence law under which the Adult Authority acts has been the subject of much recent discussion. If this law is repealed or substantially altered it may eliminate the need for or significantly reduce the staff needs of the Adult Authority. If the board is to continue operations under the existing law, the Legislature should consider the following organizational changes:

1. Permit term-fixing, paroling and parole revocation hearings by a single hearing representative.
2. Reduce the size of the board to five (a reduction of 4 members) and change the functions of the members from hearing cases to setting policy and hearing appeals from the decisions of hearing representatives. Such action would reduce salary costs for board members by $124,032 annually. Implementation would require amendments to

DEPARTMENT OF CORRECTIONS—Continued

Section 5075 of the Penal Code to reduce the board membership and to Section 5076.1 to permit hearing representatives to make final decisions subject to appellate review and to permit hearings by individual board representatives.

The addition of six new board representatives would appear to result in an excessively large hearing body. If hearings were conducted by one person, only 16 positions would be needed to handle the projected hearing workload. However, time must be provided for review of the upcoming case, which is now done during each hearing by the second panel member while the first member conducts the immediate hearing. We make no recommendation for position reductions at this time, pending further review of workload needs required by the suggested change in hearing procedures and recent court decisions.

IV. COMMUNITY CORRECTIONAL PROGRAM

This community based program includes conventional and specialized parole supervision, operation of community correctional centers, outpatient psychiatric services, anti-narcotic testing and community resource development. The program goal is to provide community supervision support and services to achieve successful parolee performance.

Table 1 shows a proposed budget of $20,914,142 for the 1975–76 fiscal year, an increase of $252,669 or 1.2 percent. The increase is a result of parole population and price increases along with merit salary adjustments, a reduction in the conventional caseload formula (from 59 parolees per agent to 50 to 1) partially offset by elimination of the work unit supervision (33 to 1 ratio) program reflecting an overall decrease of 36.7 man-years. Termination of the work unit program ends the latest in low caseload experimental projects that commenced in fiscal year 1953–54. While these programs sometimes reflected minor improvement in caseload results, it was not sufficient to justify the additional costs and may in fact have been at least partially caused by factors other than the case supervision level.

The 50 to one supervision level complies with the legislative mandate contained in Item 313.3, Budget Act of 1974, which provided an appropriation of $400,000 to accomplish the reduction in caseload size from 59 to 1 to 50 to 1. The appropriation was deleted by the Governor on the basis that the overall caseload reduction could be accomplished administratively. This budget provides for a 50 to 1 parolee/parole agent ratio for all except work furlough (35 to 1) and nonfelon addict (32 to 1) supervision.

Community Correctional Centers

The department has been budgeted for four state-supported and one federally-funded community centers (half-way houses). These centers house work furloughees, newly released parolees requiring a structured living situation and parolees who are unstable on parole and for whom the additional community supervision may forestall a parole revocation.

Sacramento Center

The Sacramento Community Correctional Center was established and has been operating with federal funds provided through the Office of Criminal Justice Planning and the California Council on Criminal Justice (CCCJ). The department requested state funding for the fourth year of operation of this center because the CCCJ limits federal funds to the initial three years of operation. The requested amount was not included in the budget on the basis that fourth-year funding will be sought from the federal government. If federal funding is not available, this budget will be underfunded by $287,751 for the operation of this center or the center will have to be closed.

Closure of Parkway Center

We recommend the deletion of 8.5 positions related to closure of Parkway Center: one parole agent III, one correctional lieutenant, one correctional sergeant, three correctional officers, one senior stenographer, one supervising cook II and 0.5 cook II for a salary savings of $102,605.

During the current year, the department is closing the Parkway Community Correctional Center and transferring its staff of 8.5 positions to other centers (Central City, Vinewood and Crittenden) as shown in Table 2.

Table 2
Community Center Staffing

Community Center	Average Daily Population	Total Staffing Authorized	Total Staffing Proposed
Crittenden	50	11.1	14.1
Central	50	11.0	14.5
Vinewood	27	8.4	10.4
Parkway	50	8.5	0

The purpose of the redeployment is to provide additional staff deemed necessary at the other centers because of the loss of federally supported positions. These centers were originally budgeted and staffed without federal assistance. Federally funded positions were subsequently added to augment the existing staffing level. The department advises that loss of the federally-funded staff creates staffing deficiencies which results in an increasing number of disciplinary incidents and potential incidents.

Incidents within the center and in the surrounding community resulted in the closing of a community correctional center formerly operated on the grounds of the Institution for Men at Chino. It is also partly the increase in incidents and the threat thereof that has resulted in the closure of the Parkway Center and staff augmentations at other centers. These centers are expensive operations, costing $824,926 for an average population of 140 parolees and work furloughees for a per capita cost of $3,666 per year. This number of inmates could be handled in the institutions for approximately $140,000 per year ($1,000 each).

The early release of inmates to the work furlough program and the provision of community centers for parolees is for their benefit and the state should not be burdened with an unreasonable expenditure level for such operations because of the undisciplined actions of the program par-

DEPARTMENT OF CORRECTIONS—Continued

ticipants. If the department is unable to provide suitable inmates and parolees for this program as originally proposed, the program should be abandoned. If the program has to be staffed to the level proposed in this budget, then it is not the lightly structured program initially contemplated.

V. ADMINISTRATION

The administration program includes centralized administration at the departmental level headed by the director. It provides program coordination and support services to the institutional and parole operations. Each institution is headed by a warden or superintendent and its own administrative staff. Institutional operations are divided into custody and treatment functions, each headed by a deputy warden or deputy superintendent. The parole operation is administratively headed by a chief parole agent assisted by centralized headquarters staff. The state is divided into 5 parole regions, each directed by a parole administrator. The parole function is subdivided into districts and parole units.

As shown in Table 1 total support requirements for administration (not prorated to other programs) are estimated at 231.4 man-years and $5,714,592 for the budget year, which represents an increase of $47,963 or 0.9 percent over the current level. The net increase represents merit salary adjustments and price increases partially offset by a reduction of 8 research positions (totaling $105,156 in salary savings) and 0.6 in other minor position adjustments.

VI. SPECIAL ITEMS OF EXPENSE

Items 293–296 provide reimbursements to the counties for expenses relating to transportation of prisoners and parole violators, returning fugitives from justice from outside the state, court costs and other charges related to trials of inmates and local detention costs of state parolees held on state orders. These reimbursements are made by the State Controller on the basis of claims filed by the counties in accordance with law.

This program proposes an increase of $300,000 or 12 percent to provide for the reimbursement of local detention costs for parolees incarcerated on orders of the paroling authorities. This new program element was authorized by Chapter 1237, Statutes of 1974.

Crime Increase

Opinions differ significantly on the reasons for crime and on the most effective methods of preventing it. This section contains information on the rapid growth in crime rates since 1960, the shift in policy regarding the use of probation and local treatment of offenders, and data on the percentages of felony arrests that ultimately result in convictions and state prison sentences. While there are many suggestions on what changes should be made in the criminal justice system, seldom is there a discussion of the fiscal impediments and time lags necessary to implement a policy change. The end of this section contains such comments. For example, if the state decided to reduce the number of felony offenders treated locally under the probation program, and as a substitute to increase state prison commitments, it would require five years of lead time to build one new prison at a cost of $65 million, which would add only ten percent to our total prison capacity.

As shown in Table 3, the total federal, state and local crime fighting effort in California has failed to reduce the incidence (as measured by the number and rate per 100,000 of total population) of the seven major offenses reported to California law enforcement agencies.

Table 3
Total and Rate of Crimes Reported
Seven Major Offenses 1960–1973

	Crimes Reported [a]		*Increase Over Prior Year*			
			Number		*Rate*	
Year	*Number*	*Rate* [b]	*Amount*	*Percent*	*Amount*	*Percent*
1960	251,495	1,585	–	–	–	–
1961	259,231	1,576	7,736	3.1	−9	−0.6
1962	276,658	1,623	17,427	6.7	47	3.0
1970	652,389	3,261	47,813	7.9	216	7.1
1971	714,685	3,527	62,296	9.6	266	8.2
1972	723,936	3,527	9,251	1.3	0	0
1973	740,157	3,569	16,221	5.3	42	1.2
Increase						
1973 over 1960	488,662	1,984				
	194.3%	125.2%				

[a] Includes willful homicide, robbery, aggravated assault, forcible rape, burglary, grand theft, and auto theft.
[b] Rate per 100,000 population.

Specifically, the table shows that the reported incidence of the seven major offenses increased from 251,495 (1,585 per 100,000 population) in 1960 to 740,157 (3,569 per 100,000 population) in 1973. This represents an increase of 194.3 percent in these crimes reported and a 125.2 percent increase in the rate of such reported crimes per 100,000 population. These data do not include drug and other felony offenses, although many of the crimes are committed by drug addicts to obtain the funds necessary to support their habits. A recent federally supported study showed that the incidence of crime is significantly greater (in the communities studied) than the level reported to law enforcement agencies. The increase in reported crime in California has continued unabated each year since 1960, although there was no increase in the rate per 100,000 population in 1972.

Crime Clearances

While the crime rate continues to soar, the clearance rate (reflecting crimes cleared by arrest) averages only 21 percent of six of the seven major offenses reported. If the clearance rate could be substantially improved, there would be a greater deterrent effect to the criminal sanctions. It may reasonably be assumed that persons usually engaged in unlawful activities are aware of the general extent to which such activity is successfully conducted, and therefore they do not appear to be greatly deterred by legal sanctions.

DEPARTMENT OF CORRECTIONS—Continued

Table 4
Adult Felony Arrests and Dispositions
1960, 1966, 1970–72

	1960	*1966*	*1970*	*1971*	*1972*
Total Adult Felony Arrests [a]	98,821	107,344	204,935	219,231	231,863
Dispositions by Type					
1. As Percent of Arrests					
a. Release by Police	–	25.7	22.6	21.6	19.9
b. Complaint Filed	–	74.3	77.4	78.4	80.1
c. Lower Court	–	12.6	18.5	22.0	21.8
d. Superior Court	28.7	35.0	28.9	29.8	24.4
1. Not convicted	3.6	5.2	4.5	4.2	3.3
2. Convicted	25.1	29.8	24.4	25.6	21.1
e. Superior Court Sentences					
1. Prison	7.1	6.3	2.5	2.5	2.4
2. Youth Authority	1.7	1.7	0.9	0.9	0.7
3. Probation only	11.1	9.2	9.4	9.9	7.6
4. Probation and Jail	–	6.4	7.1	8.1	7.5
5. Jail only	4.8	4.5	3.0	2.6	1.8
6. Fine	0.2	0.6	0.5	0.3	0.2
7. Civil Commitment	0.3	1.2	1.0	1.2	1.1
2. As Number Totals					
a. Released by Police	–	27,599	46,245	47,238	46,121
b. Complaint Filed	–	79,745	158,690	171,993	185,742
c. Lower Court	–	13,494	37,954	48,324	50,438
d. Superior Court	28,400	37,584	59,257	65,236	56,586
1. Not convicted	3,584	5,584	9,307	9,218	7,562
2. Convicted	24,816	32,000	49,950	56,018	49,024
e. Superior Court Sentences					
1. Prison	6,971	6,731	5,025	5,408	5,664
2. Youth Authority	1,665	1,831	1,873	1,973	1,515
3. Probation only	10,983	9,883	19,249	21,738	17,606
4. Probation and Jail	–	6,871	14,564	17,703	17,318
5. Jail only	4,712	4,777	6,118	5,771	4,062
6. Fine	177	596	988	704	436
7. Civil Commitment	308	1,311	2,133	2,721	2,423

[a] Excludes persons arrested and turned over to other jurisdictions.

Uncertainty of Apprehension or Incarceration

Table 4 shows that in 1972, for example, there were 231,863 adult felony arrests. In that year there were 1,383,969 felony crimes reported, some of which were unfounded, committed by juveniles, etc. While disposition data may not represent the identical persons reflected in total arrests, there are sufficiently comparable for discussion purposes. The 231,836 adult felony arrests in 1972 were disposed of as follows (shown as percent of arrests):

1. Law enforcement released 19.9 percent.
2. Criminal complaints were filed against the remaining 80.1 percent.
3. However, the trial courts processed only 46.2 percent as felony charges because the remainder were released by the district attorneys, or the charge was reduced to a misdemeanor complaint.
4. Another 21.8 percent was disposed of as misdemeanors by the lower courts.
5. As a result, only 24.4 percent of the total felony arrests were finally handled as felony complaints by the Superior Courts (21.1 percent

were convicted and 3.3 percent were not).

6. Superior court sentences were:
   a. State prison—2.4 percent
   b. Youth Authority—0.7 percent
   c. Probation only—7.6 percent
   d. Probation and jail—7.5 percent
   e. Jail only—1.8 percent
   f. Fine only—0.2 percent
   g. Civil commitment—1.1 percent

The probability of incarceration has been reduced significantly in recent years, especially since the advent of the probation subsidy program, which rewards the counties for not committing adult felons and juvenile delinquents to state institutions. Out of the total adult felony convictions disposed of by the superior courts in 1960 (totaling 24,816), 8,944 or 36 percent were committed to the state and the remainder 15,872 or 64 percent were handled locally. By 1972, total state commitments were reduced to 9,602 or 19.6 percent of all convictions and 80.4 percent were handled locally. Thus, the chance of receiving a state commitment has declined substantially.

Crime Rates by Persons on Probation and Parole

The change in sentencing patterns has resulted in an increase in the number of probationers. Probation sentences totaled 44.3 percent of superior court convictions in 1960, which increased to 71.2 percent in 1972. If the 1960 rate was applied to 1972 total superior court convictions, there would have been 21,718 probation grants in 1972 or 13,206 less than the 34,924 actually granted. The increased number of convicted felons in the community has an impact on local crime rates because of those convicted in the superior courts in 1972, a total of 3,130 or 23.7 percent were on *probation* when they committed a new offense for which they were subsequently prosecuted. An additional 13.6 percent of the 1972 felony prosecutions related to crimes committed by persons who were under state *parole* supervision. Therefore, it is apparent that any increase in the number of persons released to probation and parole will increase the amount of crime.

A review of these crime, prosecution and court disposition data leads to the conclusion that the deterrent impact of criminal sanctions is substantially diluted by the lack of certainty of apprehension, prosecution and incarceration.

On the other hand, while increasing the certainty of apprehension and prosecution (by improving law enforcement and district attorney operations) and the certainty of substantial punishment (by a change in sentencing practices) may enhance the deterrent effect of criminal laws, the state is not prepared to handle an increase in prison population. Existing state penal facilities are overcrowded. A return to the rate of prison sentencing effective in 1960 based on the total number of arrests in 1972 would have added about 10,800 more prisoners that were received in 1972. This does not include any increase in the rate of dispositions because of improved law enforcement and prosecution. A significant increase in the

DEPARTMENT OF CORRECTIONS—Continued

number of state commitments cannot be handled without substantial cost increases to provide additional prison facilities.

Fiscal Implications

The growth in California's prison facilities has not kept pace with the growth in crime rates. This factor influenced the change in our criminal justice policy whereby a larger proportion of offenders are handled locally through the probation program, which is partially subsidized by the state. Many law enforcement officials and private citizens are dissatisfied with local treatment and want a greater portion of the offenders sent to prison in order to protect the public and hopefully reduce the crime rate. However, a substantial change in this policy is not viable at this time because the state lacks the prison facilities. Our existing facilities house about 25,000 adult felons and non-felon addicts, and Table 4 shows that 5,664 new felons were added during 1972. If we returned to the 1960 commitment rate, then 16,500 felons, or about three times as many, would have been added to our prison population in 1972. This *one year change* would have required the building of four new prisons, at a cost of $65 million each, for a total capital outlay expenditure of $260 million. In subsequent years there would have been additional pressures for new prisons, unless the state kept the total population static by accelerating paroles. In addition to the capital outlay costs, the state would have increased annual custodial costs by about $70 million for these 10,000 new prisoners, but part of the cost would have been offset by reductions in probation subsidies.

Another important consideration is the lead time necessary to plan and construct a new prison—about five years. Under these conditions, 1980 would be the earliest that a substantial change in prison sentencing could be implemented even if the decision were made in 1975.

DEPARTMENT OF YOUTH AUTHORITY

Items 297–304 from the General Fund — Budget p. 785

Requested 1975–76	$97,315,835
Estimated 1974–75	99,346,831
Actual 1973–74	86,021,790
Requested decrease $2,030,996 (2.0 percent)	
Total recommended reduction	None

1975–76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
297	Department support	General	$70,872,367
298	Transportation of persons committed	General	43,540
299	Maintenance and operation of county juvenile homes and camps	General	3,825,840
300	Construction of county juvenile homes and camps	General	400,000

301	State's share—control of juveniles at the international border	General	253,788
302	County delinquency prevention commissions—administrative expenses	General	33,300
303	County delinquency prevention commissions—research and training grants	General	200,000
304	Assistance to county special probation supervision programs	General	21,687,000
			$97,315,835

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Border Check Station. Recommend Youth Authority and Department of Finance conduct cost-benefit analysis of Border Check Station and report to Joint Legislative Budget Committee by December 1, 1975. (Analysis page 112.)
2. Paso Robles. Recommend Youth Authority evaluate alternatives to continued use of Paso Robles School and report to Joint Legislative Budget Committee by December 1, 1975. (Analysis page 113.)

GENERAL PROGRAM STATEMENT

The responsibility of the Youth Authority Board and the Department of Youth Authority as stated in the Welfare and Institutions Code, is " . . . to protect society more effectively by substituting for retributive punishment, methods of training and treatment directed toward the correction and rehabilitation of young persons found guilty of public offenses." The board and the department have attempted to carry out this legislative mandate through the program areas discussed below.

Youth Authority Board

The Youth Authority Board, consisting of eight members, is charged with personally interviewing, evaluating and recommending a treatment program for each offender committed to the department. It also sets terms of incarceration and is the paroling authority for all such wards.

Administration

The administration program consists of (1) the department director and his immediate staff, who provide overall leadership, policy determination and program management; and (2) a support services element, which provides staff services for fiscal management, management analysis, data processing, and facility construction, maintenance and safety.

Community Services

The community services program provides direct staff services to local public and private agencies and state grants to subsidize certain local programs relating to delinquency and rehabilitation.

Services to Public and Private Agencies

The department is required by law to establish minimum standards of operation and make compliance inspections of special probation services which receive state subsidies and county-operated juvenile halls, ranches, camps and homes and, in some cases, jails in which juveniles are incarcerated. The department is also authorized by law to assist in the improvement of local juvenile enforcement, rehabilitation, and delinquency prevention programs by providing training and consultation services to local agencies.

Financial Assistance

The state, under this department's administration, provides subsidies to local government for construction, maintenance and operation of ranches, camps, and homes for delinquents, special probation programs, delinquency prevention programs, and a border check station at San Diego. State support, which is intended to encourage the development of these local programs, is based on the belief that local treatment of delinquents is more desirable, if not more effective, than incarceration in state facilities. Treatment in the community or in locally operated institutions retains the ward in his normal home and community environment or at least closer to such influences than may be the case with incarceration in state facilities.

Delinquency Prevention Assistance

The department provides staff services to disseminate information on delinquency and its possible causes; to encourage support of citizens, local governments, and private agencies in implementing and maintaining delinquency prevention and rehabilitation programs; and to conduct studies of local probation departments.

Rehabilitation Services

The rehabilitation services program, which is administered by a deputy director and supporting staff in Sacramento, is geographically divided on a north-south regional basis. Each region is directed by an administrator who is responsible for all institutional and parole functions within his region. This organizational structure is established as a means of providing a continuum of treatment and reducing artificial barriers created by separate and distinct institution and parole functions.

The program consists of eight institutions, three reception centers, and five forestry camps that will house an estimated average daily population of 4,846 wards, plus a community parole caseload program involving 7,361 wards for a projected total daily average population of 12,207 wards in fiscal year 1975–76 (Table 1). The department estimates it will handle a daily average of 121 additional institutional wards but 761 fewer parolees in 1975–76 than in the current year. (There is an error in the Governor's budget, page 799, in that the 685 average daily population for the reception centers and clinics is not included within the *total* average daily population for all institutions. The total shown as 4,161, is actually 4,846.)

The wards generally come from broken homes, below average economic status and substandard residential areas. They are usually academically retarded, lack educational motivation, have poor work and study habits, and have few employable skills. Over half are four to six grade levels below age level on standardized tests, especially in reading comprehension, vocabulary, arithmetic and spelling. Many also have psychological disorders or anti-social behavior patterns.

Table 1
Youth Authority Wards Average Daily Population

	1973–74	*1974–75*	*1975–76*
Reception Centers	627	685	685
Facilities for Males	3,499	3,800	3,921
Facilities for Females	219	240	240
Subtotal (Institutions)	4,345	4,725	4,846
Change from prior year	—	+301	+121
Parole Caseload	9,546	8,122	7,361
Change from prior year	—	−1,424	−761
Total Wards	13,891	12,847	12,207

Diagnosis

Diagnostic and case evaluation services are provided within institutions and for wards on parole. Diagnostic services within institutions are provided by a combination of professional and lay counselors and other staff working on a team basis and holding regularly scheduled conferences and unscheduled meetings as required.

Care and Control

Residential care in camps and institutions provides housing, feeding, clothing, medical and dental services, while parole supervision in the community provides required surveillance and control to assist in rehabilitating the ward and protecting the community.

Treatment

Treatment includes counseling, religious services, recreation, psychiatric services, academic and vocational training in the institutions and post-release treatment in the community. These services are designed to meet the needs of the wards committed as an aid to their rehabilitation.

Research

The research program was initially authorized in the 1957–58 budget to develop a continuing evaluation of the effectiveness of the Youth Authority programs. It provides the evaluation and feedback to management necessary to determine those programs which are effective and should be continued, those that show promise and should be reinforced and those that should be discontinued. It also provides estimates of future institutional and parole caseloads for budgeting and capital outlay purposes, and collects information on the principal decision points in the movement of wards through the department's rehabilitation program from the time of initial referral to final discharge.

ANALYSIS AND RECOMMENDATIONS

The departmental programs, as proposed in the Governor's Budget, represent a net General Fund cost of $97,315,835 and 3,773.2 man-years of effort. However, the department anticipates budget-year reimbursements totaling $9,781,805 and federal grants totaling $389,370 for a total expenditure program of $107,487,010.

Table 2 summarizes the budget request, showing sources of funding by category, expenditure levels by program area, and proposed dollar and

DEPARTMENT OF YOUTH AUTHORITY—Continued

position changes. As indicated, the staffing level is reduced by a net total of 146.5 man-years and General Fund expenditures decrease by a net amount of $2,030,996 or 2.0 percent under current-year expenditures. There are also reductions totaling $3,780,135 in federally funded research projects and in other reimbursements.

Table 2
Budget Summary

	Proposed	Change From Current Year: Amount	Change From Current Year: Percent
Funding			
General Fund	$97,315,835	$–2,030,996	–2.0
Reimbursements	9,781,805	–3,223,666	–24.8
Federal Funds	389,370	–556,469	–58.8
Totals	$107,487,010	$–5,811,131	–5.1
Programs			
Youth Authority Board	$1,076,184	$–1,403	0.1
Man-years	32.4	–1.0	—
Administration	$3,753,495	$274,015	7.9
Man-years	152.9	–9.0	—
Community Services	$28,086,543	$–4,601,630	–14.1
Man-years	59.8	–29.1	—
Rehabilitation	$73,052,264	$–993,794	–1.3
Man-years	3,460.2	–83.8	—
Research	$1,518,524	$–488,319	–24.3
Man-years	67.9	–23.6	—
Total	$107,487,010	$–5,811,131	–5.1
Man-years	3,773.2	–146.5	—

Program Adjustments

The reduction in the Youth Authority Board's budget request reflects the elimination of one temporary help position added administratively in the current year.

The decrease of nine positions in the administration program reflects administrative adjustments, completion of the "Correctional Decision-making Information System" project (a two and one-half year federally-funded study to design a computer system to maintain ward histories from initial commitment to final release from Youth Authority custody), and completion of the "Manager Assessment Selection and Training Program" study (a two-year federally funded grant to assess the managerial potential of Youth Authority employees).

The $4,061,630 reduction in the community services program reflects lower costs for probation subsidy (discussed below under "Local Assistance"), elimination of 4.1 positions administratively and termination of 25 grant-funded positions working on the "Youth Development and Delinquency Prevention Project," which was established to develop and test various community based youth diversion projects. (Elements of projects found successful in diverting youth from the criminal justice system will be incorporated into the regular Youth Authority program.) The department is requesting an increase of $179,554 in General Fund support for the

"Model Volunteer Program," which has the objective of identifying ways and means by which volunteer groups can contribute more effectively to the development and implementation of programs designed to reduce juvenile delinquency and rehabilitate young offenders. This project is supported by California Council on Criminal Justice funds through April 1975 and is proposed to continue until a successful volunteer program can be developed and implemented.

Adjustments to the rehabilitation program include the addition of 4.2 positions at the Northern California Youth Center for security, 0.5 clerical position at Karl Holton School for workload, and two maintenance positions at the Youth Training School at no additional cost by transfer of contractual services monies to personal services. Offsetting these increases are the reduction of (1) 15 regular parole positions because of reduced caseload (see Table 1), (2) 14 positions administratively, and (3) 61.5 positions due to termination of several grant-funded projects including the "Community Centered Drug Program," which was instituted in an attempt to reduce the revocation of parole of Youth Authority wards due to drug violations. A complete evaluation of this project will be made by the Youth Authority after its termination and appropriate modifications to the rehabilitation program will be included in the 1976–77 budget proposal.

The department proposes to continue 199 positions added administratively in the current year for reactivating Paso Robles. Costs for the reactivation of Paso Robles for up to 245 state wards are being assumed by Los Angeles County as reimbursement for displacement of 245 Youth Authority wards from Youth Training School. (Los Angeles County is maintaining 245 of its minors at Youth Training School because of inadequate facilities within the county.) The department also proposes to continue 25 positions added administratively in the current year for the Youth Authority's TEST (Training, Employment and Self-Discipline for Today) project, which was started at Paso Robles with the goal of aiding wards in the transition from institutional to community life.

Reductions in the research program are attributable to elimination of (1) 4 positions in the regular research program, (2) 9 grant-funded positions in the "Community Centered Drug Program," (3) 2 grant-funded positions for the "Man-to-Man Job Therapy" project, 7 grant-funded positions for the "Cooperative Behavorial Demonstration Project," and (5) 1.6 positions deleted through administrative adjustments.

General Support

The proposed budget contains $815,531 for merit salary adjustments, $223,015 for increased food costs (up 12 percent) and $97,857 for higher utility expenses (up 13 percent). The minor capital outlay budget is increased from $108,000 to $200,000 to improve security at various facilities because older, more sophisticated and assaultive youth are now being committed to the Youth Authority. These additional support costs are offset by personnel reductions throughout the department (previously discussed) and by decreases in the local assistance program.

DEPARTMENT OF YOUTH AUTHORITY—Continued

Local Assistance

No change is proposed in the level of local assistance for transportation of persons committed (Item 298), construction of county juvenile homes and camps (Item 300), or support of county delinquency prevention commissions (Items 302–303). However, an increase of $10,211 or 4.2 percent over the current year is proposed for the state's share of operating expenses for the City of San Diego Border Check Station (Item 301), which is discussed later in the analysis.

The maintenance and operation of juvenile homes and camps subsidy (Item 299), which by law is limited to reimbursement of one-half of a ward's cost of care, not to exceed $95 per month, is proposed to increase by $340,860 or 9.5 percent over current-year estimated expenditures. As shown in Table 3, this increase approximates the anticipated increase in average daily population on which the subsidy payments are based.

Table 3
Number and Population of Juvenile Homes, Camps and Ranches

	1973–74	*1974–75*	*1975–76*
Number of facilities	71	76	79
Average daily population	2,964	3,494	3,835
Percent increase over prior year	—	17.9	9.8

The $21,687,000 budgeted for probation subsidy (Item 304) is $4,079,000 less than the amount estimated to be expended in the current year. Of this decrease, $1,905,000 reflects a decline in the number of youths and adults being diverted from state institutional commitment. The remaining reduction of $2,174,000 results from statutory termination on June 30, 1975, of the provisions of Chapter 411, Statutes of 1974, which provided the above amount to supplement probation subsidy grants or be used by local law enforcement for youth diversion programs.

Need to Evaluate Continued State Funding of Border Check Station

We recommend that the Youth Authority and the Department of Finance conduct a cost-benefit analysis of the City of San Diego Border Check Station and report with recommendations regarding continued funding to the Joint Legislative Budget Committee by December 1, 1975.

The City of San Diego operates a check station at the Mexico-United States border near the Tijuana point of entry to deny passage of juveniles into Mexico who are not escorted by responsible adults or lack proper parental consent. The cost of the station is prorated between the state and the city on the proportion of city and noncity residents turned away. Table 4 shows the state funding requirements, the number of juveniles contacted and the number denied entry into Mexico.

Table 4
San Diego Border Check Station

	1970–71	*1971–72*	*1972–73*	*1973–74*	*1974–75*	*1975–76*
State Support	$219,635 [a]	$142,324	$143,646	$144,308	$243,577	$253,788
Juveniles Contacted	18,261	18,199	25,284	20,953	29,850	32,500
Juveniles Denied Entry	9,778	11,622	10,985	7,746	14,450	15,730

[a] Includes $90,000 for construction of new border check station as a result of relocating and expanding the freeway.

The station was opened by the city in the mid-1950's and the state began its financial participation in 1961–62 because of problems in Tijuana relating to the availability of pornographic materials, lewd entertainment, prostitution, alcohol and other intoxicants, as well as numerous assaults and robberies of American citizens, to which it did not wish California youth to be exposed.

As shown in Table 4, state support for the station increased by $99,269 or 68.8 percent between 1973–74 and the current year. This increase reflects the state's portion of the cost, under an established contractual formula, for increasing the number of police officers manning the station from 14 to 25 to screen the increased vehicular traffic that resulted from the opening of a new eight-lane freeway into Tijuana. An additional $10,211 or 4.2 percent is requested for the budget year as the state's prorated share of increased operating expenses.

In view of the improved conditions in Tijuana and the general liberalization of social attitudes and entertainment opportunities on this side of the border in recent years, we believe it is appropriate to reassess the state's need to continue funding this program. At a minimum, such review should consider the feasibility of operating the border station on a spot-check basis and utilizing personnel other than the highly trained, highly paid uniformed police officers whom the City of San Diego now assigns to this program.

Alternatives to Utilizing Paso Robles

We recommend that the Youth Authority evaluate alternatives to the long-term use of Paso Robles School and report to the Joint Legislative Budget Committee with recommendations by December 1, 1975.

As discussed earlier in the analysis, the Youth Authority has reactivated accommodations for the 245 wards at Paso Robles with contractual funds ($2.5 million in the current year) provided by Los Angeles County. It should also be noted that $1.3 million was recently administratively transferred from probation subsidy savings to reopen an additional 200 beds at Paso Robles to alleviate overcrowding at other institutions, bringing it to maximum capacity of 445. However, funds for the 200 additional ward population have been included in the proposed budget.

Paso Robles was one of three geographically isolated institutions (Fricot Ranch and Los Guilucos School were the other two) closed between June, 1971 and June 30, 1973, due to an overall population decline. These particular institutions were closed because of their rural locations, which made it difficult to recruit and maintain adequate qualified staff, and their high per capita cost of operations. The Fricot and Los Guilucos facilities have been disposed of as surplus properties.

If the reversal of the previous institutional population trend continues as the Youth Authority figures in Table 1 indicate, construction of a new facility should be considered as an alternative to long-term use of Paso Robles. All major new institutional complexes constructed for the Youth

DEPARTMENT OF YOUTH AUTHORITY—Continued

Authority in recent years have been designed with central power, supply, maintenance and food service facilities sufficient to accommodate the addition of new satellite institutions. Such facilities are in the long run more economical to operate and maintain than the older, isolated facilities such as Paso Robles.

CALIFORNIA HEALTH FACILITIES COMMISSION

Item 305 from the California Health Facilities Commission Fund — Budget p. 814

Requested 1975–76	$905,728
Estimated 1974–75	675,449
Actual 1973–74	380,459
Requested increase $230,279 (34.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Health Facilities Commission was created by Chapter 1171, Statutes of 1974, which renamed the California Hospital Disclosure Act the California Health Facilities Disclosure Act. This act also includes provisions related to skilled nursing and intermediate care facilities in addition to those for the hospitals. The commission is responsible for: the preparation of a uniform accounting system for hospitals, and skilled nursing and intermediate care facilities; and, the provision of other accounting services to improve the efficiency and effectiveness of services provided by these facilities. The act provides that the commission is to be supported through fees levied against all facilities, except federal facilities, and deposited in the California Health Facilities Commission Fund.

In addition, as a secondary objective to the uniform accounting and reporting program, Chapter 1072, Statutes of 1973, requires the commission to prepare and submit a proposal for a state health facility economic stabilization program to the Legislature before July 1, 1975.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Budget Act proposes an appropriation of $905,728 from the California Health Facilities Commission Fund for support of the commission during the 1975–76 fiscal year. This represents an increase of $230,279, or 34.1 percent, over the current year estimate. However, an appropriation of $100,000 for 1975–76 was contained in Chapter 1171 to cover start-up costs related to the inclusion of skilled nursing and intermediate care facilities during the 1975–76 fiscal year. When added to the Budget Act appropriation, this represents total estimated expenditures of $1,005,728, an increase of $330,279, or 48.9 percent, over the current year estimate as shown in Table 1.

Table 1
California Health Facilities Commission

	Actual 1973–74	Estimated 1974–75	Proposed 1975–76
Estimated Expenditures			
Uniform accounting and reporting:			
Hospitals	$335,802	$865,539	$704,688
Skilled nursing and intermediate care facilities	—	—	301,040
Economic stabilization program	44,657	31,342	—
Total expenditures	$380,459	$896,881	$1,005,728
Source of Funds			
California Health Facilities Commission Fund	$380,459	$675,449	$1,005,728
Federal funds	—	221,432	—

The federal funds shown for the current year are from a contract with the Department of Health, Education, and Welfare, requiring the development of hospital care statistics. These funds are being used to accelerate and augment this activity which was already required by state law.

Uniform Accounting and Reporting Program

The basic objective of the California Health Facilities Commission is to develop and administer the implementation of regulations requiring a uniform system of accounting and financial and statistical reporting for all hospitals and skilled nursing and intermediate care facilities in California. The commission contracted with a private accounting firm for development of an accounting and reporting manual for hospitals during the 1973–74 fiscal year and the manual was officially adopted November 14, 1973. Copies were distributed to all hospitals and upon completion of fiscal years on or after June 30, 1975, all hospitals are required to submit prescribed reports to the commission. The same type of system for skilled nursing and intermediate care facilities will be developed during the budget year for use on or after July 1, 1976. Therefore, funds appropriated for the budget year will be used to process the first annual hospital financial reports, and to develop regulations and the accounting and reporting manual for skilled nursing and intermediate care facilities.

The increase in estimated expenditures for 1975–76 is justified because significant workload increases were necessary to expand the program to include skilled nursing and intermediate care facilities.

Economic Stabilization Program

As shown in Table 1, there are no funds requested in the budget year for the development of the economic stabilization program proposal for health facilities. This proposal is required to be developed prior to July 1, 1975. The latest estimate for the release of the proposal is sometime in March.

Position Changes

The commission proposes to add nine positions and delete one position for a net increase in authorized positions of eight for the budget year as follows. For processing hospital reports, 2 programmers, 2 accounting technicians, 1 statistical clerk and 1 clerk-typist are requested. For development of the uniform accounting and reporting manual for skilled nursing and intermediate care facilities, 2 associate analysts and 1 clerk-typist are requested. Increased workload appears to justify the need for these additional positions. The position being deleted is that of a general auditor whose services are no longer required.

Fund Condition

The summary of the fund condition contained on page 817 of the Governor's Budget shows accumulated surpluses of $523,675, $296,351 and $436,-123 for 1973–74, 1974–75 and 1975–76 respectively, in the California Health Facilities Commission Fund. Surpluses were reduced in the current year by delaying the collection of, and reducing the amount of, fees contributed by hospitals. However, a significant increase in the surplus is shown for the budget year. This estimate is based on the collection of maximum fees from the hospitals and skilled nursing and intermediate care facilities for the budget year.

This situation indicates that excessive fees are being charged. However, because this is a relatively new fund and the program was recently expanded, more experience is needed before more adequate fee levels can be determined. Surpluses should be adjusted to cover cash-flow needs.