DEPARTMENT OF REHABILITATION—Continued

to the administrative services division leaving a net reduction in the departmental administration of 11 positions.

DEPARTMENT OF BENEFIT PAYMENTS

General Summary

Funds for the Department of Benefit Payments are contained in seven items and one control section of the 1976–77 Budget Bill. For fiscal year 1976–77 the department is requesting a total of $1,338,065,845 from the General Fund, a $99.5 million, or 8 percent increase over estimated 1975–76 expenditures.

Table 1 compares the current year and budget year by item indicating areas of increase.

Table 1
Department of Benefit Payments
General Fund Request for 1976–77

Budget Bill Item	*Purpose of Expenditure*	*Estimated 1975–76*	*Proposed 1976–77*	*Increase*	*Percentage Increase*
	Departmental operations				
300	(a)	$14,834,411	$15,367,162	$1,212,934	8.2%
301	(b)	0	680,183		
302	Adult cash grants	637,117,300	679,581,400	42,464,100	6.7
Control section 32.5	AFDC cash grants	516,740,800	561,091,200	44,350,400	8.6
303	Foster care legislation	0	2,700,000	2,700,000	N/A
304	Special Programs for adults	3,431,650	3,845,400	431,750	12.6
305	County welfare department operations	66,474,100	74,500,500	8,026,400	12.1
306	Legislative Mandate	203,164	300,000	96,836	47.7
		$1,238,801,425	$1,338,065,845	$99,264,420	8.0%

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET

Item 300 from the General Fund — Budget p. 770

Requested 1976–77	$15,367,162
Estimated 1975–76	14,834,411
Actual 1974–75	12,206,929
Requested increase $532,751 (3.6 percent)	
Total recommended reduction	$676,984

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. Employment Tax Division. Withhold recommendation on the requested 472.1 positions pending development of a workload budgeting model similar to that used to justify fair hearings staff increases or decreases.	603
2. Child Support Collections Program. Withhold recommendation of 43.5 requested new positions.	606
3. Food Stamp Program. Withhold recommendation on 36 of 83.5 requested new positions.	607

4. Blanket Funds. Recommend funding for temporary help and other purposes be appropriated to the Department of Finance for allocation. Further recommend that Legislature be notified of changes in purpose for which blanket funds are used. 608
5. *General Fund Surplus. Reduce Item 300 by $676,984.* Recommend reduction in anticipation of salary savings. 609
6. AFDC Cash Grants and Control Section 32.5. Withhold recommendation on amount for AFDC aid payments pending receipt and review of May 1976 subvention estimates. 610

GENERAL PROGRAM STATEMENT

The Department of Benefit Payments was created by 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 programs, the collection, auditing and accounting of payroll taxes from California's employers, and the auditing of certain health care programs. The payroll tax collection program of the Department of Employment Development and the health auditing program of the Department of Health were transferred to the Department of Benefit Payments on July 1, 1974.

ANALYSIS AND RECOMMENDATIONS

This item of the Budget Bill proposes a General Fund appropriation of $15,367,162 for the operation of the Department of Benefit Payments which is $532,751 or 3.6 percent, more than is anticipated to be expended during the current year. Additional General Fund money is available to the department in the form of reimbursements from the Franchise Tax Board for the collection of state withholding taxes. The Governor's Budget proposes a total of $68,027,777 (all funds) to operate the department in fiscal year 1976–77.

Fifty-nine percent of the department's operating funds, or $40,092,109, come from other state departments as reimbursement for services performed. The balance of the department's operating funds, $27,935,668, is composed of two parts. The first part, is the requested General Fund appropriation contained in Items 300 and 301. The balance, $11,888,323, is anticipated federal matching funds, primarily for the department's welfare operations.

For fiscal year 1976–77 the budget proposes the addition of 765.7 new positions. Table 1 shows, by major program, where the 765.7 requested new positions are to be located in the department. Most of these were established administratively during the current year and are shown as proposed new positions for the budget year. Due to the magnitude of the number of positions proposed we defer recommendation so that we can respond specifically to each proposal at the time of the budget hearings.

Employment Tax Division

In December 1975, a reorganization implemented by the Department of Benefit Payments separated the Employment Tax program from the Health Operations program. The Employment Tax Operation was made

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 1
Requested New Positions for the Department of Benefit Payments
1976–77

	Requested new Positions
A. Employment Tax Operations	
1. Increased Unemployment Insurance Workload	258
2. Extended Program: Unemployment Insurance for Agricultural Workers	106
3. Increased federal funding of U.I. Program	108.1
Subtotal	472.1
B. Health Operations	
1. More audits	13
2. Increase Recovery from Insurance Companies	13.5
Subtotal	26.5
C. Welfare Operations	
1. Fair Hearing—Transfer 33 positions, add 7 more	40
2. Data Processing—Add 47 positions (see Item 301)	47
3. Child Support Collection Program—add 43.5 positions	43.5
4. Food Stamps—federal regulations—add 83.5 positions	83.5
5. Administrative cost control—add 15 positions	15
6. Conversion of temporary clerical help to permanent positions	+21.6 -21.6
7. Other new positions	38.1
Subtotal	267.1
Departmental Total	765.7

a division within the department and the Audits and Collections Division was abolished. The Governor's Budget requests $35,872,829 to operate the division in 1976–77 which is an increase of $4,860,998, or 15.7 percent, over anticipated expenses for the current year. The division is supported by reimbursements from the Employment Development Department and the Franchise Tax Board. Table 2 shows the areas of increased expenditure for this division.

Table 2
Employment Tax Division
Increases in Administrative Costs by Program
1976–77

Reimbursing Department	*Tax Collection, Auditing and Accounting Program*	*Cost of Administration 1975–76*	*1976–77*	*Percent Change*
Employment Development	Unemployment Insurance	$20,401,204	$24,895,548	+22.0%
Employment Development	Disability Insurance	3,696,936	3,797,782	+2.7
Franchise Tax Board	Withholding of state Income Tax	6,662,404	6,910,995	+3.7
Employment Development	Classified School Employees	251,287	268,504	+6.8
		$31,011,831	$35,872,829	

The Employment Tax Division collects, audits and accounts for payroll taxes which California's employers withhold for unemployment insurance, disability insurance and state personal income taxes. It is anticipated that over $4.8 billion in payroll withholding taxes will be collected from approximately 495,000 employers in fiscal year 1976–77. Table 3 shows the estimated tax collections and number of contributing employers by program.

Table 3
Employment Tax Division
Estimated Tax Collections and Contributing Employers
1976–77

	Employers	*Tax Revenues*
Unemployment Insurance	445,000	$1,443,500,000
Disability Insurance	495,000	521,945,288
Personal Income Tax	428,360	2,867,000,000
		$4,832,445,288

In order to carry out its tax related responsibilities the Department of Benefit Payments has organized the Employment Tax Division into three branches: Field Operations, Technical Services and Central Operations. The Field Operations Branch has 37 field offices which register new employers, audit employer's books, collect delinquent taxes and wage reports as well as determine the amount of wages actually paid in cases where the amount of unemployment insurance benefit is in question.

The relatively small Technical Services Branch provides the rest of the division with administrative and policy direction. Specifically, this branch develops program and workload data needed for managing and budgeting. It also develops and interprets regulations, develops operating procedures, analyzes legislation, works with the Employment Development Department to improve data processing services and assists in the planning of organizational changes.

The Central Operations Branch is a large organization with a number of specialized units processing various portions of the branch's total workload. This branch is organized into four bureaus: Tax Accounting, Insurance Accounting, Tax Audits and Collections, and Classified School Employees Trust Fund. These bureaus process tax revenues, review tax forms for accuracy, maintain employer registration files, process contested unemployment insurance payments, charge benefits paid to the proper accounts, process tax refunds, handle tax appeals and collect unemployment insurance related taxes from school districts.

Table 4 shows the currently authorized positions and the 472.1 requested new positions for the Employment Tax Division.

Table 4
Employment Tax Division
Currently Authorized and Requested New Positions
1976–77

	Currently Authorized	*1976–77 Requested New Positions*
A. Tax Division Administration	7	0
B. Field Operations Branch (37 Field Offices)	551.2	85
C. Technical Services Branch	30	11.4
D. Central Operations Branch	2	0
1. Insurance Accounting Bureau	586.1 (Bureaus 1 and 2 combined)	173
2. Tax Accounting Bureau		73
3. Audits and Collections Bureau	78	12
4. Classified School Employees Bureau	13.5	0
5. Temporary Help	79.6	0
E. Unallocated requested new positions	0	108.1
Employment Tax Division	1,347.4	472.1

Workload Budgeting

We recommend that prior to budget hearings the Department of Bene-

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

fit Payments develop, in consultation with the Department of Finance and the Legislative Analyst's office, a workload budgeting model to justify staff increases or decreases in the Employment Tax Division similar to that used for departmental fair hearings.

Further, we withhold recommendation on the requested 472.1 positions until the new budgeting model is presented to the fiscal subcommittees which hear the department's budget.

Last year the Employment Tax Division requested and received 178.5 new positions. This year the division is requesting 472.1 new positions. All the proposed positions will be funded with federal unemployment insurance money. There are three major reasons which account for the availability of additional federal funds. First, the U. S. Department of Labor increases funds for staffing as workload increases, and increased unemployment has significantly increased this division's workload. Secondly, recent federal and state law extended unemployment insurance coverage to agricultural workers which increased workload in the tax collection area and in the area of benefit payments to unemployed agricultural workers. Finally, in this period of high unemployment the federal government has liberalized its formula for making funds available to states so that backlogs and other factors causing delays in the timely payment of unemployment benefits can be minimized.

We have recommended the development and use of a budgeting procedure similar to that used in the department's fair hearings activity because we are not satisfied that the documentation submitted to date adequately identifies workload elements, existing standards of productivity or projected workload trends. The positions proposed for the Employment Tax Division should be based on best estimates of anticipated workload rather than on a combination of anticipated federal funding and anticipated workload. We believe that data developed for the federal cost model can be utilized to produce an objective and comprehensible budgeting procedure which is suitable for state budgeting purposes. For this reason, we recommend that the Legislature withhold approval of the division's 472.1 proposed positions until a more suitable budgeting model is developed.

Health Operations

The Department of Benefit Payments is responsible for fiscal audits of organizations which provide health care services through the Medi-Cal, Crippled Children, Short-Doyle and other state and federally funded health care programs. In addition to the recovery of overpayments made to health care providers, this program also attempts to recover funds from any insurance companies which have an obligation to pay all or part of a Medi-Cal recipient's bills for medical services received. The Governor's Budget requests $4,903,011 (state and federal funds) to operate the Health Operations program in fiscal year 1976–77 which is $803,743, or 19.6 percent, more than is anticipated to be expended during the current year.

For fiscal year 1976–77 the Governor's Budget requests 26.5 new positions. Table 5 shows the location of the authorized and proposed positions for the 1976–77 fiscal year.

Budget Request—Health Operations

We recommend approval of the 26.5 requested new positions for the Health Operations Branch.

The Health Recovery Bureau has requested authority to expend an additional $194,563 in order to recover an estimated $2,557,000 essentially from insurance companies which have an obligation to pay all or part of a medical bill which was paid for by the state through the Medi-Cal program. Ten of the 13.5 positions for the Health Recovery Bureau are proposed to improve the speed with which insurance companies are billed for their portion of medical bills. This is accomplished by more rapid coding of documents for the automated billing system. Two additional positions are to be used to secure approximately $135,000 in reimbursements from health providers for overpayment resulting from improper provider billings. The remaining position is to be devoted to collecting approximately $250,000 in accounts receivable from medically indigent persons.

Table 5
Health Operations Program
Existing and Proposed New Positions
1976–77

Location of Positions	*Currently Budgeted Positions*	*Proposed new Positions*
Chief of Health Operations	2	0
Health Audits Bureau	121	12
Health Recovery Bureau	72	13.5
Health Appeals Bureau	13	1
Support staff in other bureaus	10.4	0
	218.4	26.5

The Health Audits Bureau has requested 12 new positions to improve the timeliness of audits in the Short-Doyle program and to audit new programs. Five of the positions are to reduce the backlog of unaudited local Short-Doyle programs. Four positions are proposed for audits of the alcoholism program, one for drug abuse programs and two for the social rehabilitation services programs. On the basis of the anticipated revenue and improved program administration resulting from increased recovery and audit activity we recommend the approval of the requested 26.5 positions.

WELFARE OPERATIONS

The Welfare Operations portion of the Department of Benefit Payments includes all functions in the department except those in the Employment Tax Division and the Health Operation program discussed earlier. The principal reason for the existence of Welfare Operations is to service the fiscal and program needs of county welfare departments either directly or indirectly. Table 6 shows the number of positions in each unit within the Welfare Operations portion of the department.

Budget Request—Administrative Hearings

We recommend the transfer of 33 fair hearings positions from the Office of Administrative Hearings and approval of seven new fair hearings positions.

The budget proposes the transfer of the 33 Office of Administrative

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 6
Welfare Operations—Number of Positions by Function

	Currently Authorized Positions
A. Welfare Program Administration	
1. AFDC/Food Stamp/Adult/Support Enforcement Branches	82
2. Legal/Planning/Legislative/Regulations/Public Inquiry	87
3. Casework Review-Error Detection/Management Consulting	110
B. Fair Hearings	112
C. Claiming and Accounting Functions	112.4
D. Program Statistics and Cost Estimating	63
E. Support Functions	333
F. Director's office plus non-welfare units in welfare operations	15
G. Responsible Relative Program (phasing out)	55
	969.4

Hearings (OAH) positions to the Department of Benefit Payments. By budgeting the positions in the department rather than in OAH, the department has estimated that savings of $230,000 will be achieved. A study of 498 randomly selected cases indicates that the quality and impartiality of fair hearing decisions should not suffer if transferred to the Department of Benefit Payments.

Recent legislation required the department to review fair hearings referees' proposed decisions within 30 days or else the proposed decision becomes operative without review. To meet the 30-day review deadline, the department has administratively established five positions funded through a contract with McGeorge Law School. In the budget year, the administration proposes to directly fund the central review unit through the operating budget rather than through contract.

The department grants or denies requests for rehearing of fair hearing decisions. Currently, the workload involved in deciding whether or not a case shall be reheard is processed by McGeorge Law School students working under contract. For the budget year, the department proposes to establish two hearing assistant positions within the Chief Counsel's office to process this workload.

Budget Request—Child Support Collections

We withhold recommendation on 43.5 requested new positions for the Child Support Collections program.

PL 93-647 (Title IV-D of the Social Security Act) and state implementation legislation, Chapter 924, Statutes of 1975, (AB 2326) reformed California's system for collecting child support payments from absent fathers whose children are on welfare. Part of the federal reform imposed significant new accounting and reporting requirements on counties and on the state. In order to fulfill its additional responsibilities, the department has requested 43.5 new positions. Table 7 shows the bureaus scheduled to receive the positions.

Prior to making recommendations on these positions, we plan to review more completely the justification for the scope of activities performed, the overall system designed to handle the flow of reports from counties, and the workload actually experienced in this program to date.

Table 7
Distribution of Child Support Program
New Positions by Bureau

Accounting Bureau	13.5
Claims Audit and Control Bureau	15.0
Financial Planning Bureau	8.0
Estimates Bureau	1.0
Information Development Bureau	1.0
Child Support Office	1.0
Computing Facilities Bureau	4.0
	43.5

Budget Request—Food Stamp Program

We withhold recommendation on 36 of the 83.5 new positions requested for the Food Stamp program.

The department is requesting continuation of the 83.5 new positions administratively established in the current year to review the quality of casework in county operated food stamp programs. These positions were established in response to recently issued federal efficiency and effectiveness regulations. The regulations aim to determine why and to what extent food stamp recipients either pay the wrong amount for food stamps or why and to what extent ineligible persons are provided food stamps. These determinations are made by the random selection and in-depth review of at least 1,260 case files each six months. When the results of the review are available, the state must work with counties to correct the pattern of casework errors discovered.

We recommend that the 27 positions for the Quality Control Bureau be approved for the federally mandated review of 1,260 cases each six months. The department's request for these positions is based on experience in the AFDC program. In AFDC, production averaged 12.5 completed case reviews per month per worker which is considerably better than the eight cases per month workload standard suggested by federal regulations. The department's food stamp request is based on the assumption that 12.5 cases will be reviewed per worker per month. The 27 positions include three supervisors and three clerical positions plus four analysts to review the required sample of 800 denied cases.

We further recommend the approval of the 14 positions requested for the food stamp branch to work with the counties to correct the problems discovered by the reviews.

We withhold recommendation on the 36 positions for the Program Review Bureau pending further review of options available to the state in responding to the federal mandate to review food stamp operations in 37 counties each year. The requested 36 new positions for the Program Review Bureau are in essence to be used to perform case reviews to determine what the quality of food stamp casework is in a particular county rather than in the state as a whole. We are not convinced that the use of 36 positions on the Food Stamp program alone is of the highest priority. We are more concerned about the quality of casework performed by county welfare departments in the Medi-Cal program because the state has a much larger fiscal involvement in the payment of medical bills and the payment of administrative expenses. The state has no fiscal involvement in the food stamp program except in administrative costs.

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

The Department of Benefit Payments is responsible for determining the quality of casework in the Medi-Cal program as well as in the AFDC and Food Stamp programs. Such Medi-Cal case review work is funded through a contract with the Department of Health. From the state's perspective, it would be preferable to improve the quality of casework in Medi-Cal areas before focusing resources on the Food Stamp program. Currently, there are no plans to conduct in-depth individual county casework reviews for the Medi-Cal program in 1976–77.

Budget Request—County Administration

We recommend the approval of 15 positions related to the county administrative cost control.

The department proposes the continuation of 12 positions administratively established this year to make the county administrative cost control effort operational and the addition of three new positions in the AFDC branch which would also work in the administrative cost control area. The three additional positions would be used to improve liaison with the counties in the area of administrative cost control.

Budget Request—Specialized Services

We recommend approval of the conversion of 21.6 temporary clerical positions to full-time permanent positions.

Over a period of time, the clerical workload in the Specialized Office Services Bureau and the Program Information Bureau has increased. As workload increased, the department has hired temporary help from blanket funds available to it. From the department's perspective, the problem with the long-term use of temporary help is that too many temporary employees leave soon after they are trained either to accept permanent employment or because of expiration of their appointment. Thus, a good deal of time is lost in the recruitment and training of temporary personnel.

Blanket Funds

We recommend that blanket funds for temporary help and other purposes be adequately budgeted but be appropriated to the Department of Finance for allocation.

We further recommend that such blanket funds not be used to fund permanent new departmental activities and that the Legislature be notified of changes in the purposes for which such funds are expended.

The State Administrative Manual (SAM) defines the term "blanket" or "blanket funds" as follows:

> "A temporary or seasonal position or blanket is an authorization in the approved budget in terms of the amount of salaries and wages that may be spent for a specified purpose rather than in terms of the number of classifications of individuals to perform the activity. - - - The approved Governor's Budget contains authorization for various types of blankets. A blanket authorization specifies the amounts of dollars that may be expended for the budgeted purpose such as temporary help, seasonal help, and indefinite military leave."

The Department of Benefit Payments welfare operations uses blanket funds to hire clerical and other personnel on a limited term basis (1) to process peaks of workload, (2) to pay overtime salary costs, (3) to pay lump sum vacation obligations when an employee is leaving, (4) to recruit and hire minority employees, and (5) to overlap positions so that a new employee can learn the assignment of an existing employee who is leaving. During the past fiscal year, expenditures for the above purposes totaled $840,000. For the current year, such expenditure levels appear to be continuing at the same level. The 1976–77 budget as introduced contains only $147,000 for these purposes.

It is possible for the department to redirect positions from one bureau to another bureau for a new or expanded activity and then fill in behind the transferred positions using temporary help from the blanket. Later the temporary help can be converted to permanent positions with the justification that continuing workload necessitates permanent positions.

We understand that the Department of Finance has, in the past, increased the amount of funds available for blanket expenditures during the course of a fiscal year by approving budget revision letters which transfer money from salary savings to the appropriate blanket. This procedure provides the Department of Finance with a control mechanism over funds which could otherwise be used for almost any purpose the department wishes. However, the existing procedure is defective in that it does not provide for adequate legislative review.

We recommend that the following procedure be established for the use of blanket funds. First, that blanket funds be adequately budgeted by blanket number but appropriated to the Department of Finance to be allocated as needed to the Department of Benefit Payments. This procedure allows continued oversight by the Department of Finance but it also provides the Legislature the opportunity to review departmental activities conducted through blanket appropriations. Under current procedure funding for blanket activities is contained within salary savings and is not easily subject to review. We also recommend that blanket funds not be used either directly or indirectly to fund new activities within the department.

Unexpended General Fund Money

We recommend reduction of $676,984 in Item 300 from the departmental appropriation in anticipation of salary savings and lower than the projected employee benefit costs.

For the past several years the Department of Benefit Payments has experienced large unexpended General Fund balances at the end of the fiscal year as is shown on Table 8.

Large unexpended General Fund balances can accrue for a variety of reasons including the following: improper estimates of salary savings, overestimates of General Fund sharing ratios, overestimates of employee benefit costs and overestimates of operating equipment and expenses.

Last year, when the Legislature considered the department's operating budget, it was thought that at the end of the 1975–76 fiscal year the unexpended General Fund balance would again be large. In recognition of this probability, the Legislature transferred $800,000 from the main

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 8
Unexpended General Funds
Department of Benefit Payments

Fiscal Year	*Estimated Savings in "current year" Budget*	*Actual Unexpended General Fund Money*
1972–73	$654,620	$3,755,688
1973–74	362,254	1,751,501
1974–75	380,221	2,355,022
1975–76	283,284 [a]	—

[a] Estimated in 1976–77 Governor's Budget.

appropriation for the department into a separate item rather than remove the entire amount from the department's budget. The Department of Finance was then provided authority to allocate the $800,000 to the department if the need should arise. Later the amount available for allocation to the department was reduced to $492,000 by the Governor.

During the current fiscal year the Department of Finance has approved the establishment of many new positions which has reduced the amount of anticipated General Fund savings. The major staff additions which affect the General Fund are shown in Table 9.

Table 9
Cost of 1975–76 Mid-year Staff Changes
Department of Benefit Payments
As Contained in 1976–77 Governor's Budget

	1975–76 General Fund Cost
1. Model Modular EDP Project	$522,710
2. Food Stamp Efficiency and Effectiveness Regulations	503,816
3. Child Support Collections: PL 93-647	130,287
4. Other Staff Increases	200,743
5. Augmentations to Blanket Funds	300,000
6. Phase-out of Responsible Relative Program and Elimination of Prepaid Health Plan Audits	−340,000
	$1,337,556

Our estimate of unexpended General Fund balances for 1976–77 is $676,-984 which is based on the assumption of a 54 percent state share for the support of the health operations program and an increase in salary savings which we believe more accurately reflects the department expenditures based on prior year's experience of unexpended balances.

AFDC Cash Grants and Control Section 32.5

We withhold recommendation on the appropriate amount for Control Section 32.5 pending receipt and review of the May 1976, subvention estimates.

The budget bill does not contain an item which appropriates funds for the Aid to Families with Dependent Children (AFDC) program because the Welfare and Institutions Code provides a continuous appropriation for AFDC aid payments. However, Control Section 32.5 of the Budget Bill limits funds available to a specified dollar amount and provides that the

Director of Finance may increase the expenditure limit in order to provide for unexpected caseload growth or other changes which increase aid payment expenditures.

The budget proposes an appropriation of $561,091,200 for AFDC aid payments which is $44,350,400 or 8.6 percent more than estimated to be expended in the current year. However, the requested amount will be changed when the Department of Finance submits the May Revenue and Expenditure Budget Revision to the Legislature. The budget revision will be based on the department's May 1976, subvention estimates which take into account the latest available caseload and expenditure data. We will review these estimates and make our recommendations at that time.

AFDC Caseload and Cost Trends

The Governor's Budget anticipates very little change in AFDC caseload in the budget year. The AFDC Family Group caseload is projected to decline by two-tenths of one percent while the AFDC-Unemployed caseload is projected to decline by 5.4 percent. The Foster Care caseload is expected to increase by eight-tenths of one percent.

Table 10 shows the anticipated AFDC caseload changes.

Table 10
1976–77 Governor's Budget
Projected AFDC Average Monthly Caseload Changes
(Persons Count)

	Actual 1974–75	*Estimated 1975–76*	*Estimated 1976–77*	*Change Caseload*	*Change Percent*
AFDC-Family Group	1,205,321	1,233,000	1,230,490	−2,510	−0.2%
AFDC-Unemployed	140,655	174,160	164,725	−9,375	−5.4%
AFDC-Foster Children	30,385	29,300	29,540	+240	+0.8%
	1,376,361	1,436,500	1,424,755	−11,745	−0.8%

The AFDC caseload projections reflect an anticipated improvement in the economy. If the economy does not improve or if there is no drop in caseload in spite of a modest economic upturn, the budget year caseload in May 1976 subvention estimates should show increased caseload.

The Governor's Budget requests an increase of $44,350,400 over the amount anticipated to be expended this fiscal year. Table 11 shows the areas of requested increase.

Table 11
AFDC Program—General Fund Expenditures

AFDC Program	*Actual 1974–75*	*Estimated 1975–76*	*Estimated 1976–77*	*Change Amount*	*Change Percent*
Family Group (FG)	$375,134,562	$427,352,300	$469,828,500	$42,476,200	9.9%
Unemployed (U)	47,035,508	65,723,000	67,496,900	1,773,900	2.7%
Foster Care (BHI)	25,889,159	23,665,500	23,765,800	100,300	.04%
	$448,059,229	$516,740,800	$561,091,200	$44,350,400	8.6%

The Governor's Budget indicates that $37 million of the increase in AFDC-FG program results from the annual cost-of-living increase. The Department of Finance informs us that the remaining portion of the AFDC-FG increase, $5,476,200 is related to increased average grant costs resulting from less full and part-time employment among AFDC recipients.

In the AFDC-U program the Governor's Budget indicates the cost-of-living increase of $4.5 million will almost be offset by a caseload decrease estimated to save $4.1 million. The remainder of the AFDC-U increase, $1,373,900, is related to expected decreases in recipient income which increases grant cost.

AFDC Cost-of-Living Increase

AFDC recipients receive cost-of-living increases in July of each year. The increases are based on changes in the consumer price index. The increase payable in July 1976 anticipates an 8.7 percent change in the consumer price index, based on 12 months of inflation, measured from December 1974 to December 1975.

Department of Benefit Payments

MODEL MODULAR DATA PROCESSING PROPOSAL

Item 301 from the General Fund — Budget p. 773

Requested 1976–77	$680,183
Estimated 1975–76	N/A
Total recommended reduction	$581,082

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *County EDP Systems Review Function. Reduce Item 301 by $581,082.* Recommend staff reduction of 43 of 47 positions requested. 613
2. EDP Guidelines. Recommend establishment of guidelines to preclude review of minor county EDP projects. 614
3. Los Angeles County Welfare System. Recommend increased monitoring of the management information system development and steps to limit state support to an appropriate level. 614
4. Need for Adequate County Data. Recommend Budget Act language to enable improved county reporting of costs and recovery of state funds when county savings do not materialize. 615

Model Modular County EDP System

In 1974 the Department of Benefit Payments initiated a joint state-county effort to explore the feasibility of developing what it termed a model modular county EDP system. This effort has been continued in the current year and represents the latest in a series of departmental attempts to achieve economies relative to the development and operation of automated county welfare information systems. For the most part, such system development and operation has been conducted on an independent county basis. It has been the department's contention that substantial savings can be realized if model systems are developed from selected components of existing county automated systems and used by the counties (in lieu of independent county systems). Impetus for the department's model system effort was prompted by an increase in the cost of automated county welfare processes (a cost shared by the state) from $6 million in 1970–71 to an estimated $14 million in 1975–76 and a projected $25 million annually in the near future, and by the desire to avoid duplication of effort in many counties.

Funds totaling $1,045,420 ($522,710 federal) are provided in Item 287.2 of the current budget for initial implementation of the model system. Language in Item 287.2 precludes the expenditure of these funds until the department has prepared a detailed estimate of resources required and schedule of events and has received Department of Finance approval of a feasibility study.

Feasibility Study Completed

The joint state-county effort to explore feasibility of the model system effort was completed in October 1975. The study explores a number of alternatives which range from development of a totally centralized and state-operated system to the alternative of maintaining the status quo (whereby the department's County EDP Bureau monitors county systems and has approval authority for proposed changes and additions to each system).

The study conclusion rejects direct implementation now of a central or regional standardized data-processing operation and favors instead a gradual approach to increased sharing of systems. The department proposes to accomplish this by substantially increasing staff assigned to the department's County EDP Bureau, and upgrading the bureau to branch level. According to the study, the increased staff will be used primarily to (1) develop a standard set of data elements for eventual use in all county systems, (2) develop a central program library, (3) effect greater staff involvement in evaluating proposed and current county welfare EDP development, and (4) develop other packages for use by the counties such as a manual of guidelines for system development and a catalog of input and output forms.

Staff Augmentation Excessive

We recommend deletion of 43 positions from the expanded county EDP systems monitoring function for a savings of $1,162,164 ($581,082 General Fund).

The alternative recommended by the department includes augmenting the present County EDP Systems Bureau staff of eight by administratively adding 47 positions in the current year using funds available in Item 287.2. The proposed budget includes $1,360,325 to continue operation of the expanded function at the 55-position level.

Assuming that county welfare EDP costs will increase to $25 million annually in the near future as estimated by the department, the state's

MODEL MODULAR DATA PROCESSING PROPOSAL—Continued

annual share under current sharing ratios will be approximately $6 million. The department could not provide a reasonable estimate of how much of this $6 million is systems development. If we assume an annual systems development cost of $3 million (undoubtedly a high estimate), the department would under its current plan expend $1.3 million each year to monitor and evaluate a $3 million development effort. The funds would not be used to develop a new system. The additional employees would only facilitate exchange of knowledge among counties.

Further, although many of the department's objectives in augmenting County EDP Bureau staff may be desirable, the potential for attaining a successful cost-benefit result is doubtful. In this instance, we believe a reasonable alternative is to provide a small state staff to work with the counties. Such a state effort would serve as a catalyst in assisting counties to reach agreement on practical systems goals which then can be implemented through a cooperative effort.

Our conclusion after a thorough evaluation of the model system feasibility study and discussions with the department regarding the alternative chosen is that (1) the staffing level proposed is not justified, (2) the end product would not necessarily cause substantial improvements in county data processing systems, and (3) 47 new positions could more profitably be used elsewhere. We recommend the elimination of 43 positions for a savings of $581,082 in state funds. We recommend approval of four new positions including one governmental program analyst, two associate data processing analysts and one clerk-typist II. These positions when added to the eight currently authorized in the County EDP System Bureau can provide increased benefits to the state which are more in line with practical responsibilities of the department and the fiscal magnitude of pending systems projects. We recommend the department defer the administrative establishment of the 47 positions during the current year pending the hearing of the budget by legislative committees.

Guidelines Needed

We recommend that guidelines be developed which will focus county EDP bureau staff resources on significant county welfare EDP projects.

At present, County EDP Bureau staff review proposed changes to county welfare EDP systems without regard to the significance of the change. This practice does not allow an optimum use of staff. The department should develop guidelines which will eliminate the review of relatively insignificant documents and focus staff activity on selected major county proposals which we believe demand closer monitoring, especially in the early stages of implementation while it is still possible to influence the course of events.

Welfare Case Management Information System (WCMIS)

We recommend that the department increase and maintain close monitoring of the Los Angeles County Welfare Case Management Information System.

We recommend further that the department take steps to ensure that the state does not pay for unused computer capacity and associated com-

puter operations which the department determines to be excessive.

In 1971, Los Angeles County initiated a major welfare EDP system development effort intended to replace existing welfare information-handling processes, many of which were not automated, with a new and comprehensive automated system known as the Welfare Case Management Information System (WCMIS). According to the department, the total cost of the development effort as of June 30, 1975 was approximately $4.2 million.

The 1975–76 cost is estimated at $6 million. Although the department was not able to identify the state's share of these costs, we assume that the state cost as of June 30, 1975 will approximate $1 million and there is a potential $1.5 million additional state cost for 1975–76.

The project is intended to result in substantial net savings. However, information obtained from the department based on its monitoring of WCMIS indicates the project has been redefined, the scope has now changed and anticipated savings have been postponed. Also, substantial computing capacity may have been acquired prematurely. Further, despite the expenditure of considerable amounts of funds to date, no phase of the system is operational. However, the current revised schedule indicates that a central recipient index will be operational this spring.

The department's monitoring of WCMIS has resulted in some reappraisal of the level of state financial support of this project. The department recognizes that it needs to increase the level of monitoring and intends to assign one of the proposed new positions to assist in monitoring WCMIS. We concur and recommend that the department assign an additional position to WCMIS to continue close surveillance of this effort. This activity can be accomplished within the staff which we have recommended for such purposes.

We believe also that the department should determine whether or not Los Angeles County has acquired computing capacity and associated equipment prematurely. If this is the case, the state should not pay for such unused resources. We raise this question because Los Angeles installed a large UNIVAC 1100 computer and is acquiring 330 remote terminals in the current year, many of which are, according to the department, apparently assigned at least temporarily to warehouse facilities.

Although the department has not succeeded in obtaining information from Los Angeles County regarding current computer usage, we expect that usage may be low because WCMIS is not operational. The department must take steps now to determine if significant costs will be incurred with little productivity. If there is a cost to the state associated with any premature delivery of equipment, the department should develop a means of limiting state support of WCMIS to a level which is commensurate with the goals of state funding.

Need for Adequate County Data

We recommend that Budget Act language be added to authorize the department to (1) withhold state financial support of county welfare EDP operations where a county does not provide a breakdown of welfare EDP costs as requested by the department, and (2) enter into agreement with

MODEL MODULAR DATA PROCESSING PROPOSAL—Continued

the counties wherein state support is tied to savings projected by the counties and state funds are recovered to the extent that savings do not materialize.

We understand that the county EDP Systems Bureau has been unable to obtain from the counties sufficient breakdowns of county welfare EDP costs. This imposes a severe limitation on the bureau's ability to perform its functions, and results in the bureau being unable to determine the actual cost of county projects approved by the department. The counties can provide this information because the data are a necessary element of proper project management.

The WCMIS experience to date suggests the need for the state to protect its investment in system development efforts which are "sold" to the state on the basis of anticipated savings. In such cases it would be appropriate for the state to guarantee its support of a county project to the extent that the county will guarantee savings to the state. In order to provide the department with the ability to enter into agreements which will provide this guarantee, we recommend adoption of appropriate Budget Act language.

Lack of Compliance with Budget Act Language

Item 291 of the Budget Act of 1975 states in part that ". . . the department may authorize not more than $1 million (all funds) for expenditure by county welfare departments for the development of data processing systems in 1975–76, and all such approvals shall relate specifically to the development of the Model Modular EDP system and shall not contribute to the improvement of independent county EDP systems."

We believe that the department has failed to comply with this stipulation by approving the first phase of WCMIS which alone exceeds the $1 million limitation. Although we pointed out to the department the Item 291 restriction at the time approval of WCMIS was under consideration, the department obtained from its counsel a legal opinion which supported the approval. Our analysis of this opinion suggests that it is constructed simply to supply an interpretation of Item 291 which supports the departmental position.

Department of Benefit Payments
STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED

Item 302 from the General Fund — Budget p. 775

Requested 1976–77	$679,581,400
Estimated 1975–76	637,117,300
Actual 1974–75	488,264,414
Requested increase $42,464,100 (6.7 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. May Caseload Estimates. Withhold recommendation on appropriate amount for Item 302 pending review of May 1976, subvention estimates.	617
2. Cost-of-Living Adjustment. Recommend Legislature review optional methods for calculating cost-of-living grant increases.	618

GENERAL PROGRAM STATEMENT

On January 1, 1974, the federal Social Security Administration assumed responsibility for direct administration of cash grant welfare assistance to California's approximately 655,000 aged, blind and disabled recipients with the establishment of the Supplemental Security Income program (SSI). Prior to that time California's 58 county welfare departments had administered cash grant programs for these recipients. Under provisions of state and federal law, California supplements the basic federal grant payment with an additional state payment, referred to as the State Supplementary Program (SSP). Each year the state supplemental payment is automatically increased to provide recipients with a cost-of-living adjustment. The adjustment is calculated based on changes in the Consumer Price Index.

ANALYSIS AND RECOMMENDATIONS

We withhold final recommendation on the appropriate amount for Item 302 pending receipt and review of the May 1976, subvention estimates.

The budget proposes an appropriation of $679,581,400 for the state share of the cost of aid payments to aged, blind and disabled recipients. However, in April the Department of Benefit Payments will prepare updated estimates based on the most recent caseload and cost experience which will be included in the May Revenue and Expenditure Budget Revision submitted to the Legislature by the Department of Finance. We will review the May 1976, subvention estimates and make our recommendations at that time.

Department of Benefit Payments

STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED—Continued

The Size of the Cost-of-Living Adjustment

We recommend that the Legislature review the optional methods for calculating adult cost-of-living grant increases prior to approving Item 302 and that the Legislature specify a comparison month for purposes of calculating a cost-of-living adjustment.

For fiscal year 1976–77, the methodology used to calculate the cost-of-living adjustment for aged, blind and disabled recipients is especially important because it will determine whether most recipients will receive a $7 or a $14 monthly increase. The Governor's Budget proposes the use of a methodology which would result in a $7 monthly increase at a General Fund cost of $61.1 million. A $14 monthly increase would result in an additional General Fund cost of approximately $61 million or $122 million total cost.

Historical Perspective. In order to understand why the law which governs the calculation of the cost-of-living increase is susceptible to interpretation, it is necessary to review changes in procedure over the last several years. Prior to the implementation of the federal HR 1 legislation, which established the SSI/SSP program, cost-of-living increases were based on year-to-year percentage changes in the Consumer Price Index (CPI), just as they are now. However, the dates used to calculate the percentage change were different. At that time, the change was measured from June of one year to June of the following year. Six months later, in December, the cost-of-living increase was implemented.

However, Chapter 1216, Statutes of 1973 (AB 134), provided that the annual cost-of-living adjustment be paid in July, or six months later than it had been. The initial effect was a one-time six-month delay in the payment of the cost-of-living adjustment. The first cost-of-living adjustment under the new law was to take place in July, 1975.

The Governor's Budget for 1975–76, as introduced, proposed a cost-of-living adjustment for the current year which would have compensated recipients for 12 months of inflation at an estimated General Fund cost of $114 million. The increase proposed in the Governor's Budget was based on changes in the CPI between June 1973 and June 1974, the increase to be paid July 1, 1975 one year later. However, the Legislature augmented the 1975–76 Budget Act by $65.2 million which took the one-time six-month delay into account, and gave recipients an 18-month cost-of-living increase, rather than the 12-month increase proposed by the Governor's Budget. The increase covered the period from June 1973 to December 1974, and was paid in July 1975, six months later.

This year the Governor's Budget proposes a $7 cost-of-living increase which is based on six months of additional inflation as measured by changes in the CPI from December 1974 to June 1975. The lag period, the time between the final month used to measure inflation and the payment month, is again 12 months. The logic used to support this increase is that the 1975–76 increase was composed of two elements. The first element was the normal 12-month cost-of-living increase which was based on changes in the CPI between June 1973 and June 1974. This was a $16 increase. The second element was a special $8 monthly advanced payment which was based on changes in the CPI between June and December 1974.

The 1976-77 Governor's Budget assumes that the six month's special increase has already been provided and is currently part of the grant amount. This is the special $8 advanced payment referred to above. Therefore, from that perspective, it is only necessary to compensate recipients for the six additional months of inflation which occurred between December 1974 and June 1975.

Prior to the release of the Governor's Budget, we assumed that recipients would receive compensation for 12 months of inflation. Except for the July 1975 increase, recipients have routinely received an annual cost-of-living increase based on 12 months of inflation. The lag period (the period between the last inflation month and the payment month) has always been six months. We had assumed that legislative intent, in providing the special augmentation last year, was to grant recipients permanent compensation for the six-months delay related to transition to the new program. If that were legislative intent, then December would be established as the comparison month for calculating cost-of-living increases, rather than the preceding June as is proposed by the Governor's Budget.

In implementing the 1975-76 cost-of-living adjustment, the Department of Benefit Payments did in fact use December as the comparison month. However, the department was not mandated by Budget Act language to use any particular comparison month in calculating the 1975-76 cost-of-living increase. The Budget Act language provided only that the cost-of-living adjustment could not be more than $24 a month for an aged or disabled recipient, or $27 a month for a blind recipient. In other words, the Legislature gave the administration the latitude of increasing grants beyond that proposed in the Governor's Budget up to the amounts suggested by the Legislature. The Governor chose to give the full cost-of-living increase which recognized a six-month lag period.

If the Legislature believes recipients should receive a cost-of-living adjustment in July 1976, which reflects a six-month lag rather than a 12-month lag, then Budget Act language should be added to Item 302 which would specify that the cost-of-living adjustment for 1976-77 will be based on changes in the Consumer Price Index as measured from December 1974 to December 1975. This change would require the item to be augmented by approximately $61 million. If the Legislature desires a 12-month lag in the cost-of-living adjustment as proposed in the Governor's Budget, then no augmentation is required. The present budget proposal would provide $7 more a month to the average aged or disabled recipient living alone.

This is approximately a 2.7 percent increase in spendable income. A return to the six-month lag period would result in a $14 monthly increase. This increase represents approximately a 5.8 percent increase in spendable income.

Department of Benefit Payments

STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND AND DISABLED—Continued

Caseload and Cost Trends

The Governor's Budget anticipates a 4½ percent increase in the aged caseload and 16.8 percent increase in the disabled caseload in 1976–77. The blind caseload is projected to remain essentially stable. The reasons for the projected growth in adult caseloads are: first, the changes in the definition of disability, from permanently disabled to temporarily disabled, makes a larger percentage of the population eligible. Second, the federal Social Security Administration has had difficulty in annually redetermining eligibility for all cases. Therefore, the discontinuance rate is low which keeps caseload larger than it otherwise would be. Third, the higher grant levels of the new program allow more people to qualify for assistance. Finally, high cost of medical care and drugs causes many persons who only qualify for small grants to join the program so that they will have a Medi-Cal card and free medical care.

Table 1 compares current year and budget year caseloads.

Table 1
1976–77 Governor's Budget: Average Monthly Adult Caseload Comparison

	1974–75	*1975–76*	*1976–77*	*Increase Amount*	*Increase Percent*
Aged	312,970	335,100	350,300	15,200	4.5%
Blind	12,838	12,800	12,900	100	.7%
Disabled	267,169	318,000	371,300	53,300	16.8%
Total	592,977	665,900	734,500	68,600	10.3%

The Governor's Budget projects that aid payment expenditures for adult recipients will increase by $42.5 million in 1976–77. The major factors contributing to this are caseload growth and the cost-of-living adjustment increases, offset by a number of anticipated savings. Table 2 shows the increases and anticipated savings.

Table 2
Factors in the Net $40 Million Increase for Adult Program Aid Payments 1976–77

	General Fund Cost or Savings in Millions
Increased Costs	
1. Cost-of-living adjustment	$+61.1
2. Caseload growth	+34.7
Offset Savings	
3. Increased county contributions	−11.8
4. Hold harmless/baseline savings	−29.4
5. Declining mandatory supplement payments	−4.7
6. More countable recipient income	−7.4
Net General Fund increase	$+42.5

County Contributions

County contributions toward this program grow from year to year and are related to the percentage growth in the assessed value of property in a county. County contributions are estimated to be $131.4 million this year and $143.2 million in 1976–77, a 9 percent increase.

Hold Harmless Savings

The Governor's Budget anticipates that the state's so-called hold harmless or baseline payment will decline from $381.4 million in the current year to $352 million in the budget year. This savings results because federal cost-of-living adjustments partially offset state costs.

Mandatory Supplements

When the new adult program started, certain cases had to be given special supplementary payments so their grants would not be lower under the new program than under the old. With the passage of time there are fewer such cases.

More Recipient Income

The state is entirely responsible for adult grant costs above $217 a month. If a recipient has a monthly income above $217, the excess income reduces the amount of the grant the state furnishes. The Governor's Budget anticipates approximately $7.4 million will be available to recipients with monthly incomes of $217 or more. This increase in income results primarily from Social Security increases.

Department of Benefit Payments
FOSTER CARE PROGRAM

Item 303 from the General Fund — Budget p. 774

Requested 1976–77	$2,700,000
Estimated 1975–76	None
Total recommended reduction	$2,700,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Eliminate Item 303. Delete $2,700,000.* Recommend the amount required for the foster care program accompany proposed legislation. 622

GENERAL PROGRAM STATEMENT

Under current law the state will pay up to $40.50 a month toward the care of a foster child, if the case is eligible for federal matching funds. If the case is not eligible for federal funds, the state will pay up to $81.00 a month. In November 1975, the average foster care case cost $318 a month. Because the state share is a fixed amount which does not increase from year to year, counties have, in recent years, absorbed a larger percentage

FOSTER CARE PROGRAM—Continued

of total foster care and payment costs.

ANALYSIS AND RECOMMENDATIONS

We recommend the deletion of $2,700,000.

The administration requests the appropriation of $2,700,000 in anticipation of legislation which would increase state obligations in the funding of the foster care program. We recommend deletion of this request because the Governor's Budget does not explain or justify changes to be made in the foster care program. In addition, we do not know the cost of the final version of a foster care bill. We recommend also that the necessary funds be amended into the implementing legislation.

Department of Benefit Payments
SPECIAL ADULT PROGRAMS

Item 304 from the General Fund — Budget p. 776

Requested 1976–77	$3,845,400
Estimated 1975–76	3,431,650
Actual 1974–75	1,908,529
Requested increase $413,750 (12.1 percent)	
Total recommended reduction	Pending

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
304 (a)	Special Circumstances	General	$911,000
304 (b)	Special Benefits/Excess Value Homes	General	1,086,500
304 (c)	Aid to Potential Self-Supporting Blind	General	473,300
304 (d)	Emergency Payments, Loan Losses	General	1,374,600
			$3,845,400

GENERAL PROGRAM STATEMENT

Chapter 1216, Statutes of 1973, (AB 134) established a program to provide for the emergency and special needs of adult recipients. The program's special allowances, paid entirely from the state General Fund, are administered by the county welfare departments, rather than the federal Social Security Administration.

ANALYSIS AND RECOMMENDATION

We withhold final recommendation on the appropriate amount for Item 304 pending receipt and review of the May 1976 subvention estimates.

The budget proposes an appropriation of $3,845,400 for special adult programs which is $413,750, or 12.1 percent, more than is estimated to be expended during the current year. In May the Department of Benefit Payments will finalize updated estimates based on the most recent caseload and cost information which will be included in the May Revenue and Expenditure Budget Revision submitted to the Legislature by the Department of Finance. We will review the May 1976 subvention estimates and make recommendations at that time.

Special Circumstances (Item 304(a))

The Special Circumstances program is intended to provide adult recipients with special assistance in times of emergency. Payments can be made for replacement of furniture, equipment or clothing which is damaged or destroyed by a catastrophe. Payments are also made for moving expenses, housing repairs and emergency rent. The Budget Act of 1975 appropriated $2,222,700 for special circumstances. However, if current expenditure trends continue only $885,000 will be expended. It appears that two factors account for the low levels of expenditure. First, current regulations require recipients to use up all liquid assets before they are eligible for the benefits of this program. Secondly, it appears that many recipients are not aware of the existence of this special program.

Special Benefits/Excess Value Homes (Item 304(b))

The Excess Value Home program provides aid payments to aged, blind or disabled persons who would qualify for the regular SSI/SSP program except that they own homes valued at $25,000 or more. The Budget Act of 1975 appropriated $1,279,000 for this program. However, if current expenditure trends continue only $653,800 will be expended.

Aid to Potential Self-Supporting Blind Program (Item 304(c))

The Aid to Potential Self-Supporting Blind program allows blind recipients to retain more earned income than the basic program for blind recipients as an incentive for recipients to become economically self-supporting. Expenditures for this program have been very close to the amounts budgeted.

Uncollectable Loans (Item 304(d))

Chapter 1216, Statutes of 1973, (AB 134) mandated that counties provide emergency loans to aged, blind or disabled recipients whose regular monthly check from the federal Social Security Administration has been lost, stolen or delayed. In the event a county cannot obtain repayment of the emergency loan, the state must reimburse the county for the loss. If current trends continue, it appears that approximately $900,000 of the $2,281,600 appropriated for reimbursement of uncollectable loans will not be expended in the current year. In part, this is because a procedure has been worked out with the federal government whereby the counties can deduct the loan amount from the federal check before it is forwarded to the recipient. Also the Social Security Administration is doing a better job of delivering checks to recipients.

Because three of the four programs funded through Item 304 are relatively new and have not yet settled into predictable expenditure patterns, expenditures for the remainder of this fiscal year will be important in determining how much should be budgeted for 1976–77.

Department of Benefit Payments
ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS

Item 305 from the General Fund — Budget p. 777

Requested 1976–77	$74,500,500
Estimated 1975–76	66,474,100
Actual 1974–75	56,949,223
Requested increase $8,026,400 (12.1 percent)	
Total recommended reduction	Pending

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
305			
	A. AFDC Administration	General	$52,296,100
	B. Administration of Special Adult Programs	General	1,351,400
	C. Food Stamp Administration	General	20,253,000
	D. Emergency Payments Administration	General	600,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS *Analysis page*

1. May Caseload Estimates. Withhold recommendation on appropriate dollar amount for Item 305 pending receipt and review of May 1976 subvention estimates. 624

GENERAL PROGRAM STATEMENT

Item 305 of the 1976–77 Budget Bill contains the General Fund appropriation for the state's share of the costs which the 58 county welfare departments incur in making eligibility determinations and benefit payments in the AFDC and Food Stamp programs. State funds for the administration of the small special benefit program for aged, blind and disabled recipients still operated by county welfare departments are also included in this item. Funds for county welfare department social service programs and for Medi-Cal eligibility determination programs are not included within this item. However, funds to cover the administrative expenditures of district attorneys' offices related to the AFDC child support collections program are included. Table 1 shows anticipated total administrative expenditures and sharing ratios for Item 305.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the appropriate dollar amount for Item 305 pending receipt and review of the May 1976 subvention estimates.

Table 1
1976–77 Governor's Budget—Item 305
County Administrative Costs and Sharing Ratios

Programs	*Total administrative expenditures (all funds)*	*Percentage of cost* Federal	State	County
1. AFDC				
a. County welfare departments	$204,887,500	50%	25%	25%
b. District Attorneys—Child support	31,533,600	75	—	25
2. Food Stamps (nonwelfare cases only)	83,906,100	50	25	25
3. Adult Programs				
Administration of special benefits	1,351,000	—	100	—
Administration of emergency loans	600,000	—	100	—
Total (All Funds) Item 305	$322,278,200			

In April and May 1976, the Department of Benefit Payments will prepare updated county administrative cost estimates for 1976–77 based on the most recent administrative expenditure claims and workload data submitted by the counties. Upon completion of these updated estimates, the Department of Finance will submit a budget letter changing the amount of the request for Item 305. We will work closely with the department to review data and estimating methods. If this item is again to be a closed-ended appropriation used in conjunction with a cost control plan, it is important that the item be carefully budgeted and that the data and assumptions used to develop the appropriation be available for detailed review.

The budget proposes an appropriation of $74,500,500 for Item 305 which is 12.1 percent, or $8,026,400 more than the amount the Governor's Budget estimates will be expended in the current year. The amount requested was derived based on the following assumptions.

AFDC Program. First, 1976–77 estimates assume no growth in AFDC county welfare department workload because caseload is projected to remain essentially constant.

Secondly, increases in salaries, benefits and operating expenses are expected to average only 6.7 percent in 1976–77 on a statewide basis.

Food Stamp Program. It is assumed that food stamp administrative costs will increase rapidly in the current year and in 1976–77 because of cost-of-living increases, and workload increases. Administrative cost per case, the basic unit used for estimating purposes, received a 9.98 percent cost-of-living increase for the current year to reflect actual increases in county salary and benefit costs. For 1976–77 the unit cost per case was increased an additional 6.7 percent to reflect anticipated county cost-of-living increases for employees. The Governor's Budget also anticipates significant workload increases in the current year and in 1976–77 resulting from the food stamp outreach program and normal program growth. The outreach effort is intended to make potential food stamp users aware of the program, thus increasing the applications workload and the workload for maintaining ongoing cases. Workload increases related to outreach are expected to increase administrative costs by $6.9 million this year and

ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS—Continued

$10.4 million in 1976–77, all funds. New federal mandates will require counties to have additional staff to concentrate on the improved management of the Food Stamp Program.

In preparing the budget for the 1976–77 fiscal year, the Department of Finance reduced the 1975–76 expenditure estimate by $2.4 million based on the assumption that the department's administrative cost control effort will reduce expenditures. For 1976–77 the Department of Finance assumed savings related to the administrative cost control effort would increase by an additional $500,000. Table 2 summarizes the major areas of anticipated growth in county administrative costs.

Table 2
1976–77 Governor's Budget—Item 305
Estimated Changes in County Welfare Department Administrative Costs

	General Fund (millions)
1. 1975–76 Base	$66.4
2. AFDC workload increases	-0-
3. AFDC—Salary/Benefit/Operating Expenses/Equipment increases	3.3
4. Transfer to Item 304(d): Uncollectable loans	−1.3
5. Food Stamp Salary/Benefit/Operating Expenses/Equipment increases	2.4
6. Food Stamp Workload—outreach and normal growth	4.1
7. Federal mandate: improved management	.3
8. Other minor increases and offsets	—.2
9. Additional cost-control-plan savings	—.5
1976–77 General Fund Request	$74.5

A full discussion of problems related to the administration of the AFDC and food stamp programs at the county level and the issues related to administrative cost control are discussed as part of Item 290, Medi-Cal administration.

Department of Benefit Payments
LOCAL MANDATED COSTS

Item 306 from the General Fund — Budget p. 782

Requested 1976–77	$300,000
Estimated 1975–76	203,164
Actual 1974–75	97,742
Requested increase $96,836 (47.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

In January 1972, classified employees of local school districts were covered by unemployment insurance. School districts reimburse the Unemployment Insurance Fund for the actual cost of insurance benefits paid to classified staff when they become unemployed. Chapter 1012, Statutes of 1973, and Chapter 1256, Statutes of 1975, (AB 91) increased weekly unemployment insurance benefits from $75 to $104.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The increased benefits levels would increase local reimbursement costs except that Section 2231 (a) of the Revenue and Taxation Code requires the state to reimburse local school districts for additional costs resulting from state requirements imposed after January 1, 1973.

DEPARTMENT OF CORRECTIONS

Items 307- 311 from the General Fund — Budget p. 786

Requested 1976–77	$205,011,442
Estimated 1975–76	199,057,249
Actual 1974–75	178,919,131
Requested increase $5,954,193 (3.0 percent)	
Increase to improve level of service $300,000	
Total recommended reduction	None

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
307	Departmental Operations	General	$202,212,508
308	Transportation of Prisoners	General	200,000
309	Returning Fugitives from Justice	General	700,000
310	Court Costs and County Charges	General	1,598,934
311	Local Detention of Parolees	General	300,000
			$205,011,442

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. San Quentin Replacement or Reconstruction. Recommend population at San Quentin State Prision be reduced to 1,000 inmates, subject to adoption of recommendations in capital outlay portion of this analysis. 631
2. Unallocated Redirection. Recommend identification of program reductions to effect savings equal to proposed transfer of $683,000 to the Department of Rehabilitation. 637

DEPARTMENT OF CORRECTIONS—Continued

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, 18 camps, three community correctional centers and 60 parole units. The department estimates these facilities and services will be used by approximately 20,870 adult felons and nonfelon drug addicts and 20,955 parolees in 1976–77.

ANALYSIS AND RECOMMENDATIONS

The total operations of this department, the term-setting boards and special items of expense from all funding sources are summarized in Table 1.

Table 1
Budget Summary

			Change from Current Year	
Funding	*Estimated 1975–76*	*Proposed 1976–77*	*Amount*	*Percent*
General Fund	$199,057,249	$205,011,442	$5,954,193	3.0%
Correctional Industries Revolving Fund	16,109,950	16,793,068	683,118	4.2
Inmate Welfare Fund	5,069,990	4,470,137	−329,853	−6.5
Federal Funds	42,063	42,063	-	-
Reimbursements	3,129,241	1,878,975	−1,250,266	−40.0
Total	$223,408,493	$228,465,685	$5,057,192	2.3%
Program				
I. Reception and Diagnosis	$2,400,242	$2,444,977	$44,735	1.9%
Man-years	126	126	-	-
II. Institution	$183,740,959	$188,443,243	$4,702,284	2.6%
Man-years	6,825.8	6,766.6	−59.2	−0.9
III. Releasing Authorities	$2,839,556	$2,707,100	$−132,456	−4.7%
Man-years	84	76	−8	−9.5
IV. Community Correctional	$24,684,987	$25,042,806	$357,819	1.4%
Man-years	984.9	952.9	−32	−3.2
V. Administration (Undistributed)	$6,943,815	$7,711,625	$767,810	11.1%
Man-years	242	239	−3	−1.2
VI. Unallocated Redirection [a]	-	$−683,000	$−683,000	-
VII. Special Items of Expense	$2,798,934	$2,798,934	-	-
Total expenditure	$223,408,493	$228,465,685	$5,057,192	2.3%
Total man-years	8,262.7	8,160.5	−102.2	−1.2

[a] Reflects the retention of federal funds by the Department of Rehabilitation as discussed in this analysis.

Although departmental expenditures from all funding sources listed in Table 1 are projected to increase by $5,057,192 (or 2.3 percent over the current year), the proposed General Fund portion would increase by

$5,954,193 or 3.0 percent. This difference reflects a net reduction of $897,001 or 3.7 percent in the other funding sources shown in Table 1.

The increase of $683,118 or 4.2 percent in expenditures from the Correctional Industries Fund (also shown in Table 1) reflects merit salary adjustments and price increases. The reduction in Inmate Welfare Fund (IWF) expenditures results primarily from population decline and the transfer of $160,000 of expenditures for inmate benefits to the General Fund pursuant to Chapter 382, Statutes of 1975. This enactment prohibits the use of IWF monies to finance (1) staff overtime for special entertainment events for inmates, (2) the purchase and repair of television sets and (3) the purchase of athletic and recreation uniforms and supplies. Chapter 382 appropriated $160,000 for current year expenditures for such purposes and this level is proposed for 1976–77.

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 violation and nonfelon 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.

The proposed expenditure of $2,444,977 for this program is $44,735 or 1.9 percent above estimated current-year expenditures. The increase represents merit salary adjustments and price increases to continue the existing program level.

II. INSTITUTION PROGRAM

This program operates the department's 12 institutions, which range from minimum to maximum security, including two medical-psychiatric institutions and a treatment center for narcotic addicts under civil commitment.

Major 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 18 camps which will house an estimated 950 inmates during 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 20,870 inmates in the budget year, an increase of 45 inmates over the current year.

This program proposes an expenditure of $188,443,243, which is an increase of $4,702,284 or 2.6 percent over estimated current-year expendi-

DEPARTMENT OF CORRECTIONS—Continued

tures of $183,740,959. The budget year and current-year expenditures substantially exceed the 1974–75 fiscal year actual expenditures of $170,576,308 even though the institution population is projected to decline from an average daily population of 24,636 in 1974–75 to 20,870 in the budget year. This is due to the fact that population reduction savings of approximately $2.8 million in 1975–76 and $3.2 million in the budget year will be more than offset by price increases over the two-year period for food, utilities and other operating costs, plus salary and staff benefit increases and other adjustments discussed separately in this analysis.

Inmate Benefits

As noted earlier, Chapter 382 provided for a shift of $160,000 in Inmate Welfare Fund expenditures to the General Fund. This is one of the program changes resulting in increased General Fund costs even though there has been a significant reduction in institution population.

Training Academy

The department proposes a General Fund expenditure of $333,999 for support of the regional training academy which has been financed by a combination of state and federal funds through the Office of Criminal Justice Planning (OCJP). The academy provides initial and inservice training to employees of this department and the Department of the Youth Authority. Because OCJP funding is limited (generally to three fiscal years), all future costs of this training center will be a General Fund responsibility. The Department of the Youth Authority also will contribute $324,118 for this purpose in the budget year.

Retirement Costs

The department anticipates costs of approximately $800,000 in both the current and budget years to cover the employer's contribution for industrial retirement benefits granted to designated employees by 1975 legislation. Recent actuarial data reveal that the existing employer contribution rate for these employees is too high, and Assembly Bill 2325 has been introduced to adjust it. The amounts proposed for the current and budget years are based on the enactment of AB 2325 or similar legislation. If such legislation is not enacted, this budget item would be underfunded by approximately $1 million.

Inmate Pay Increases

Another factor contributing to increased costs is a proposed $100,000 augmentation for inmate pay. Of the 8,500 inmates employed within the institution (other than for Correctional Industries and the Inmate Welfare Fund), 6,241 are paid an average of $152 per annum or $12.67 per month. The additional $100,000 would provide an average increase of 10.5 percent or $16 per year. This increase appears to be justified because of the price increases which affect the cost of items purchased by inmates from the prison canteens.

General Fund Support for Family Visiting Facilities

The family visiting program, which entails 24-hour visiting of inmates with family members in private facilities, was initiated in 1968 at the California Correctional Institution at Tehachapi. To implement the program, inmate labor and Inmate Welfare Fund (IWF) monies were used to convert unused employee housing to suitable visiting quarters. This program was subsequently expanded to all institutions through acquisition of used house trailers and remodeling of unneeded offices and other accommodations using IWF resources and inmate labor. The department proposes an expenditure of $300,000 from the General Fund to provide an additional 38 family visiting units. This proposed increase in the level of service provided in this function represents the initial General Fund support of the program. The money would provide an averge of approximately three new units at each of the 12 institutions.

The department believes this program contributes to inmate welfare by reducing tensions within the institutions and by strengthening and retaining family ties which assist in the inmates' rehabilitation upon release. There has been some evidence presented in the past which shows that inmates having close visiting ties with family members perform better on parole. It is not certain whether this is due to the visiting program or whether the type of inmate who has regular and frequent use of visiting privileges would do well on parole regardless of such visits.

Because of the wide acceptance of this program and the need to provide additional facilities to meet increased demand, we support this proposed increase in the level of service from the General Fund.

Population Reduction Savings

The institution population projections for the current and budget years reflect substantial reductions (3,811 and 3,766, respectively, in the average daily institution population below the 1974–75 population total). In the proposed budget, the approximately $2.8 million in savings resulting from population reduction in the current year partially offsets price and other increases in the total expenditures. Item 292 of the Budget Act of 1975 provides, ". . . that subject to approval by the Department of Finance, any reallocation of savings due to reduction in population, other than those resulting from decreased court commitments, shall be used to give primary emphasis to the development of transition programs in the community for persons being released from prison."

If the on-going parole program qualifies as a transition to the community program within the meaning of this language, increased expenditures of approximately $3.5 million for paroles in the current year would appear to comply with the requirements of Item 292. However, if the Legislature's objective was to secure enriched community services over those provided routinely by parole supervision on a workload increase basis, the intent of the budget language has not been implemented.

Male Felon Institution Requirements

We recommend that the population at San Quentin State Prison be reduced to 1,000 inmates in line with our recommendations to limit utilization of this prison and to provide replacement facilities as discussed in the

DEPARTMENT OF CORRECTIONS—Continued

capital outlay portion of this analysis.

The average daily population for male felon institutions is projected at 17,965 for the budget year. The present rated capacity of male felon institutions (exclusive of the California Men's Colony, West Facility, which is presently closed) is 20,914. This represents a gross excess capacity of 2,949 over the anticipated average daily population (ADP). After providing a 5 percent operating vacancy factor to allow for inmates temporarily out to court and to provide for peaks in population fluctuation, there is a net capacity of 19,868 or an excess of 1,903 over projected ADP for the budget year.

The department estimates that felon institution population will increase to 18,845 on June 30, 1977, and to 19,370 on June 30, 1978. On this basis, the net capacity available during the budget year would be sufficient to permit the closure of a major institution, but the projected increase by June 30, 1978, would require a reopening of the facility during the 1977-78 fiscal year if the legislative policy against double celling is to be followed.

The department's projected increase in ADP is based primarily on the estimated impact of Chapters 1004 and 1087, Statutes of 1975, which prohibit the granting of probation under specified circumstances. If the commitments relating to these recent enactments do not reach the anticipated level, the net excess capacity will be significantly greater than currently projected.

In order to avoid closing an institution, which would have to be reopened within a year, resulting in added expense of transferring employees and inmates to other facilities and possible loss of experienced personnel, the department plans to close living units within all male felon institutions during the current and budget years. These units would then be reopened as the population increases.

Our recommendation provides for reducing the inmate population at San Quentin to 1,000 and transferring the remaining 1,191 inmates budgeted for this institution to other institutions. This would permit substantially the same housing flexibility as the department's proposal, possibly provide some savings in the support budget, and also provide for the eventual replacement or reconstruction of San Quentin State Prison.

New Positions

A total of 62.5 new positions with a salary cost of $902,493 are proposed for the institution program. These positions, listed on pages 798 and 799 of the Governor's Budget, can be grouped into six categories as follows:

a. 6 teachers to replace a like number of positions currently employed under contract with local school districts.
b. 4.5 positions for the regional training center previously provided by contractual services and reimbursed by federal funds. This request merely authorizes the establishment of the positions and does not increase the program level.
c. 1.6 clerical positions previously provided under operating expenses which have been reduced to reflect this change.
d. 14.8 positions for the opening of additional housing units at the Cali-

fornia Rehabilitation Center. This institution provides housing and treatment for nonfelon narcotic addicts. The positions are requested under previously approved workload formulas to staff two additional male and one additional female living units which are needed on the basis of projected increases in the nonfelon addict population. Narcotic addicts who have committed felonies may be committed to this program by the courts after being convicted but not sentenced on the felony charge when it is determined that the felony was related to the narcotic habit. Narcotic addicts may also be committed voluntarily for treatment without being convicted of a felony.

e. 7 technical and clerical positions for workload increases attributable to the California Supreme Court decision in *Gee vs. Brown,* which is discussed in the Releasing Authorities program section of this analysis.

f. 28.6 temporary help positions for various functions which were abolished under the provisions of Section 20, Budget Act of 1975. Section 20 requires abolition of positions continuously vacant from October 1, 1974 to July 1, 1975. A number of the positions classified as temporary help were never filled because the department used the funds to provide the services required on an overtime or extra shift basis. The other positions were not filled because of recruitment problems and the funds were used to provide required services on a contractual basis.

On the total 62.5 new positions, only the 26.3 positions (representing $401,122 of the total cost) requested (1) for the training center, (2) for opening additional housing units for nonfelon addicts and (3) for the *Gee vs. Brown* decision workload, represent additional staff over the current level.

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.

In 1972, the U.S. Supreme Court in the case of *Morrissey vs. Brewer* 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. In 1973 the U.S. Supreme Court in *Gagnon vs. 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, 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.

New Court Decisions Increase Costs

In the case of *Gee vs. Brown,* the California Supreme Court granted state prison inmates a limited right to legal representation at parole board hearings at which a previously set parole date may be rescinded. Seven additional positions at a cost of $277,754 are requested in the institution program and 2 new hearing representatives and 1 senior stenographer for this program at a salary cost of $59,812 to:

1. Review all inmate disciplinary cases to be heard in the institutions to determine which would require the presence of an attorney,
2. Ascertain whether the inmate wishes to waive his right to have an attorney present, and
3. Schedule and participate in parole board hearings at which attorneys will be present.

Additionally, the California Supreme Court in the matter of *In re Rodriguez* held that a primary sentence must be set for all inmates proportionate to the inmate's culpability for his crime. Consequently, all inmates who have served more than the usual length of time in prison for an offense must be given a hearing to set a primary term. These decisions will increase costs by $134,310 in the budget year for eight temporary hearing representatives.

Fluctuation in Parole Releases

In recent years there have been two dramatic shifts in Adult Authority policies relative to the release of inmates to parole supervision in the community. The first change occurred in 1972 when the release policy became more restrictive and contributed to a substantial increase in institution population.

From 1965 to 1972, the number of male felon inmates released to parole averaged 7,424 per year, ranging from a low of 6,021 in 1968 to a high of 9,489 in 1971. From mid-1972 through 1974, the Adult Authority's more restrictive policies relating to the setting of parole dates and parole releases resulted in a decline in male felon releases to 4,899 in 1973 and to 4,717 in 1974.

In 1975, this trend reversed, largely as a consequence of three factors:

1. Adoption of more liberal parole release policies of the Adult Authority.
2. A larger institution population from which paroles could be granted —a result of population build-up during the period mid-1972 through

1974 when the release policy was more restrictive.

3. The impact of recent court decisions which placed limits on the term of incarceration (Rodriquez decision) and granted inmates a limited right to legal counsel at hearings to rescind previously set parole dates for disciplinary reasons (Gee decision).

As a result, 10,578 male felons were released to parole during 1975, of which 7,949 were paroled during the last six months.

It is anticipated that the release rate will normalize as the backlog of inmates held in prison by the more restrictive policies of the 1972 through 1974 period have been released. The new yearly release rate may exceed the rate prior to 1972 due to the impact of the Gee and Rodriquez decisions. The Rodriquez decision may shorten the average period of incarceration of certain inmates, and the Gee decision may reduce the number of previously granted parole dates which are rescinded.

Impact of Increased Releases on Crime

The substantial increase in the number of inmates released to parole probably will result in an increase in the crime rate. From 1965 through 1972, the rate of parolees returned with new felony commitments averaged 10 percent by the end of the second year of parole. On this basis, the 4,717 male felons released to parole during 1974 would result in a return of 472 for new felony convictions during the specified period, compared to the approximately 1,058 which can be expected to be returned for that reason from the 10,578 releases in 1975.

Parole Returns

Along with the substantial fluctuation in the number of male felons released to parole, there also has been considerable variation in the number of parolees returned to prison for parole violations, particularly in those returns not involving new court commitments. This group declined from a return rate of approximately 575 parolees per quarter at the beginning of 1968 to a low of less than 300 in the last quarter of 1971. In 1972 and the first half of 1973, the number returned per quarter steadily increased to 620 in the second quarter of 1973. These returns declined to 200 in the first quarter, 280 in the second, and 175 in the third quarter of 1975.

The dramatic increase in these parole returns in 1972 and the first half of 1973 is due partly to an increase in the total parole population which was caused by the larger than average number of paroles granted from 1969 through 1971. However, a more significant factor was the change in parole recision policies of the Adult Authority in 1972. The substantial quarterly decline in parole returns without new commitments commencing in 1973 and continuing through 1975 reflects:

1. More lenient parole return decisions by the Adult Authority.
2. The impact of court decisions guaranteeing the parolees' rights to counsel, to confront adverse witnesses and to present evidence in their own behalf.

IV. COMMUNITY CORRECTIONAL PROGRAM

The community correctional 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 parolees to assist them in achieving successful parole adjustment.

Total expenditures of $25,042,806 are requested for this program in the budget year, consisting of $24,814,638 in state General Funds and $228,168 in reimbursements. The proposed General Fund expenditure represents an increase of $1,167,436 or 4.9 percent over the current year resulting from parole population and price increases, merit salary adjustments and a reduction in federal reimbursements related to the Sacramento Community Correctional Center.

Proposed Workload Positions

A total of 47 parole positions at a salary cost of $809,325 are requested on the basis of approved workload formulas to handle parole population increases. An additional 1.2 positions at a salary cost of $18,043 are proposed to restore previously approved workload positions deleted under the provisions of Section 20, Budget Act of 1975.

Closure of Vinewood Community Correctional Center

The department plans to close the Vinewood Center for female nonfelon addicts as an uneconomical operation and transfer the population (approximately 25 persons) to another community center along with a portion of the staff. The resulting savings will be utilized to support the female parolees at their new location and expand other community programs for parolees.

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 adminstrative 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.

The support requirements for administration (not prorated to other programs) are estimated at 239 man-years and $7,711,625, which includes a General Fund appropriation of $7,331,227 and reimbursements of $380,398. The increase of $767,810 or 11.1 percent over the current year represents merit salary adjustments, price increases, full-year operating costs of the regional training academy (formerly funded with federal funds) and other minor adjustments.

VI. UNALLOCATED REDIRECTION

We recommend that the Department of Corrections identify the program reductions which must be made to accomplish the proposed transfer of $683,000 from this agency to the Department of Rehabilitation.

In 1971 federal funds became available through the Department of Rehabilitation for support of public offender programs. The prior administration choose to apply a portion of such funds to offset partially previously established General Fund supported programs in the Department of Corrections and thereby reduce General Fund expenditures. The Governor's Budget proposes to return these funds, totaling $683,000, to the Department of Rehabilitation to expand programs for physically disabled persons. We are not opposed to the transfer, but since the Governor's Budget does not replace these funds with General Fund monies to fully finance the Department of Corrections' programs we believe the $683,000 reduction must be identified.

VII. SPECIAL ITEMS OF EXPENSE

Items 308–311 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.

The Governor's Budget proposes continuation of the current year's estimated expenditure level.

DEPARTMENT OF THE YOUTH AUTHORITY

Items 312–318 from the General Fund — Budget p. 806

Requested 1976–77	$112,026,378
Estimated 1975–76	110,139,336
Actual 1974–75	98,986,817
Requested increase $1,887,042 (1.7 percent)	
Total recommended reduction	$55,060

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
312	Department support	General	$87,836,698
313	Transportation of persons committed	General	43,540
314	Maintenance and operation of county juvenile homes and camps	General	3,825,840
315	Construction of county juvenile homes and camps	General	400,000
316	County delinquency prevention commissions—administrative expenses	General	33,300
317	County delinquency prevention commissions—research and training grants	General	200,000
318	Assistance to county special probation supervision programs	General	19,687,000
			$112,026,378

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. Transfer of Funds. Recommend identification of program reductions to effect savings equal to proposed transfer of $623,770 to the Department of Rehabilitation.	643
2. Funding Level. Recommendation withheld pending May revision of population estimate.	643
3. *Staff Benefits. Reduce $21,000 (Item 312).* Recommend reduction to reflect more accurate estimate of benefit costs for new positions.	644
4. *Psychiatric Services. Reduce $34,060 (Item 312).* Recommend elimination of contract psychiatric services.	644

GENERAL PROGRAM STATEMENT

The responsibility of the Youth Authority Board and the Department of the 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 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 administers state grants to subsidize certain local programs relating to delinquency and rehabilitation. Program elements are as follows.

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 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 department administers state subsidies to local government for construction, maintenance and operation of ranches, camps, and homes for delinquents, special probation programs, and delinquency prevention programs. 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 was 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 5,041 wards, plus a community parole caseload program involving 7,431 wards for a projected total daily average population of 12,472 wards in fiscal year 1976–77 (Table 1). The department estimates it will handle a daily average of 214 additional institutional wards but 322 fewer parolees in 1976–77 than in the current year.

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. Sixty-three percent have reading comprehension levels three or more years below their age-grade expectancy and 85 percent are similarly deficient in math achievement levels. Many also have psychological disorders or anti-social behavior patterns.

Diagnosis

All wards received by the Department of the Youth Authority undergo a diagnosis procedure at one of three departmental reception centers, which includes interviews, psychological and educational testing, and medical and dental examinations. Based on this information, staff develops

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Table 1
Average Daily Population of Youth Authority Wards

	1974–75	*1975–76*	*1976–77*
Reception centers	675	660	660
Facilities for males	3,660	3,977	4,191
Facilities for females	179	190	190
Subtotal (Institutions)	4,514	4,827	5,041
Change from prior year	—	+313	+214
Parole caseload	8,327	7,753	7,431
Change from prior year	—	-574	-322
Total Wards	12,841	12,580	12,472

recommendations to assist the Youth Authority Board in determining institutional assignments and treatment programs for the individual wards.

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 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 $112,026,378 and 3,884.3 man-years of effort. Additionally, the department anticipates budget-year reimbursements amounting to $5,860,803 and federal grants totaling $259,140 for a total expenditure program of $118,146,321.

Table 2 summarizes the budget request, showing sources of funding by category, expenditure levels by program area, and proposed dollar and position changes. It should be noted that the comparisons between the current and budget years do not realistically portray support needs in that costs associated with projected population increases which have been acknowledged in the current year are not funded in the budget year. As discussed later, this budgeting technique materially understates 1976–77 support costs of the department.

Table 2
Budget Summary

	Current Year	*Proposed*	*Change from Current Year* *Amount*	*Percent*
Funding				
General Fund	$110,139,336	$112,026,378	+1,887,042	+1.7%
Reimbursements	10,170,951	5,860,803	−4,310,148	−42.4
Federal Funds	491,578	259,140	−232,438	−47.3
Totals	$120,801,865	$118,146,321	$−2,655,544	−2.2%
Programs				
Youth Authority Board	$1,207,053	$1,328,767	$+121,714	+10.1%
Man-years	32.5	37	+4.5	+13.8
Administration	$4,749,897	$4,873,058	$+123,161	+2.6
Man-years	177.2	172.2	−5.0	−2.8
Community Services	$27,591,160	$26,129,533	$−1,461,627	−5.3
Man-years	59.8	58.8	−1.0	−1.7
Rehabilitation Services	$85,043,860	$84,886,503	$−157,357	−0.2
Man-years	3,589.1	3,548	−41.1	−1.1
Research	$2,209,895	$1,552,230	$−657,665	−29.8
Man-years	84.5	68.3	−16.2	−19.2
Unallocated Redirection [a]	—	$−623,770	$−623,770	—
Totals	$120,801,865	$118,146,321	$−2,655,544	−2.2%
Man-years	3,943.1	3,884.3	−58.8	−1.5

[a] Reflects the retention of federal funds by the Department of Rehabilitation as discussed in this analysis.

Budget Anticipates Reduced Retirement Costs

The current employer contribution rate for members of the "industrial" category of the Public Employees' Retirement System (i.e., noncustody employees) is 16.90 percent. This rate has been actuarially determined to be too high, and legislation (AB 2325) is currently pending to reduce it by 2.86 percent. The department's budget is based on the assumption that the lower rate will become law. If AB 2325 or a similar bill is not enacted, departmental costs will increase by about $342,000 in the budget year.

Court Decisions Increase Costs

The department proposes to add $866,335 and 48 positions to comply with court decisions affecting due process procedures for wards and parolees. These decisions and the costs of compliance are discussed below.

In *Wolff vs. McDonnell,* the U.S. Supreme Court specified procedural due process standards for residents of correctional institutions who are subject to disciplinary actions. The decision established the following requirements for determining misconduct.

1. Advance written notice of charges must be given to the accused.
2. The accused shall be allowed to call witnesses and present evidence.
3. Substitute counsel should be provided in some cases.
4. The fact finder must be impartial.
5. The fact finder must make a written statement as to the evidence relied on and reasons for the disciplinary actions.

The budget contains $480,400 and 31 man-years (22 parole agents and

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

nine clerical positions) to implement these provisions.

Court decisions in *re Olson* and *re Dennis Love* authorized inmates and parolees to review their files maintained by the department. The budget contains $5,000 for temporary help to comply with this decision.

In *Gee vs. Brown,* the California Supreme Court required higher "due process" standards for institutional residents who, having been referred to parole, are subsequently accused of a rule or law violation which may result in the rescinding of referral to parole. The budget contains $61,038 and three positions for determining whether wards should be represented by counsel during the factfinding and disposition hearings in these cases.

In *re LaCroix* and *re Valrie,* the California Supreme Court found that pending criminal proceedings do not constitute probable cause for a paroling authority (the Youth Authority Board) to detain a parolee without conducting a timely pre-revocation proceeding. The budget contains $319,897 and 13 positions to conduct the hearings required by these two decisions.

Other Program Changes

Dental Care. The department requests $51,731 to add one dentist and one dental assistant at DeWitt Nelson Training Center. This center, which provides pre-camp training for all wards scheduled to be transferred to the five Youth Conservation camps, is currently staffed with a half-time dentist and half-time dental assistant who are unable to perform all required dental work on the pre-camp and other wards. The additional dental staffing should improve the dental care level of wards released directly to parole and insure that wards transferred to the camps are in good dental health, thereby reducing the need for transporting them from camp to a Youth Authority institution for dental work.

Camp Teachers. The budget contains $104,133 to continue support for a teacher at each of the five camps. Until September 1974, the camp teacher positions were funded by Title 1 of the Elementary and Secondary Education Act (ESEA). However, this was determined to be inappropriate because Title 1 ESEA funds are intended to supplement, rather than fully support, state programs. From September 1974 until August 1976, the positions will be funded from the Governor's 4 percent discretionary funds under the Comprehensive Employment Act (CETA). However, the Employment Development Department, which administers CETA, has indicated that these funds will not be available after August 31, 1976. The $104,133 will support these positions for the remainder of fiscal year 1976–77.

Camp Supervisors. The budget also contains $63,025 to provide a second group supervisor during the 11 p.m. to 7 a.m. shift at each of the four camps which now have only one group supervisor on duty during that time. The fifth camp, Oak Glen, is presently staffed at the level requested for the other camps.

Ward Pay. The department requests $14,500 to increase ward pay by an average of 6.7 percent. Under this program, older and more sophisticated wards are paid 4 cents to 12 cents per hour for work relating to institutional operations.

More Staff for Youth Training School. Funds are included to provide increased parole agents and an in-house psychiatric capability at the Youth Training School (YTS). Presently, YTS has one parole agent for each one hundred general population wards. The budget proposes sixteen and one-half man-years at a cost of $201,562 to provide a 50 to 1 ward/parole agent ratio. The proposed ratio is the same as that used at other Youth Authority institutions. Seven additional positions costing $156,601 are proposed for psychiatric services at YTS. The YTS psychiatric program is discussed later in this analysis.

Transfer of Federal Funds Requires Unspecified Program Cuts

We recommend that the Department of the Youth Authority identify the program reductions which must be made to accomplish the proposed transfer of $623,770 from this agency to the Department of Rehabilitation.

In 1971 federal funds became available through the Department of Rehabilitation for support of programs for treating disabled offenders. The previous administration chose to transfer a portion of those funds to the Youth Authority to offset some of the costs of previously established General Fund programs and thereby reduced General Fund expenditures. The last item in Table 2, "Unallocated Redirection," identifies these federal funds (totaling $623,770) which, in the budget year, will be retained by the Department of Rehabilitation to expand its programs for severely handicapped persons. No provision is made to replace these funds with General Fund monies. Thus, unspecified Youth Authority programs will have to be reduced to compensate for this funding loss.

Institutional Population Underbudgeted

We withhold recommendation on the Youth Authority support budget pending the May revision of the population estimate.

As reflected in the Governor's Budget, the department has increased its estimate of current-year program requirements by $1,040,888 and 64.8 man-years over the originally budgeted level as a result of population increases. However, corresponding adjustments have not been extended to the budget year, even though the 1976–77 institutional population estimate reflected in the budget narrative shows a further increase.

The administration recognizes that present and projected population levels will necessitate higher budgetary support if present policies remain unchanged. However, the budget states that the department will examine institutional length of stay with the view of reducing commitment time as an alternative to providing additional General Fund support. We find this position a possible change in policy which is inconsistent with the department's experience with wards presently committed as described on page 808 of the Governor's Budget:

"The prior offense records of youth currently being committed . . . are more extensive than previously. . . . There has been a marked increase in violent behavior by Youth Authority wards in institutions. . . . As a result of the screening process resulting from improved probation resources, *the Youth Authority is receiving older, more criminally experienced, difficult youths requiring longer periods of institutional and*

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

parole treatment and supervision. The Youth Authority Board has increased length of stay from an average of 8.6 months in 1961 to 12.3 months in 1974." (Italics added).

In view of these statements, we believe it would be unwise for budgetary pressure to influence the Youth Authority Board to shorten lengths of stay. The board must consider many factors, including the need to protect the public from further criminal acts, when establishing periods of incarceration. For these reasons, we withhold recommendation on the department's institutional support needs pending the May revision. Support is underbudgeted by approximately $2.5 million on the basis of population estimates contained in the Governor's Budget.

Staff Benefits Overbudgeted

We recommend a reduction of $21,000 to reflect more accurate estimate of benefit costs for new positions (Item 312).

The department's budget request for new positions includes $220,174 for staff benefits. This amount, which is based on a percentage of payroll, provides funds for the state's share of the costs of retirement benefits, social security, unemployment and workers' compensation benefits and health benefits. The health benefits component was budgeted at 6.23 percent of payroll. In conjunction with the department, we have reviewed this component and find that it approximates 3.6 percent rather than 6.23 percent of payroll. The difference, when applied to payroll costs for the new positions, amounts to approximately $21,000.

Psychiatric Services—Youth Training School

We recommend a reduction of $34,060 to eliminate contract psychiatric services for wards at the Youth Training School (YTS) (Item 312).

Presently, YTS does not have an in-house psychiatric staff. A minimal level of psychiatric service is provided by one consulting psychiatrist and one consulting psychologist on a part-time basis. Costs of these services were $47,276 in 1974–75 and are estimated at $32,750 for 1975–76. The sum of $34,060 is requested to continue these services in the budget year.

In addition to these part-time consultants, the budget also proposes to add one psychiatrist, two staff psychologists, two psychiatric social workers and two stenographers to the YTS staff at a General Fund cost of $156,601. While we believe that the in-house psychiatric program would provide a desirable improvement in the level of such services, it should offset the need to continue the consulting psychiatric services. We therefore recommend elimination of the consulting contracts for a General Fund savings of $34,060.

CALIFORNIA HEALTH FACILITIES COMMISSION

Item 319 from the California Health Facilities Commission Fund — Budget p. 824

Requested 1976–77	$1,062,939
Estimated 1975–76	955,728
Actual 1974–75	507,083
Requested increase $107,211 (11.2 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 includes provisions related to skilled nursing and intermediate care facilities in addition to those for the hospitals. The commission is responsible for (1) the preparation of a uniform accounting and reporting system for hospitals, and skilled nursing and intermediate care facilities; and (2) 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 which are 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, required the commission to prepare and submit a proposal for a state health facility economic stabilization program to the Legislature before July 1, 1975. This proposal was submitted to the Legislature on March 29, 1975.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $1,062,939 from the California Health Facilities Commission Fund for support of the commission during the 1976–77 fiscal year which is an increase of $107,211, or 11.2 percent, over estimated current year expenditures. Total expenditures, all funds, are estimated to increase by $52,211, or 5.2 percent, in 1976–77, as shown in Table 1.

The federal funds shown for the 1974–75 and 1975–76 fiscal years are from a contract with the Department of Health, Education and Welfare (DHEW) requiring the development of specified hospital care statistics. These funds enabled acceleration and augmentation of this activity already required by state law. This project will be completed during the current year thereby eliminating the source of federal funds for the budget year. The commission is currently seeking to obtain another contract with DHEW for a pilot project involving rate setting for hospitals and/or skilled nursing and intermediate care facilities.

CALIFORNIA HEALTH FACILITIES COMMISSION—Continued

Table 1
California Health Facilities Commission
Estimated Expenditures and Source of Funds
1974–75 through 1976–77

	Actual 1974–75	*Estimated 1975–76*	*Proposed 1976–77*
Estimated Expenditures			
Uniform accounting and reporting:			
Hospitals	$588,446	$709,688	$690,910
Skilled nursing and intermediate care facilities	—	301,040	372,029
Economic stabilization program	33,805	—	—
Total Expenditures	$622,266	$1,010,728	$1,062,939
Source of Funds			
California Health Facilities Commission Fund	$507,083	$955,728	$1,062,939
Federal funds	$115,183	$55,000	—

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 which 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 is being developed during the current year for use on or after July 1, 1976. Therefore, funds appropriated in the budget year will be used to (1) process the first annual financial reports from all hospitals which should be received by November 1976, (2) complete the development phase for regulations and the accounting and reporting manual for skilled nursing and intermediate care facilities, and (3) begin processing of the first annual reports received from the skilled nursing and intermediate care facilities.

The increase in estimated expenditures for 1976–77 is mainly due to the proposed addition of three positions. This would increase the total authorized positions from 23.5 to 26.5 with the addition of one legal counsel, one programmer and one clerk. These increases are supported by comparable estimated increases in workload. In addition, the appointment of an attorney to the staff is authorized by state law. Therefore, we are recommending approval of the amount requested.