EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

Nearly 21 percent of the total effort statewide goes into the application process. Only 35 percent of the total resources of the program are used for the primary function, job placement. An almost equal amount of resources is used for indirect services such as developing labor market information, establishing employer and union services, promoting community relations and providing technical assistance. The staff development function is also a part of the indirect service. We question a distribution of resources which only directs 35 percent of the funding into the major thrust of the program. In fact, we were informed, the registration process in some instances actually consumes up to 45 or 50 percent of the field resources.

Costs Per Action Increasing. Finally, the report should deal with the problem of rising costs per action in the employment services program. Table 3 compares the cost per individual placed and the cost per placement transaction for fiscal years 1974–75 through 1977–78.

Table 3
Cost of Placement Activities
1974–75 through 1977–78

Fiscal year	*ES Total Program Expenditures*	*Placement Transactions*	*Cost per Transaction*	*Individuals Placed*	*Cost per Individual Placed*
1974–75 actual)	$49,971,565	436,007	$114.61	293,941	$170.01
1975–76 (actual)	52,272,732	412,575	126.70	280,007	186.68
1976–77 (est.)	59,178,868	465,000	127.27	323,107	183.16
1977–78 (est.)	61,472,507	465,465	132.07	323,444	190.06

"Placement Transactions" refer to the total number of placements achieved. Several transactions may involve the same individual placed in successive short-term jobs. "Individuals placed," on the other hand, reports only the total number of individuals placed during a fiscal year. The figures for 1976–77 and 1977–78 are based on estimates of the department. If the pattern of previous years is repeated, costs will actually be higher for both transactions and individuals placed than the initial estimates indicate. The report should include a discussion of this pattern of rising costs per benefits.

FOOD STAMP PROGRAM

All potentially employable applicants for food stamps are required to register for employment with EDD. As a condition for continuing eligibility for food stamps, registrants must accept referral to appropriate job openings.

This program is fully funded by the federal government. The 1977–78 budget of $2,739,400 is an increase of $99,967, or 3.8 percent. This will provide for 145 position equivalents.

The impression of most EDD management and staff that we have talked to is that this registration process is an expensive program which has very little value or effect.

WORK INCENTIVE (WIN)

The Work Incentive (WIN) program is designed to provide employment and training services to the employable recipients of the Aid to Families with Dependent Children (AFDC) program. With specified exceptions, employable members of AFDC families must register with EDD for the WIN program as a condition of eligibility to aid.

The WIN program is funded by 90 percent federal funds matched with 10 percent state General Fund. A total of $45,027,396 has been budgeted for the program in fiscal year 1977–78. The General Fund portion is budgeted at $4,438,406 which is an increase of $323,313, or 7.9 percent, above the amount estimated to be expended during the current year.

One change that will occur in the budget year is the transfer of state matching funds for the federal WIN child care allocation from EDD to the Department of Benefit Payments. Through this year, the federal WIN child care allocations have been budgeted by the Department of Benefit Payments but the matching funds were carried in the EDD budget.

Recent Program Results

The eighth annual report to the Legislature regarding the effectiveness of the California Work Incentive program indicates that the WIN program during the 15 months encompassing fiscal year 1975–76 plus a three-month transitional quarter ending September 30, 1976, exceeded the federally established goals in terms of the numbers of WIN participants who entered employment. The Department of Labor had set goals of 37,000 job-placements to be accomplished by the department during the 15 months. During that time, 46,133 WIN registrants entered employment. According to the data collected by the Department of Benefit Payments, welfare savings for the 15 months amounted to $37,000,000. California ranked well among the other more populous states both in terms of the number of registrants who entered employment and in terms of the total welfare savings.

One area in which the department has made some improvement is the relationship between the EDD WIN unit and the staff relating to WIN in the Department of Benefit Payments (DBP). Staff from the two departments have worked out problem areas and have begun to coordinate in seeking to establish better working relationships in the field between staff of the county welfare departments and EDD field offices. There is some discussion now of co-locating DBP and EDD WIN central office staffs in order to further enhance working relationships.

Another change in the program which appears to improve significantly the potential for assisting welfare recipients to enter employment is the Intensive Manpower Services (IMS) component. This component, adopted March 16, 1976, consists primarily of group job-finding workshop sessions in which the participants are helped in developing techniques for job seeking, application completion and job interviewing. Job-finding workshops have in other settings proven to be successful and it is likely that this will prove to be a strengthening feature for the WIN program.

EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

Problem Areas

Although the department does seem to be making progress in correcting some of the past problems with the WIN program, there are a number of major problems which hamper the effectiveness of the program.

Registration. A year ago, reports from the department indicated that over 30 percent of the WIN staff time is used simply for the mandatory registration process. The eighth annual WIN report states that 16 percent of the time is still used for registration of clients who will never be assisted by the program. This problem results from the federal requirement that all nonexempt AFDC employable recipients must register with the WIN program as a condition of eligibility to receive aid. Table 4 compares the number of registrants with the number of persons who entered employment during fiscal year 1975–76 and the transitional quarter ending September 30, 1976.

Table 4

Comparison of WIN Registrants with Job Entrants [a]
Fiscal Year 1975–76 and Transition Quarter

Periods Covered	*Registrations (Cumulative)*	*Registrants At End of Reporting Period*	*Registrants Obtaining Full-Time Employment (Cumulative)*
FY July 1975 through June 30, 1976	355,214	137,789	33,821
Transitional Quarter ending September 30, 1976	387,633	230,392	41,436

[a] Source: *Eighth Annual Report to the Legislature on WIN.*

There were 387,633 cumulative registrants in the WIN program during the 15-month period. Only 41,436 of these registrants entered employment during that same time. Even this comparison does not give an accurate reflection of the relative ineffectiveness of the WIN program. Many of those who entered employment were never participants in the WIN program. A participant is a WIN registrant who is entered into a WIN service component. Of those who entered employment, it is estimated that almost two-thirds found jobs on their own rather than being referred by EDD. The eighth annual report states that only about 5 percent of the registrants on-hand at the end of each reporting period were actually participating in one of the WIN components. This indicates that there are many clients who are registered in the WIN program who are never provided a service.

Recognizing this problem, the department has applied to the Department of Labor requesting waivers in the WIN registration process. The department is asking to test the effectiveness of establishing WIN as a voluntary program in a few select counties. If the waivers are granted, the project will determine what savings may be realized by registering and serving only those AFDC clients who wish to volunteer for the WIN program.

Disincentives to Employment. One of the major problems facing AFDC employable recipients is the issue of disincentives to employment.

As social benefits through welfare and medical insurance programs are increasing, the disincentives for employment are also increasing. Higher costs of employment and related expenses also work against the AFDC family head entering employment. Because of these disincentives, the department is seeking waivers to test the benefit of using public funds to contract with private employers to provide jobs for volunteer AFDC recipients.

WIN Program Evaluation

We recommend that the department, in its ninth annual report to the Legislature on WIN present a fully documented evaluation of the WIN program components.

During the past several years we have brought to the attention of the Legislature the lack of good evaluation systems that is characteristic of most of the manpower programs and is particularly evident in the WIN program. The WIN program was inaugurated in 1968. Through the years, there have been massive collections of data and unending reports generated about it. Nevertheless, it is still virtually impossible to identify which components of the WIN program are the most effective. The seven basic WIN components as identified in the annual report are:

1. *WIN Institutional Training.* This component provides for vocational training through public or private facilities when it is determined that a WIN participant is not job-ready without some basic educational assistance.

2. *Work Experience.* A WIN participant may be placed in an unsalaried job training position for exposure to work experience and some skill training.

3. *WIN On-the-job Training.* The WIN participant may be placed in a regular employment situation in which the employer is reimbursed for portions of the costs of training the employee (up to 50 percent of the wages).

4. *WIN-COD (Career Opportunity Development).* This is a special California Public Service Employment (CPSE) project administered by the State Personnel Board and the Employment Development Department. WIN-COD places participants in state and local government civil service positions. Salary costs are reimbursed to the hiring agencies for periods of up to one year.

5. *WIN-PSE (Public Service Employment).* In addition to the public service employment under WIN-COD, the Employment Development Department also administers a separate WIN-PSE program.

6. *Intensive Manpower Services.* This is a new component designed to provide WIN participants with specific help in terms of job development and job-seeking techniques. It is administered primarily through the use of group job-finding workshops.

7. *Participation in Other Programs.* A WIN participant may be referred to another employment or training program such as programs under the Comprehensive Employment and Training Act (CETA).

There are no data available to demonstrate which of the above programs are effective for the various types of clients. The costs identified

EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

with each of the program components are unreliable. We recognize that the department has made efforts to improve the program through innovative new projects. However, the real effectiveness of the existing program has not been thoroughly evaluated. Therefore, we recommend that during the calendar year 1977, the department thoroughly review and evaluate the program and present the results of that evaluation with recommendations for changes in the ninth annual report to the Legislature on WIN.

SERVICE CENTER PROGRAM

There are eight service centers located in San Francisco, Richmond, Venice, South Central Los Angeles, East Los Angeles, San Diego, East Fresno and West Fresno. The Service Center program, administered through these eight centers, seeks to facilitate the more effective coordination, development and improvement of employment-related services to residents in the poverty areas in which the centers are located. The goal of the program is to assist the clients of the centers to reach their highest potential of economic self-sufficiency.

The program budget request for 1977-78 is $4,169,137 which is an increase of $117,771, or 2.9 percent, over the amount estimated to be expended during the current year. The program is totally supported from the State General Fund.

Program Redesign

During the past year, the department has redesigned the Service Center program in an effort to (1) make it more effective in meeting the needs of the clients it serves and (2) demonstrate clearly to the Legislature that the program is complementary rather than duplicative of the federally-funded employment services program.

The Service Center program was first implemented in 1966. The concept at that time was to establish a "supermarket" of services where the disadvantaged would be given all needed service assistance under one roof. Several state and local government agencies were located in the centers and a single administrator was the "functional" supervisor over all the programs in each center. Because of the conflicting purposes of the different agencies, the concept quickly deteriorated. Legislation in 1968 moved the program into the newly formed Department of Human Resources Development (HRD).

By 1972, the original program had virtually disappeared. HRD was being funded for a program which only existed in name. The service centers could hardly be distinguished from HRD centers which were fully funded by the federal government. There was no distinct use of the state service center funds and no separate reporting system to identify program outputs.

The department has now established a clearly defined separate program with 169 positions operating out of the eight service centers. Approximately 79 of these positions provide direct employment-related services to a specific caseload of clients. Service center clients are certified as being disadvantaged and hard-to-place persons in need of services beyond the tion and an analyst, as his assistant in the director's office. The department also has a personnel section and an affirmative action section in the administrative services division. We believe that these units can supply the necessary assistance to the civil rights officer in the director's office. Therefore, we recommend elimination of the analyst position in the director's office.

The total savings including salaries, benefits and operating expenses and equipment from eliminating these six positions is $170,880, of which 20 percent, or $34,176, is General Fund. Table 7 shows the savings resulting from each proposed position reduction.

Table 7
Savings Resulting from Proposed Position Reductions

Position classification	*Proposed salary 1977–78*	*Estimated staff benefits*	*Estimated operating expenses and equipment allocation*	*Total savings*
Chief Deputy Director	$33,216	$6,201	$3,000	$42,417
Vocational Rehabilitation Counselor	16,904	3,156	3,000	23,060
Clerk Typist II	9,384	1,752	3,000	14,136
Legal Advisor	30,684	5,729	3,000	39,413
Legal Counsel	20,460	3,820	3,000	27,280
Analyst	18,180	3,394	3,000	24,574
Total	$128,828	$24,052	$18,000	$170,880
General Fund (20 percent)				$34,176
Federal Funds (80 percent)				$136,704

DEPARTMENT OF BENEFIT PAYMENTS

General Summary

Funds for the Department of Benefit Payments are contained in six budget items and one control section of the 1977–78 Budget Bill. As shown in Table 1, the department requests a total of $1,551,453,593 from the General Fund, a $131,869,105, or 9.3 percent increase over estimated current year expenditures.

Table 1
Department of Benefit Payments
General Fund Request for 1977–78

Budget Bill Item	*Purpose*	*Estimated 1975–76*	*Proposed 1976–77*	*Percentage Increase*
261	Departmental Operations	$16,550,188	$16,855,890	1.8%
262	Cash Grants: Aged, Blind and Disabled	742,278,300	824,341,300	11.1
263	Special Adult Benefits Program	6,116,300	5,609,300	−8.3
Control Section				
32.5	Cash Grants: AFDC	576,666,500	616,972,400	7.0
264	WIN Child Support	—	327,803	N/A
265	County Welfare Department Operations	68,772,000	70,124,800	2.0
266	Legislative Mandates	9,201,200	17,222,100	87.2
		$1,419,584,488	$1,551,453,593	9.3%

Health and Welfare Agency

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET

Item 261 from the General Fund — Budget p. 675

Requested 1977–78	$16,855,890
Estimated 1976–77	16,550,188
Actual 1975–76	14,597,797
Requested increase $305,702 (1.8 percent)	
Total recommended reduction	$398,361

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. Attorney General Contract. Recommend approval of funds for contract with Attorney General on condition that funds are to be used for a specific purpose.	607
2. *Fair Hearing Positions. Reduce by $102,763.* Recommend deletion of 19 proposed fair hearings positions resulting in a savings of $102,763 to the General Fund, $124,892 in federal funds and $203,747 in reimbursements.	609
3. *Systems Review Bureau. Reduce by $63,609.* Recommend deletion of six requested new positions resulting in a savings of $63,609 to the General Fund, and $96,132 in federal funds and reimbursements. Recommend transfer of systems review bureau to Health and Welfare Agency or reorganization within department.	610
4. *Food Stamp Program. Reduce by $128,689.* Recommend deletion of 10 proposed new positions for a savings of $128,689 to the General Fund and $128,688 in federal funds.	611
5. Food Stamp Outreach. Withhold recommendation pending receipt of information outlining optional ways the state could meet federal food stamp outreach guidelines.	612
6. *Civil Rights Office. Reduce by $83,800.* Recommend deletion of positions added last year as a result of misrepresentation to Legislature and denial of 5.5 of 14 proposed new positions for a savings of $83,800 to the General Fund, $23,200 in federal funds and $21,900 in reimbursements.	613
7. Out-of-Court Settlements. Recommend Department of Finance approve out-of-court settlements with cost implications. Recommend legislative notification.	615
8. Child Support Collections. Recommend department develop a plan to improve the ratio of collections to collection costs.	616

9. Parent Locator Program. Withhold recommendtion on contract with Department of Justice pending receipt of additional information. 616
10. Welfare Fraud Prevention Bureau. Recommend department develop a plan to improve cost-effectiveness of the fraud recovery program. 617
11. Support Enforcement Branch. Recommend dissolution of branch, with transfer and reclassification of positions. 618
12. *Computer Services Branch. Reduce by $19,500.* Recommend deletion of three positions for a savings of $19,500 to the General Fund and $58,500 in federal funds. 619
13. Downgrading of Positions. Recommend that all 1977–78 position downgrades be permanent rather than temporary. Recommend potential salary savings of $450,000 be transferred to a new item for allocation. 619
14. Blanket Funding. Recommend blanket positions not be partially funded from salary savings and that blanket expenditures be limited to amounts appropriated by the Legislature. Further recommend a report which shows how blanket positions have been used in the past and justifies proposed 1977–78 positions. 621
15. Welfare Regulations. Recommend Joint Legislative Budget Committee approve funding for new welfare regulations that are not mandated by federal law or court order for which annual General Fund cost exceeds $500,000. 623
16. Monthly Reporting by Counties. Recommend repeal of Section 10809.5 of the Welfare and Institutions Code which requires certain reporting procedures by counties. 624
17. AFDC Aid Payments. Withhold recommendation pending receipt of May 1977 subvention estimates. 625
18. Monitoring Data Processing. Withhold recommendation on continued funding for 12 positions to monitor county welfare data processing activities pending review of a budget change proposal. 627
19. Los Angeles County Data Processing. Recommend Legislature withhold funding for the Los Angeles County Welfare Case Management Information System pending receipt and review of an in-depth report on the project. 628

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 $4.3 billion in welfare programs, the collection of $5.5 billion in payroll taxes and the auditing of certain health care programs. To carry out its responsibilities the department has approximately 3,270 employees.

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund expenditure for the operation of the Department of Benefit Payments of $16,855,890 which is $305,702, or 1.8 percent, more than is estimated to be expended during the current year. This request does not include $8,120,638 in General Fund money which will come to the department as a reimbursement from the Franchise Tax Board. In total, the Governor's Budget requests $74,256,258 (all funds) for the operation of the department. Of the total, $52,666,063 is for salaries and staff benefits and $21,590,195, is for operating expenses and equipment.

The Governor's Budget identifies four major areas within the department; Health Operations, Employment Tax Operations, Welfare Program Operations and Administrative Support Operations. Table 1 presents the proposed expenditures and staffing for the four programs.

Table 1

Overview of the 1977–78 Operating Budget of the Department of Benefit Payments

Program	*Requested Operating Budget*	*Existing Positions*	*Requested New Positions*
Health Operations	$6,133,461	240.4	12
Employment Tax Operations	35,239,452	1,812.9	0
Welfare Program Operations	19,825,299	726.8	36.5
Administrative Support Operations	13,058,046	489.5	5.9
Totals	$74,256,258	3,269.6	54.4

Health Operations

The Department of Benefit Payments operates a program to audit certain providers of health care, handle health audit appeals and recover funds from insurance companies and other parties who have an obligation to pay all or part of the medical bills of persons eligible for Medi-Cal benefits. Staff for this program has been located in the Department of Benefit Payments since July 1, 1974, the effective date of Chapter 1212, Statutes of 1973 (AB 1950). The Health Operations program currently has 240.4 authorized positions.

The Governor's Budget requests $6,133,461 (all funds) to administer the Health Operations program, which is an increase of $416,312 or 6.8 percent over current year estimated operating expenses. Of the total request, 53.4 percent, or $3,275,944, is the General Fund share.

Health Audits and Audit Appeals

The principal activity of the Health Operations program is auditing health care providers and processing audit appeals. The major health programs audited are the Medi-Cal program, the Short-Doyle program and other programs including alcohol abuse, drug abuse, developmentally disabled, family planning, crippled children and social and rehabilitation services.

The budget proposes the addition of three positions to assist in the audit of Los Angeles County Medi-Cal billings, and one position for the processing of audit appeals. We have reviewed the projected workload and recommend approval of the positions.

Los Angeles County operates nine hospitals and 70 health clinics which bill the Medi-Cal program for health care services provided to Medi-Cal eligible patients. The county does not submit detailed Medi-Cal billings as other counties do. The method used to validate billings is to sample a large number of inpatient and outpatient cases to determine the extent and pattern of billing errors and their dollar impact. The sample findings are applied to the entire claim. The audits performed to date have adjusted downward the number of allowable patient days and allowable costs per day. The first audit covering 30 months disallowed $25 million in county charges against the Medi-Cal program. The second audit covering a six-month period disallowed approximately $9 million. The audit cost has been approximately $1 for each $85 recovered.

Drug Abuse Audit Positions

We recommend approval of three requested new positions to perform audits of local drug abuse programs.

The department proposes the continuation of two auditors and one clerical position administratively established in the current year to audit 297 local operators of drug abuse programs. The three proposed positions are 100 percent federally funded through contract with the Department of Health. With this augmentation, a total of 4.5 positions would be devoted to auditing the state's $26.6 million drug abuse program. Although drug abuse audits recover approximately $3.60 for every $1 spent, the primary audit benefit is the provision of fiscal and program information to assist program operators improve program effectiveness.

Health Recovery Bureau

The second major function of the Health Operations program is to collect money from insurance companies, nongovernmental institutions, and private individuals who owe the Medi-Cal program for medical services provided, or for overpayments received. In 1974–75 the Health Recovery Bureau collected $8,960,651. It is estimated that $10.4 million will be collected in the current year and $14.2 million in the budget year. This bureau has a favorable cost benefit ratio, collecting $10.40 for each dollar of collection cost.

Legal Services

We recommend the approval of $93,670 for contract funds to cover Attorney General and Office of Administrative Health charges for additional legal services, on condition that the funds are to be used for a specific purpose.

Recently, the Health Recovery Bureau has been represented by the Attorney General in an appeal before the Office of Administrative Hearings. This appeal involves substantial funds allegedly due the state because of overcharges by a major health care provider. The cost of the hearings resulting from this appeal is billed on a per hour basis and includes the cost of deputies Attorney General, administrative law judges, court reporters,

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

transcript preparation and special consultants (expert witnesses). The cost for the case now before the administrative law judge is approximately $83,000. The budget anticipates two additional appeals of the same nature will be filed. The two additional cases will add approximately $166,000 in fees, of which the General Fund share is $93,670.

Because the charges for the two additional cases will not necessarily follow the expenditure pattern of the first case, we recommend that the additional funds only be used for the purpose proposed.

Employment Tax Operations

The Employment Tax Division expects to collect nearly $5.5 billion in payroll taxes from approximately 500,000 employers in the state in 1977–78. The three payroll taxes collected are: state income taxes ($3.4 billion), unemployment insurance taxes ($1.6 billion) and disability insurance taxes ($498 million). The division will process nearly 3,000,000 tax returns and deposit 3.2 million checks.

The Employment Tax Division is operating with 1,829 currently authorized positions. Of this number, approximately one-third are located in the division's 37 field offices throughout the state. The balance of the workforce is located in Sacramento. The Governor's Budget requests $35,239,452 (all funds) for the operation of the department's tax collection and benefit accounting activities, an increase of $1,320,341, or 3.9 percent over estimated current year costs. The request for the Employment Tax Division is composed of $8,120,638 General Fund plus unemployment and disability insurance funds.

The Employment Tax Division has two principal functions, tax collection and benefit determination. Tax collecting locates and registers new employers, assists employers who have tax problems (887,000 contacts per year), processes three million tax returns, investigates 25,000 questionable tax returns, collects $35 million in delinquent taxes from 12,500 employers, audits the books of 25,000 employers resulting in approximately $17.5 million in tax changes, and issues 259,000 delinquent tax notices.

In addition to tax collecting, the division determines how much employment or disability insurance will be paid in disputed cases. Approximately 290,000 cases a year require a redetermination of benefit entitlements. To accomplish this task, the division must keep accurate wage records on over 7.4 million employees, and make several thousand field visits to examine employers' books.

Benefit Payments Contract

The current year contract with the Franchise Tax Board was budgeted at $7,306,986. The budget year contract is proposed at $8,120,638, an increase of $813,652 or 11.1 percent. The increase falls into three general categories: increased operating costs, workload increases and increases in the level of services for the state's personal income tax (PIT) collection program.

Increased operating costs for merit salary adjustments and a 5 percent increase in nonpersonnel operating costs total $219,063. The increase for additional workload in the personal income tax program totals $303,240 and relates to a 2.1 percent increase in the number of employers whose tax returns must be processed, and for whom other tax auditing and accounting services must be performed. The third part of the total increase relates to increased services, such as reducing the backlog of returns, performed for the PIT program.

Welfare Program Operations

Welfare Program Operations is the third major area of program responsibility identified by the Governor's Budget. The various units within Welfare Program Operations are responsible for monitoring and regulating the Aid to Families with Dependent Children (AFDC) Program, the Food Stamp Program and the SSI/SSP Welfare programs for aged, blind and disabled recipients.

Staff activities include, conducting fair hearings of county welfare departments' actions which are appealed by recipients, reviewing county casework to improve the quality of local administration, communicating with counties about various matters involving the administration of programs, producing welfare statistics and cost estimates, processing county fiscal claims, managing claim procedures and controlling county administrative costs. Table 2 shows the number of positions allocated to the various activities of Welfare Program Operations.

Table 2
Welfare Program Operations
1976–77

Activities	*Currently authorized positions*
AFDC Program Management	46
Food Stamp Program Management	37
Adult (SSI/SSP) Program Management	11.5
Quality of Casework Reviews	170
Fraud and Child Support Program Management	10
Fair Hearings Including Clerical Support	172
Legal Advice	17.5
County Claims Processing	54
Management of Claiming Procedures	22.5
County Administrative Cost Control	12
Program Statistics and Cost Estimates	82.6
Other Activities	91.7
Total	726.8

The budget proposes a total of $19,825,299, all funds, for the Welfare Program Operations, which is an increase of $42,460, or 0.2 percent, over the amount estimated to be expended during the current fiscal year. The budget proposes the addition of 36.5 positions and the deletion of 81.

Fair Hearing Positions

We recommend the deletion of 19 proposed fair hearing positions resulting in a reduction of $102,763 from the General Fund, $124,892 in federal funds, and $203,747 in reimbursements.

The department conducts administrative hearings to judge the fairness of decisions made by county welfare department personnel in handling welfare cases. Recipients and applicants for aid have the right to appeal decisions they believe adversely affect their entitlements to assistance. When a request for a fair hearing is made, the department schedules a hearing.

The department proposes to add 19 positions due to projected workload increases in the fair hearing process. The budget projects there will be approximately 40,000 appeals in the 1977–78 fiscal year. The current staff of 172 positions is based on an actual workload of 36,527 appeals in the 1975–76 fiscal year.

We have reviewed actual caseload for the first five months of the current fiscal year. If current year trends continue, the department will only receive 31,400 appeals. This is substantially below the workload capacity of the existing staff. Therefore, we see no need for the additional positions.

We are not recommending a reduction in the department's current budget despite a possible lower fair hearings workload for the 1977–78 fiscal year. It is appropriate that the fair hearings budget be adequately funded to process appeals in the required 90-day period in the event a sudden unexpected surge in appeals occurs, as sometimes happens when regulations change or the courts overrule existing procedures.

Systems Review Bureau

We recommend the deletion of six proposed positions for the Systems Review Bureau for savings of $63,609 to the General Fund, and $96,132 in federal funds and reimbursements.

We further recommend that the bureau be transferred to the Health and Welfare Agency or reorganized with a reduced scope of operations if it remains in the Department of Benefit Payments.

The Systems Review Bureau was established as a result of Chapter 1212, Statutes of 1973, (AB 1950). This legislation intended to centralize most of the 62 payment systems of the Health and Welfare Agency in the Department of Benefit Payments. The bureau was established although centralization of fiscal functions has not fully occurred.

The rationale behind the establishment of the bureau is that various problems arise within systems that have been designed to process fiscal information in the Health and Welfare Agency. The function of the bureau is to review the existing systems of processing fiscal workload, identify system shortcomings and suggest improvements.

Since its inception in September 1974, the bureau has faced serious problems of its own which have never been resolved. The bureau has been isolated within the Department of Benefit Payments and has not had the authority or resources to carry out its agency-wide mandate. Most of the projects undertaken by the bureau have been outside the Department of Benefit Payments and beyond the scope of the director's authority. To function properly a system review group should be the representative of management. In the past, this has not been the case and a good deal of time has been spent trying to establish a confidential relationship with managers whose programs were to be reviewed with the result that management was not fully aware of organizational and procedural problems within the bureaus or the results of the system review group's activities.

Another problem which has plagued the bureau is that it was designed to operate with borrowed staff. The bureau is staffed with seven high level professionals who were to act as project managers supervising loan staff. However, the loan staff has never been available in large numbers, and the managers have had to work as analysts. As a result, output of the bureau has been substantially less than originally envisioned.

Transfer Bureau to Agency

We are reluctant to see more resources devoted to systems reviews until the Health and Welfare Agency or the Department of Benefit Payments resolves some of these basic issues. Specifically, we are recommending the deletion of six proposed positions and we are also recommending that the bureau be transferred to the Health and Welfare Agency and that the agency take an active role in assigning work projects, use its authority to obtain loan staff when needed and assure open access to information. Finally, the agency should use its authority to insure that study recommendations are implemented.

If the Health and Welfare Agency does not wish to take responsibility for making the system review concept work on an agency-wide basis, we would recommend that systems review be limited to the Department of Benefit Payments, and the bureau restructured so that it has substantially fewer program managers and more analysts with a variety of technical skills.

Food Stamp Program

We recommend the deletion of 10 proposed new positions for the Food Stamp program for a savings of $128,689 to the General Fund and $128,688 in federal funds.

The department is proposing the establishment of 10 positions to determine the quality of casework done in counties with the largest food stamp programs. In each such county a random sample of cases would be selected and reviewed. The results of the study would produce a statistically valid profile of the kind and frequency of errors the county makes, e.g. providing too many or two few food stamps or providing food stamps to ineligible individuals. Determining the casework errors made in particular counties is the first step in corrective action. Currently, the department is staffed only to determine the pattern of casework errors made in the state as a whole, and cannot determine problems in particular counties.

Last year the Legislature added 63.5 positions to implement the federally required efficiency and effectiveness regulations pertaining to the quality of county administration of the Food Stamp program. It is our understanding that the state meets the federal requirements with this added staff. Improved casework would benefit the federal government because it provides the bonus value of food stamps. In our opinion, the federal government should fully fund further expansion of this portion of the administration of the Food Stamp program, therefore, we have recommended the deletion of the 10 proposed positions.

Food Stamp Outreach

We withhold recommendation pending receipt of information outlining optional ways the state could meet federal food stamp outreach guidelines.

On June 11, 1976, the Department of Finance notified the Legislature that the Department of Benefit Payments planned to fund 36 local non-profit groups to operate a food stamp outreach program during the 1976–77 fiscal year. Local groups were to inform potential users of food stamps of the program's benefit and eligibility criteria and to assist them in applying for benefits.

Funds for the project, $645,447, were to be taken from Item 305 of the Budget Act of 1976 and transferred to Item 300, support of the Department of Benefit Payments. The funds in Item 305 were appropriated for the purpose of operating county welfare departments, not local nonprofit groups. Through a contract arrangement with the department, the funds were to be channeled to the local groups by the State Economic Opportunity Office.

When we learned of the department's action, we became concerned about the precedents of (1) using funds appropriated for county welfare department administrative functions without the express approval of the Legislature and (2) assuming a county function without legislative approval.

Legislative Counsel Opinion

In response to our inquiry on this issue, the Legislative Counsel stated that in his opinion the department did not have the authority to transfer the funds or take the outreach function from the counties without going through a noncompliance hearing process or without cancelling county contracts for the provision of eligibility and grant determination services. Because the department had not held compliance hearings or cancelled contracts, it could not use the funds from Item 305.

The Legislative Counsel's opinion was forwarded to the department. The administration decided to implement the local food stamp outreach projects. In the department's opinion, it had authority under federal law to conduct a food stamp outreach program provided the activity were properly funded.

To fund the outreach program the Department of Finance has stated that it will provide a General Fund emergency loan to cover the 50 percent nonfederal matching requirement for the first six months of the fiscal year. However, this loan is to be repaid from the anticipated unexpended balance in Item 305. Thereafter, the administration intends to use funds from the Federal Public Works Employment Act of 1976 to cover the 50 percent state matching requirement. In this way the administration plans to avoid the use of General Fund money during the last half of the fiscal year and to match federal funds with federal funds. However, General Fund money still will be used to repay the Emergency Fund loan. The Governor's Budget indicates the food stamp outreach program is budgeted at $730,220 for 1977–78.

Justification given for the project is that a number of county welfare departments have refused to implement outreach programs and that many others have inadequate programs. The department states that the county operated outreach effort might not have been in conformity with federal regulations and court rulings. Therefore, the department, wishing to avoid trial of a pending suit, initiated its own outreach effort at an estimated cost of $616,512 in 1976–77 and $730,220 in 1977–78. Although the budget proposal contains no General Fund money for the 1977–78 fiscal year, the nonfederal share of this program in subsequent years will have to be funded from the General Fund because of the termination of the Federal Public Works Employment Act of 1976 funds.

We believe a state-county food stamp outreach program could be designed which meets federal guidelines at much less cost. Federal regulations do not appear to require hiring large numbers of additional personnel if an effective outreach program can be operated by existing state and county personnel. We are not convinced that a good outreach program cannot be designed, basically within existing state and county resources. We have asked the department to supply the Legislature with information outlining optional ways which the state could meet federal food stamp outreach requirements and to discuss the cost of the various options.

Civil Rights Office

We recommend the deletion of three existing Civil Rights Office positions for a General Fund salary savings of $31,800 and the retention of the civil rights coordinator and one clerical position.

We further recommend a reduction of 5.5 positions of 14 positions requested for the Civil Rights Office for a General Fund saving of $52,000.

The department has a Civil Rights Office located in the Government and Community Relations Unit. Currently, the office consists of five positions. The budget proposes the addition of 14 positions and reorganizing the office into four specific subunits.

Program System Unit

Of the five existing positions, two were administratively established in the 1974–75 fiscal year and subsequently approved by the Legislature for the 1975–76 fiscal year. The remaining three positions were established and approved by the Legislature for the current year as part of 63.5 positions proposed for the Food Stamp program, not the civil rights program. Nothing in the justification material presented last year indicated that any of the 63.5 food stamp positions would do civil rights work therefore since the three positions are functioning in areas not authorized we recommend their deletion.

Of the 14 proposed positions requested for 1977–78, four are to be established in the Program System Unit. Two positions would perform clerical duties associated with additional professional staff. Two analysts would assist in the expanded responsibilities of the Program System Unit. Activities include regulations review and formulation, contract monitoring, correspondence, preparation of civil rights plans and contacts with the community. We recommend approval of the four positions proposed for the Program System Unit.

Discrimination Complaint Unit

The department anticipates it will have to investigate and prepare reports on 130 appeals by recipients who are not satisfied with the way the county welfare department has processed or ruled on their complaint of discrimination.

Three of the 14 proposed positions are to investigate civil rights appeals, prepare reports on the findings, and train county personnel how to investigate civil rights complaints. The department does not know how many appeals it will have to process or how much time the average case will take because the civil rights complaint procedure has been so recently established. Posters will soon be placed in county welfare department offices to inform recipients that they can make civil rights discrimination complaints about the service they received or failed to receive. These complaints are separate from the existing fair hearing procedure which focuses on disagreements over benefit entitlements.

Because there is no way to estimate the civil rights complaint appeals workload, we recommend that existing bureaus in the department conduct the necessary investigations and prepare the report of findings. Precise records should be kept to document the number of hours spent on such work. Specifically, we recommend that the Public Inquiry and Response Bureau handle as much of the investigation workload as possible by telephoning the complainant and the caseworker or social worker who is alleged to have committed the discriminatory act. We further recommend that staff from the AFDC, Food Stamp and Program Evaluation Branches, who are often in the field, do any necessary on-site interviews. Based on this proposal, we recommend deletion of the two associate governmental analysts and the staff services analyst budgeted for the Discrimination Complaint Unit.

Data Analysis and Program Evaluation Unit

A total of 2.5 of the 14 proposed positions are for a Data Analysis and Program Evaluation Unit. We recommend approval of the positions proposed for this unit. As a result of an out-of-court settlement in January 1976, the department has agreed to increase the number of bilingual public contact workers in county welfare departments or improve the use of existing biligual staff. This is being done to insure that applicants and recipients who do not adequately speak or understand English receive the same services as persons who speak English.

The out-of-court stipulation requires that if a language group constitutes 5 percent or more of the caseload, county welfare departments must have the same percentage of bilingual public contact employees in each district office as the percentage of non-English speaking persons in the office's caseload. This standard has also been written into proposed new welfare regulations scheduled for public hearing in early 1977. If adopted, the regulations will mean that a county welfare department may be out of compliance with equal delivery of services requirements if it does not have the required number of bilingual public contact workers.

Multicultural Communications Unit

A total of 4.5 of the proposed 14 positions are to be in the Multicultural Communications Unit.

The new unit would work with those counties not having adequate bilingual staff in public contact positions. The Multicultural Communications Unit staff would suggest ways to improve services to non-English speaking clients and timetables for improvement.

The Multicultural Communications Unit is also to conduct cultural awareness training for county personnel, see that civil rights posters and pamphlets are designed and printed, and arrange for translations of forms and posters. For the most part, these activities are taking place within the existing civil rights unit. In addition, once they are initiated, many of these activities will not demand the same level of ongoing staff. Therefore, we recommend 2.5 of the 4.5 positions requested for the Multicultural Communications Unit be denied.

Out-of-Court Settlements

We recommend that out-of-court settlements agreed to by the Department of Benefit Payments which have cost implications receive prior approval by the Department of Finance and the Legislature receive notification of the agreed to settlement.

As indicated earlier, the department has stipulated in an out-of-court settlement that it would perform a number of tasks that presumably would increase the likelihood that bilingual staff would be hired by county welfare departments. This settlement was one of the department's primary justifications for 14 additional civil rights employees at a cost of $351,428.

Another agreement was made with welfare rights attorneys to the effect that the state would do more to inform potential food stamp recipients of their probable eligibility for the program. Although the Food Stamp outreach agreement was not in the form of an out-of-court settlement, the negotiations that took place with welfare rights attorneys utimately resulted in a $730,000 project, and a pending suit then became dormant.

Without judging the merits of either case or the appropriateness of the agreements, it is our understanding that the Department of Finance did not approve the negotiated settlements at the time they were made. We believe that the Department of Finance should have the authority to review and approve out-of-court settlements which could have an effect on governmental costs. The Legislature should also be notified when such agreements are made. Therefore we are recommending that the following language be added to Item 261 of the Budget Act.

"Provided further that the department shall receive the prior approval of the Department of Finance for out-of-court settlements it proposes to enter into which may increase either program or administrative costs. Notification of any increased cost shall be given to the Joint Legislative Budget Committee within 10 days."

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Child Support Collections Program

We recommend supplemental report language directing the department to study the current county operated child support collection system and develop a plan to improve the ratio of collections to collection costs, and report to the Joint Legislative Budget Committee by December 1, 1977.

Chapter 924, Statutes of 1975, (AB 2326) implemented a federally required child support program in California effective in October 1975. The primary goal of the program was to collect more child support payments from more absent fathers. For those families forced to rely on welfare because of the absence of the father, the program was to reduce the cost of providing aid payments. Each dollar collected from the father offsets welfare costs. The program was also intended to stop other families which do not receive public assistance from being forced onto welfare due to the father's failure to pay child support.

The major program change in the collection effort caused by the 1975 legislation was to make county district attorney's offices almost completely responsible for local collections. Prior to October 1975, county welfare departments had more involvement in collection activities. From a fiscal perspective, the major change was to inject more money into the county collection effort. In 1974–75, counties spent $17.8 million to collect $39.8 million from absent fathers which meant $1.00 was spent to collect $2.23. In the 1977–78 fiscal year, the department estimates $43.8 million will be devoted to collecting $71.2 million from absent fathers whose children are receiving public assistance. If this happens, it will cost $1 to collect $1.63.

In addition to the above expenditures, the counties will spend approximately $9 million in 1977–78 to collect approximately $72 million in child support payments from fathers whose children are not receiving public assistance. Currently the counties receive 75 percent federal reimbursement for the cost of collecting from absent parents of nonwelfare families. Because federal sharing for non-welfare collection costs is scheduled to end in 1977–78, many counties may not choose to continue the nonwelfare collection effort at the current level. If large counties decide to transfer nonwelfare staff to the welfare collection effort, the cost-to-collection ratio for the welfare program could easily decline further.

We recommend the department study the county child support collection system for welfare cases and prepare a plan to improve the ratio of cost to collections because this ratio has declined. County operating costs for this program have been escalating rapidly since October 1975, when the new child support legislation became effective.

Parent Locator Program—Department of Justice

We withhold recommendation on a requested increase of $305,329 for the Parent Locator contract with the Department of Justice pending receipt of additional information.

Currently, the Department of Justice attempts to locate absent fathers who cannot be located by local district attorneys and are failing to meet their child support obligations. The Department of Justice proposes to increase by 16 positions the staff of the parent locator unit for a total of 33 positions. The request for the increased staff totals $226,979 (all funds). The Department of Benefit Payments, which has responsibility for the child support collection program, has $305,329 in its budget to reimburse the Department of Justice for parent locator services.

We have several concerns regarding the proposed augmentation of parent locator staff which need to be resolved before we recommend approval. First, we need to know why the Department of Benefit Payments is budgeting $305,329 to reimburse the Department of Justice (all funds) when Justice is requesting an increase of $226,979 (all funds). Secondly, we need to be provided data which shows that (1) once an absent parent's address is located, the information is actually used to make a collection, and (2) the cost of expanding the location service would at least be offset by increased collections.

Welfare Fraud Prevention Bureau

We recommend supplemental report language directing the department to develop a plan for 1977–78 to improve the cost-effectiveness of the welfare fraud prevention program operated by the counties.

In 1974–75, it cost counties at least $4.7 million to collect less than $2.9 million from persons who had committed welfare fraud. In 1975–76, it cost $5.4 million to collect $3.1 million. The department should determine what action is necessary to reduce the cost of operating the Special Investigative Units located in county welfare departments and to increase recovery of public funds wrongfully obtained by recipients.

In the average month, the county Special Investigative Units (SIU's) investigate approximately 4,600 cases suspected of welfare fraud. About 80 percent of these cases are dropped, usually because no wrongdoing was uncovered or because there was insufficient evidence.

If there is evidence of wrongdoing, the case is referred to the district attorney or settled by having the recipient sign a promissory note to repay the amount wrongfully obtained. The repayments can be either in cash payments or in reduced grant entitlements. About 930 cases a month are resolved through promissory notes or judgments and liens which provide for the restitution of money wrongfully obtained. However, the repayment rate for the most recent 12 months for which precise data are available (October 1975 to September 1976) averaged less than 60 percent of the amount owed. Recently, the repayment rate has been improving.

The presumed value of the current anti-fraud program is that it deters a number of individuals from cheating the welfare program. However, the program does not efficiently recoup fraudulently obtained welfare funds because collections run considerably behind operating costs. We recommend that the department attempt to make the anti-fraud program more cost-effective, not only to save money but in order to make the program more creditable as a deterrent. Because the penalties are monetary, the effectiveness of the antifraud program as a deterrent depends in large part on how effectively the collections aspect of the program is operated.

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Support Enforcement Branch

We recommend (a) the dissolution of the Support Enforcement Branch and the transfer of the positions to the Financial Management Branch and (b) reclassification of the positions.

The Support Enforcement Branch has two small bureaus, the Child Support Bureau and the Fraud Prevention Bureau. The Child Support Bureau has two positions which have program responsibilities in the overall state and county effort to collect child support payments. The Fraud Prevention Bureau has six positions that work with county welfare department Special Investigative Units to recover funds AFDC recipients have obtained inappropriately.

We are recommending the dissolution to the Support Enforcement Branch and the transfer of the positions to the Financial Management Branch. We have recommended elsewhere in the Analysis that both the fraud prevention program and the child support collection program be improved from a cost/benefit perspective. The Financial Management Branch has staff experienced in administrative cost control problems and has general fiscal expertise. The collections process needs more emphasis in both the child support and fraud programs. The Support Enforcement Branch was created prior to federal and state legislation which made the Child Support Collection activities primarily fiscal in nature. Approximately 85 percent of the 43.5 positions which the Legislature added in response to federal and state child support legislation were placed in the Fiscal Management Branch. We see no justification for the continued division of responsibilities between different branches in the department, especially since the fiscal portion of the program is now most in need of attention.

It appears that reclassification of many of the positions in the Support Enforcement Branch would be appropriate. The classifications and salaries currently budgeted for the Support Enforcement Branch are shown in Table 3.

Table 3
Support Enforcement Branch
Authorized Positions
1976–77

Number of positions	*Current year budgeted salaries*
1 Staff Services Manager III	$26,404
3 Assistant Operations Security Officers @ $22,992 each	68,976
1 Staff Services Manager II	21,516
1 Legal Counsel	19,524
1 Staff Services Analyst	14,493
2 Sr Stenos @ $11,820 each	23,640
1 Sr. Legal Steno	10,284
10	$184,837

If the branch's positions were reclassified to fit a pattern more typical for units of similar size and responsibilities, the clerical support ratio would be reduced. (Currently, there are three clerical positions in support of seven professional positions.) In addition, the classifications of the professional positions would normally be associate government program analyst, at an approximate annual salary of $18,300, and staff services analyst, at an annual salary of about $14,500. These classifications would cost considerably less than those currently budgeted. Aside from one staff services analyst, the lowest professional classification now used is a legal counsel for which the salary is $19,524.

Computer Services Branch

We recommend the deletion of the three positions added last year to the Computer Services Branch for the child support collection program for a savings of $19,500 to the General Fund and $58,500 in federal funds.

Last year the Legislature added 43.5 positions to meet state and federal requirements in the child support collection program. Three of the positions were added to the Computer Services Branch to automate certain auditing, accounting and claiming processes which the department now performs manually for the child support program. Departmental progress in automating the manually processed workload is limited to a feasibility study. We recommend the deletion of three positions because the absence of necessary federal guidelines and county difficulties in submitting claiming data on magnetic tape appear to have indefinitely delayed the automation of the child support program.

ADMINISTRATIVE SUPPORT OPERATIONS

The fourth major departmental unit, Administrative Support Operations, is responsible for provision of computer services, budget preparation, accounting services, personnel services, centralized clerical services and other services required for the daily operation of the department. The management and decision-making functions of the department are also included within Administrative Support Operations. Table 4 shows the major functions within the organization and the number of positions currently assigned to these functions.

The Governor's Budget requests $13,058,046 (all funds) for Administrative Support Services which is a 2.8 percent increase over estimated current year expenditure.

Downgrading of Positions

We recommend that all 1977–78 position downgrades be permanent rather than temporary.

We further recommend that potential salary savings in the amount of $450,000 from the downgrades which become effective in July 1977, be transferred to a new item for allocation by the Department of Finance.

For several years, the department has listed positions in the Governor's Budget at higher classification levels than those held by incumbent employees. The result of this practice is to build excess funds into the department's operating budget for unspecified purposes.

In order to pay the employee in an overclassified position the department must take steps to temporarily downgrade the budgeted position to the employee's actual classification level. During the first six months of

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 4
Administrative Services Operations
Positions by Major Function
1976–77

Functions	*Currently Authorized Positions*
Policy Formulation (Executive office)	25
Computer Services	94
Departmental Accounting	66
Budget Preparation	13
Personnel Services	35.6
Centralized Office Services	111.8
Facilities Mgt. & Business Services	34.1
Internal Mgt. Studies	18
Planning activities	15
Legislative liaison	8
Training	9
Temporary help	40.4
Other	19.6
	489.5

this fiscal year the department has downgraded 795, or 24 percent, of its authorized positions.

The major effect of temporarily, rather than permanently, downgrading a position is that it leaves the decision to change the classification of the employee with the department. There is no need to go to the State Personnel Board for approval of positions restored to budgeted level because this decision-making authority has been delegated to the department by the board.

Currently the department restores many positions to budgeted level by allowing employees to take promotional examinations soon after they have served the minimum required time at a lower classification. Once employees take (and pass) the examinations, the department files the required "607" forms to restore the positions to the original budgeted level. Thus it is often not necessary for employees to wait for a higher level position to become vacant before they have a promotional opportunity. Employees who have had their positions restored to budget level normally do the same work after being promoted to the new classification as they did before taking the examination. Through December 1976, a total of 285 positions were restored to budgeted level by upgrading the classification of the incumbent employee.

The effect of requiring the department to downgrade positions permanently, rather than temporarily, is to subject its decision to reclassify positions to more outside review. The result of eliminating salary savings associated with downgraded positions is that it removes what is in effect a contingency fund for upgrading classifications or for funding other unspecified activities. Therefore, we recommend the following language be added to Item 261 "provided further 1977–78 position downgrades shall be permanent, not temporary."

The Governor's Budget requests $41,677,699 (all funds) for the 1977–78 salary costs of existing authorized positions, after the reduction for anticipated vacancies has been applied. If the overbudgeting of positions is built into the 1977–78 salary schedule at approximately the same level as the current year, then the department is overbudgeted by $1,213,000 all funds, of which the General Fund share is approximately $450,000. We recommend that this amount, $450,000 General Fund, be transferred to a new item to be allocated to the department by the Department of Finance subject to the following procedures. First, the Department of Finance would instruct the department to list all the positions that must be downgraded effective July 1977 in order to pay incumbent employees. The annual salary savings which result from the position downgrades shall be calculated including the state General Fund share. If the General Fund share exceeds $450,000 the Department of Finance would not allocate any of the funds in the special item because the overbudgeting of classifications would have totaled more than $450,000 and the department should not require the funds. If the state share of the salary savings associated with the position downgrades is less than $450,000 then the department would be entitled to some of the funds in the special item. If for example, the identified General Fund share of the salary savings was $400,000 the department would be allocated $50,000, so that the total reduction in the department's budget would relate just to the amount overbudgeted. The remaining $400,000 would revert to the General Fund.

Blanket Funding

We recommend blanket positions no longer be partially funded from salary savings or operating expenses and equipment and that expenditures be limited to the amounts appropriated, for the purposes indicated. We further recommend the development of a report which shows how blanket positions have been used in the past and justifies the proposed use of blanket positions in 1977–78. The report should be made to the fiscal committees by April 1, 1977.

The Department of Benefit Payments pays numerous personnel costs out of special funds. These funds, known as blanket funds, are used to hire temporary and part-time help for peak workload, pay overtime, employ special consultants, pay for special task force studies, and to overlap positions so that a new employee can learn the assignment of an existing employee who is leaving. Blanket funds are also used to fund special limited term projects such as a current federally funded and federally required case review project. Finally, some blanket funds such as the affirmative action blanket funds are used to pay the salaries of minority persons employed outside of a regularly budgeted position. Their salaries are paid from these blanket funds until the employee can be transferred to a budgeted position which becomes vacant.

Prior to the 1976–77 budget, we were unaware of the magnitude of blanket fund expenditures because they had not been openly budgeted or identified. Instead, funding for blanket activities had been partially concealed in the department's budget in the form of salary savings. Last year upon our recommendation, the Legislature required the department to identify blanket activities and openly budget blanket funds.

Table 5
Department of Benefit Payments Blanket Funds
1977–78 Governor's Budget

	Blanket number	*Purpose*	*1975–76 Actual*	*1976–77 Available*[a]	*1977–78 Requested*
A. Health and Welfare Operations	910	Temporary help	$867,655	$600,000	Unspecified amount
	911	Fair Hearings, (McGeorge Contract)	63,495	105,000	Unspecified amount
	920	Overtime	65,924	100,000	Unspecified amount
Subtotal for 910, 911 & 920			$997,074	$805,000	$861,497
	930	Advisory Board	1,375	7,000	7,000
	931, 940, 941	Case Review Projects	387,694	335,240	0 (Projects terminated in 1976–77)
	950	Affirmative Action up to 30 position equivalents	94,922	223,152	0
	951	33 WIN Trainees (Reimbursement)	21,639	138,821	Currently unknown
Health and Welfare Subtotal			$1,502,704	$1,509,213	$868,497
B. Employment Tax Operations	950	Affirmative Action	13,114	253,152	Unspecified
	977-988	Temporary Help and Overtime	3,002,626	1,212,166	Unspecified
Employment Tax Subtotal			$3,015,740	$1,435,318	$1,592,986
Departmental Grant Total			$4,518,444	$2,944,531	$2,461,483

[a] Reliable estimates of 1976–77 expenditures will not be available until second quarter expenditure report is completed.

The 1977–78 budget shows a total request for blanket funds of $2,416,837 from all funds. This request compares to actual expenditures of $4,537,288 in 1975–76. Because of the significant reduction we asked the department to indicate the amount of money to be allocated for each of the existing blankets. Table 5 shows how the department proposes to use the blanket funds it has requested.

It appears that the affirmative action blanket No. 950 and blanket funds for employment tax operations may not be adequately funded for 1977–78. In the past, it has been possible to shift funds, such as salary savings, to cover the cost of blanket activities not budgeted. We recommend that this practice be discontinued in 1977–78 and that blanket activities be openly budgeted but limited to the amounts appropriated by the Legislature only for the purposes indicated. If the Legislature accepts this recommendation, blanket funds would be scheduled in Item 261 of the Budget Bill by purpose, blanket number and amounts and language would be added to limit available funds to the amounts appropriated for the purpose specified.

The number of positions funded through blankets is significant (in 1975–76, 505 full-time equivalent positions were used). Yet, nowhere in the budget process is there a meaningful way to report how the positions have been used in the past or how they are to be used in the future. It is important that some form of reporting take place because (1) the number of positions funded through blankets is substantial, and (2) the department has almost unlimited authority to expend these funds. In contrast to blanket funded positions, when regularly budgeted positions are requested, the Legislature is informed of the position classification, the salary, and where in the organization the position has been used in the past and will be used in the future.

We are withholding comment on funding for blanket fund numbers 910, 911 and 912 because the Department of Finance has required the Department of Benefit Payments to prepare written justification in support of the 67 position equivalents and the $861,497 requested. This material is being prepared too late to be included in this anlaysis and we plan to review it for the budget hearings.

We recommend that the department prepare similar material for the Legislature by April 1, 1977 on affirmative action and employment tax operation blanket positions. This report should include details on what classifications have been used in which bureaus for what purposes and at what salary cost. The report should make an informed estimate of how the positions are to be used in 1977–78. We recommend that future departmental budgets provide the same amount of detail on blanket positions as on regularly budgeted positions and when changes are made that they be justified.

Legislative Approval of Regulations

We recommend that state initiated welfare regulations, which have a General Fund cost impact in excess of $500,000 annually and are not required by federal law, regulation or court order, be subject to approval

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

by the Joint Legislative Budget Committee prior to becoming effective.

Currently the Department of Finance must approve the issuance of new welfare regulations which have a cost impact. In the past, most new regulations have been issued in response to a court ruling or a change in federal law and regulation. However, a number of welfare regulations are now under consideration which have significant costs but are not mandated by court rulings or changes in federal law. If the administration does not request funding for these regulations during the departmental budget hearings, the regulations could be issued later without legislative review or approval.

We are aware of several major regulations/changes that could, if adopted, add to the cost of the welfare program. One regulation, which has had a public hearing, would exempt most income tax refunds from consideration when welfare entitlements are calculated. If adopted, this regulation would cost $5.3 million, approximately half of which would be paid for from the General Fund and the balance from federal funds. Another regulation under consideration would liberalize the welfare status of aliens who are in the country without proper documentation. It is estimated that regulation changes regarding undocumented aliens would have a $14 million General Fund cost and a $7 million county cost. Regulation changes which would liberalize the amounts of property an AFDC applicant could have and still qualify for welfare are also under consideration. If adopted, in its current form, this regulation package is estimated to cost $4,059,000 of which $1,433,000 would be paid by the state, $660,000 by the counties and $1,966,000 by the federal government.

If the Legislature believes prior legislative review and approval of state initiated welfare regulations with cost implications is appropriate, then some budget language modification is needed. We recommend that the following be added to section 32.5 and Item 263:

"Provided further that no changes in welfare rules and regulations may add to program or administrative annual General Fund costs in excess of $500,000, unless such changes are specifically required by court order or change in federal or state law, or specifically included in the appropriations of the Budget Act of 1977 or approved by the Joint Legislative Budget Committee."

Monthly Reporting by Counties

We recommend that repeal of Section 10809.5 of the Welfare and Institutions Code which requires certain reporting by counties.

Section 10809.5 of the Welfare and Institutions Code requires county welfare departments to submit a copy of the monthly Caseload Movement and Expenditure report to the Department of Finance at the same time the information is forwarded to the Department of Benefit Payments. The Department of Finance is required to make the information immediately available to the Joint Legislative Budget Committee.

When this reporting requirement was enacted in 1971, the Legislature was not receiving timely and complete data about caseloads and costs from the department. Since 1971, relations between the department and the

Legislature have improved to the point where legislative staff is provided data and estimates shortly after they are requested. Therefore, there is no longer a need to receive each county's individual report. Because there is a cost associated with providing these now unneeded reports, we recommend repeal of Section 10809.5 of the Welfare and Institutions Code.

AFDC Cash Grants and Control Section 32.5

We withhold recommendation on the appropriate amount for Section 32.5 of the Budget Bill pending receipt and review of the May 1977 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. However, Section 32.5 of the Budget Bill limits funds available to a specified 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 $616,972,400 in Section 32.5, which is $40,305,900, or 7.0 percent, more than is estimated to be expended during the current fiscal year. In addition to these funds, there are state costs of $8,500,000 for the current year and $16,322,100 in the budget year for local mandated costs resulting from Chapter 348, Statutes of 1976, (AB 2601). Thus, the total General Fund cost for AFDC grants in 1977–78 is estimated to be $633,294,500, which is an increase of $48,128,000, or 8.3 percent, over the amount estimated to be expended during the current fiscal year. The amount requested will be adjusted when the Department of Finance submits the May revenue and expenditure budget revision to the Legislature. The budget revision for AFDC grants will be based on the department's may 1977 subvention estimates which take into account the latest available caseload and expenditure data. We will review these estimates and make our recommendations at the time.

In recent years, we have not been able to review the May subvention estimates adequately in the short period of time between their release by the administration and their approval as part of the budget by the Legislature. The lack of review has not resulted in subsequent difficulties because the estimates produced by the department are of high quality and normally have not been adjusted outside of the Estimates Bureau of the Department of Benefit Payments. When the estimates have been adjusted we have been informed, so that the policy issue involved could be considered by the Legislature. However, the department has agreed to provide earlier access to the estimates to make a more complete outside review possible.

AFDC Caseloads and Cost Trends

The Governor's Budget projects AFDC caseload to decline by 1.4 percent in 1977–78 as shown in Table 6.

DEPARTMENT OF BENEFIT PAYMENTS OPERATING BUDGET—Continued

Table 6
1977–78 Governor's Budget
AFDC Caseload (Persons Count)

	1977–78	*Change from 1976–77*	*Percentage change*
AFDC Family Group	1,240,900	−16,500	−1.3%
AFDC Unemployed	164,100	−4,900	−2.9
AFDC—Foster Children	31,020	+970	+3.2
	1,436,020	−20,430	−1.4%

The net AFDC General Fund cost increase of $48.1 million proposed in the budget is a combination of $64.9 million in increases and $16.8 million in offset savings. The major increases are the annual automatic AFDC cost-of-living adjustment ($32.3 million) and the recent 6 percent AFDC grant increase provided by the Legislature ($27.3 million). Also contributing to increased costs are new welfare regulations ($2.5 million), the end of extended unemployment insurance benefits in California ($1.6 million), and increased foster care grants and child support incentive payments ($1.2 million).

The major offset savings are attributed to caseload decline ($11.9 million savings), increased federal sharing in the AFDC-U program ($4.3 million savings) and increased social security, minimum wage and unemployment insurance benefit payments which act to reduce welfare costs.

Improved AFDC Benefits

Chapter 348, Statutes of 1976, (AB 2601) provided a 6 percent increase in the AFDC payment standards effective January 1, 1977. Table 7 shows maximum grants for AFDC families in the current year and in 1977–78. The increases result from a combination of the annual cost-of-lving adjustment, which is tied to the inflation rate, and the 6 percent benefit increase granted by the Legislature.

Table 7
Monthly Maximum Aid AFDC-FG and U Programs
Governor's Budget Projections

Family size	*July–Dec. 1976 (Before 6 percent increase)*	*Jan.–June 1977 (After 6 percent increase)*	*July 1, 1977 (After cost-of-living increase)*	*Total increase From Dec. 1976 to July 1, 1977*
1	$157	$166	$175	$18
2	258	273	288	30
3	319	338	356	37
4	379	402	424	45
5	433	459	484	51
6	487	516	544	57
7	534	566	597	63
8	581	616	650	69
9	628	666	702	74
10	675	716	755	80

MONITORING COUNTY AUTOMATED WELFARE INFORMATION SYSTEMS

In the 1976–77 Analysis we discussed the department's plans to develop a model data processing system for use by the county welfare department. As we noted, last year, departmental justification for this and similar earlier projects was the increasing cost in which the state shared, of county automated welfare processes. These costs were approximately $6 million in 1970–71 and could approximate $20 million in the current year if the trend continues.

During last year's budget hearings we were only in partial agreement with the department's objectives regarding model systems and standards. We believed the most beneficial course of action to be an increase in the monitoring of system development efforts, particularly the Los Angeles County Welfare Case Management Information System. It was our judgment that the potential benefit from some of the other activities was minor at best.

Several budget hearings and discussions between our office and the department last year resulted in a reduction of the budget request and approval of 22 new positions. These positions were to be used for increased system review and monitoring and other activities, including the development of a data dictionary and a computer program library.

Monitoring Data Processing

We withhold recommendation on continued funding of 12 positions pending review of budget change proposal due February 1, 1977.

Since approval of the 1976–77 Budget Act, the department has reevaluated its intended use of the added resources regarding county automated welfare operations. The department's current position, with which we concur, is that the most effective use of these resources is in expanded system review and monitoring.

As a result, the department has kept only 12 of the 22 positions authorized, assigning six to the County EDP Systems Bureau and three to other county-related program areas. The other three positions are to be provided by the Department of Health on a contractual basis. Ten positions have been deleted, and they are not reflected in the proposed budget. The department has been requested to provide the Department of Finance a budget change proposal to justify continued funding of the remaining authorized positions. We will review this document and make our recommendations during the budget hearings.

Welfare Case Management Information System (WCMIS)

Los Angeles County's Welfare Case Management Information System (WCMIS) is ultimately intended to replace existing welfare information processes with a new and comprehensive computer-based system. The state is funding approximately one-fourth of WCMIS developmental costs, estimated at $2.3 million by the end of the current year.

In the 1976–77 Analysis we noted that despite the state's significant investment in WCMIS , no phase of the system was operational. However, it was anticipated that an automated centralized recipient index would be operational by spring of 1976. In fact, the index which would allow county welfare offices to access a recipient data base via remote terminals, is now scheduled to be operational countywide the spring of 1977. Los Angeles County began development of the WCMIS system in 1971.

Although substantial savings to offset the developmental cost of WCMIS have been projected by Los Angeles County, the increase in the state's investment in the face of continued project delay supported our contention that the department needed to improve its review and monitoring of such county efforts. As a result of our concern about this particular project, we have met with the county's welfare and data processing management to assess actual WCMIS progress. Based on this review, which included a demonstration of the centralized recipient index and data base, we believe the county is trying to achieve county-wide implementation of this phase of WCMIS in accordance with the revised schedule. If this is accomplished, significant reductions in personnel associated with manual records handling should occur. However, if county-wide implementation does not occur as scheduled, the justification for continued state support of this costly effort needs to be examined, as discussed below.

Los Angeles County Data Processing

We recommend that the Legislature withhold approval for state funding of the Los Angeles County Welfare Case Management Information System for the 1977–78 fiscal year pending review of the department's in-depth evaluation of this project.

Because of its increasing concern regarding WCMIS costs and progress, the department has formed a study team to perform an on-site project evaluation. The team, managed by the Chief of the Program Support Branch and supervised on-site in Los Angeles by the Assistant Chief of the County EDP Systems Bureau, is composed of seven persons who will examine the project from fiscal, program and technical perspectives. We have reviewed the study plan and believe that if it is completed as proposed, the state will for the first time have an appropriate understanding of the project, including (a) its present and probable cost, (b) its relevance in terms of program benefits, (c) its likelihood of achieving projected savings, and (d) the validity of the billing mechanism with respect to welfare data processing costs shared by the state.

The study team report is anticipated by February 15, 1977. However, we would support an extension of this deadline if additional time is required. We believe that withholding approval of state support for 1977–78 is warranted pending legislative review of the department's WCMIS report.

Department of Benefit Payments

STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND, DISABLED

Item 262 from the General Fund — Budget p. 682

Requested 1977–78	$824,341,300
Estimated 1976–77	742,278,300
Actual 1975–76	641,739,955
Requested increase $82,063,000 (11.0 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. May Caseload Estimates. Withhold recommendation pending receipt and review of the May 1977 subvention estimates.	629

GENERAL PROGRAM STATEMENT

On January 1, 1974, the federal Social Security Administration assumed responsibility for direct administration of cash grant welfare assistance for California's aged, blind and disabled recipients. Prior to that time, California's 58 county welfare departments provided cash assistance to these recipients.

Under provisions of state and federal law, California supplements the basic federal Supplemental Security Income (SSI) payment with an additional State Supplementary Program (SSP) payment. Each year state supplemental payments are increased to provide recipients a cost-of-living adjustment pursuant to the Welfare and Institutions Code.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the appropriate amount for Item 262 pending receipt and review of the May 1977 subvention estimates.

The budget proposes an appropriation of $824,341,300 for the state share of the cost of aid payments to aged, blind and disabled recipients for the 1977–78 fiscal year. This is $82,063,000, or 11.0 percent, more than the amount estimated for the current year. However, the requested amount will be adjusted when the Department of Finance submits the Revenue and Expenditure Budget Revision to the Legislature in May 1977. We will review the revised estimates and make our recommendations at that time.

Benefit Entitlements

Payment standards for the SSP program are estimated to increase on July 1, 1977, from $276 a month to $296 a month in 1977–78 for aged and disabled recipients. Blind recipients' entitlements are estimated to increase from $313 to $334. The increases will be based on the change in cost-of-living from December 1975, to December 1976.

Benefit entitlements can be increased or decreased according to living arrangement. For example, if a recipient lives in another family's house,

STATE SUPPLEMENTAL PROGRAM FOR AGED, BLIND, DISABLED—Continued

the grant is reduced by approximately $69 a month. If a recipient lives alone but has no cooking facilities, he receives an additional $33 a month for meal allowances. A couple receives approximately $35 less a month than two individual recipients living alone.

Estimating Problems

The appropriation for the State Supplemental Program (SSP) is based on caseload and cost data supplied to the state by the federal government. Since the inception of this program in 1974 the Department of Benefit Payments has had a continuing problem obtaining detailed and reliable data for estimating purposes and program monitoring. Data currently being received is particularly questionable due to a number of factors. The Department of Finance believes the data used to prepare the estimate of $824,341,300 in September 1976, is more reliable than that used for the December estimate of $785,802,200. Thus, the Governor's Budget proposes the earlier of the two estimates which is $38.5 million more than the one prepared later.

It is possible that the data used for the May 1977, estimates will be no better than that used for the December 1976, estimate. If the Legislature does not appropriate enough money for the SSP program, the language of Item 262 makes it possible for the Department of Finance to add funds without the need for a deficiency appropriation. If the May estimate verifies the December rather than the September estimate, this item is overbudgeted by $38.5 million.

Cost Trends: SSP Program

The major reason for the $82.0 million increase in the cost of the SSP program is the increase in benefit levels mandated by Chapter 348, Statutes of 1976 (AB 2601). Chapter 348 provided that the state would pass through to recipients the annual cost-of-living increase given on the federal SSI portion of the grant, and would also increase grants by $3 a month. These benefit increases will cost approximately $107 million in 1977–78. However, because of certain offset savings for the state, total state costs increase only by $82 million. Caseload growth is not a major cause of the budgeted increase. The caseload is estimated at 772,700 for 1977–78, only four-tenths of one percent higher than the 1976–77 caseload.

Department of Benefit Payments
SPECIAL ADULT PROGRAMS

Item 263 from the General Fund — Budget p. 682

Requested 1977–78	$5,609,300
Estimated 1976–77	6,116,300
Actual 1975–76	2,460,624
Requested decrease $507,000 (8.3 percent)	
Total recommended reduction	$2,000,000

1977–78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
263(a)	Special Circumstances	General	$3,148,400
263(b)	Special Benefits	General	70,400
263(c)	Aid to Potential Self-Supporting Blind	General	609,400
263(d)	Emergency Payments	General	1,781,100
			$5,609,300

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. May Caseload Estimates. Withhold recommendation pending receipt and review of May 1977 subvention estimates.	631
2. *Special Circumstances. Reduce by $2,000,000.* Recommend deletion pending release and review of new regulations.	632
3. Emergency Payments (Uncollectable Loans). Recommend report to Legislature by April 1, 1977 as to reasons for high percentage of uncollectable emergency loans.	632

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 RECOMMENDATIONS

We withhold final recommendation on the appropriate amount for Item 263 pending receipt and review of the May 1976 subvention estimates.

The budget proposes an appropriation of $5,609,300 for special adult programs which is $507,000, or 8.2 percent, less than estimated current year expenditures. In May 1977, the Department of Benefit Payments will finalize updated estimates based on the most recent caseload and cost information. The estimates will be included in the Revenue and Expenditure Budget Revision submitted to the Legislature by the Department of Finance in May 1977. We will review those estimates and make recommendations at that time.

SPECIAL ADULT PROGRAMS—Continued

Special Circumstances (Item 263a)

We recommend a $2,000,000 deletion in funds for the special circumstance program pending the release and review of new regulations.

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.

Currently, recipients must spend all of their liquid assets before they can apply for emergency assistance. Pending regulations would allow them to maintain $300 in liquid assets and still qualify for this special program. Under present regulations, about 365 adult recipients a month have an emergency which qualifies them for assistance under this program. It is estimated that an additional 115 cases a month will qualify if the pending regulations are issued. This item contains $3,148,400, of which $2,000,000 is reserved to implement the new regulations which will be issued when the *Synder vs. Obledo* case is settled out of court.

Elsewhere in the Analysis we expressed our concern that regulations can be issued which add costs to welfare programs without legislative review, and we recommend that a procedure be established for legislative review. In this case, the budget contains $2,000,000 for new regulations which have not been issued relating to a court case which has not been adjudicated. The department is in the process of negotiating an out-of-court settlement with welfare rights attorneys which will determine the final provisions of the special circumstance regulations. We do not recommend that the Legislature fund a program liberalization which has not been detailed or justified by the department.

Special Benefits (Item 263b)

The special benefit program in 1977–78 is for blind recipients who have guide dogs. This program provides a special monthly allowance of $18 to cover the cost of the dog's food. The $70,400 estimate assumes 317 blind recipients a month will be eligible for this allowance.

Aid to Potential Self-Supporting Blind (Item 263c)

The Aid to Potential Self-Supporting Blind (APSB) program allows blind recipients to retain more earned income than the basic program for blind recipients as an incentive to become economically self-supporting.

This small, stable program averages 170 recipients a month. The Governor's Budget requests $609,400 for 1977–78, an increase of $30,800, or 5.3 percent, for the APSB program.

Emergency Payments (Uncollectable Loans) (Item 263d)

We recommend the department report to the Legislature by April 1, 1977 as to why a high percentage of county emergency loans are not repaid by SSI/SSP recipients.

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.

Current regulations require the counties to make extensive efforts to collect the amounts owed before they submit claims to the state for the uncollected amounts. Currently, counties are issuing about 2,500 to 3,000 loans a month at an average of approximately $125 per loan. Approximately one-third of these loans are uncollectable and become the fiscal obligation of the state. The Governor's Budget requests $1,781,100 for the 1977–78 fiscal year, an increase of $378,800, or 27 percent, for this program.

The amount proposed for the budget year is substantially above the estimated expenditure for the current year. The fact that one-third of the loans are uncollectable appears excessive. Therefore, we are recommending the department report to the fiscal committees by April 1, 1977, as to the reasons for the uncollectable loans and what administrative procedures are being followed in order to collect the unpaid loans.

Department of Benefit Payments

WORK INCENTIVE PROGRAM—CHILD CARE

Item 264 from the General Fund — Budget p. 688

Requested 1977–78	$327,803
Estimated 1976–77	312,193
Actual 1975–76	304,000
Requested increase $15,610 (5.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Child Care Report. Recommend the Department of Benefit Payments submit an annual report which includes data on child care services funded through the AFDC and WIN programs. 634

GENERAL PROGRAM STATEMENT

The responsibility for providing nonemployment related social services to welfare recipients in the Work Incentive program (WIN), including management of child care funds, was transferred to the Department of Benefit Payments from the Employment Development Department in February 1976.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget requests $327,803, which is to be matched with $4,370,707 in federal funds and $157,831 in county funds for a total of $4,856,341 to cover the child care costs of welfare recipients enrolled in the WIN job training program. The estimated total expenditure for WIN related child care costs in the 1976–77 fiscal year is $3,121,930.

WORK INCENTIVE PROGRAM—CHILD CARE—Continued

Under existing federal and state law it is possible to reimburse a WIN enrollee's child care expenses with AFDC funds, WIN funds, or social service funds. Department policy is to encourage county welfare departments to charge the WIN program for child care services whenever possible. This policy works to the advantage of the state and counties because the federal government pays a larger share of WIN costs than it does AFDC or social service costs.

Presently, the WIN program does not pay for the child care costs of all WIN enrollees. It is the department's goal to shift as much child care cost to the WIN program from the AFDC and Social Service programs as is allowed under federal law. The General Fund request of $327,803 provides sufficient funding for the department to achieve its goal.

Approximately 5,100 children receive child care funded through the WIN program. Program guidelines allow children to be taken care of in their own homes, in small family day care homes, or in larger group day care homes, by someone employed by the parent. Children may also be placed in more expensive, professionally operated day care centers. Table 1 shows the approximate distribution of the 5,100 children by type of day care provided the child. During fiscal year 1975–76 the average cost was $49 a month for each child in WIN day care.

Table 1
Kind and Frequency of Day Care Provided by WIN Program
1975–76

Type of Day Care	*Number of Children*	*Percent of Total*
In Child's own home	2,151	42%
Family day care home	1,467	29
Group day care home	188	4
Day care center	1,294	25
Totals	5,100	100%

Child Care Report

We recommend that by November 1 of each fiscal year the Department of Benefit Payments submit to the Joint Legislative Budget Committee a statistical report of child care provided through AFDC and WIN social services programs in the welfare system. The report should describe: (a) Characteristics of children and families served (e.g., distributions by income levels, children's ages, marital status of parents, and family size); (b) types of child care used (e.g., in-home care, family day care, day care center); (c) child care costs (e.g., average overall hourly and monthly costs, costs by type of care); and (d) total annual expenditures under each program.

It is estimated that subsidized child care is provided annually to between 60,000 and 80,000 children in California directly as an Aid to Families with Dependent Children (AFDC) work-related welfare expense, and to approximately 5,100 children under the Work Incentive (WIN) program. Both types of child care are administered by County

Welfare Departments and funded at the state level through the Department of Benefit Payments (DBP).

DBP currently is not required to report information about any of these types of child care on a systematic basis. However, such information is essential in order that accurate estimates can be made of the (a) total number of children being served in subsidized child care in the state, (b) total expenditures for subsidized child care, and (c) differences in the types and costs of care being provided through various delivery systems.

Child care is also provided to approximately 70,000 children through the Department of Education, and an annual statistical report is required for that child care. Our recommendation would require annual reporting of similar types of data by DBP. We believe the two agencies should coordinate their reporting efforts to ensure comparable information. We have discussed agency coordination under Item 292.

Department of Benefit Payments

ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS

Item 265 from the General Fund — Budget p. 684

Requested 1977–78	$70,124,800
Estimated 1976–77	68,772,000
Actual 1975–76	67,094,685
Requested increase $1,352,800 (2.0 percent)	
Total recommended reduction	Pending

1977–78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
265(a)	AFDC Administration	General	$55,402,300
265(b)	Special Adult Programs Administration	General	490,800
265(c)	Food Stamp Administration	General	13,617,400
265(d)	Emergency Payments Administration	General	614,300
			$70,124,800

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. May Caseload Estimates. Withhold recommendation pending receipt and review of May 1977 subvention estimates. 636
2. State Participation in Cost-of-Living Increases. Recommend system for state participation in county salary and benefit increases with incentives to counties which have successful administrative cost control programs. 638

ADMINISTRATION OF COUNTY WELFARE DEPARTMENTS—Continued

GENERAL PROGRAM STATEMENT

This item contains the General Fund appropriation for the state's share of costs incurred by counties in making eligibility determinations and benefit payments in the AFDC and Food Stamp programs. It also contains the funds for the administration of the special benefit and emergency payments programs for aged, blind and disabled recipients and funds for the district attorneys' offices serving the AFDC child support collections program.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the appropriate amount for Item 265 pending receipt and review of the May 1977 subvention estimates.

The budget proposes an appropriation of $70,124,800 as the state share of various administrative costs of county welfare departments, which is an increase of $1,352,800, or 2.0 percent, over the amount estimated to be expended during the current fiscal year.

In May 1977, the Department of Benefit Payments will update county administrative cost estimates for the 1977–78 fiscal year based on the most recent administrative expenditure claims and workload data. Upon completion of these updated estimates, the Department of Finance will submit a budget letter changing the amount of the request. 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 it be carefully budgeted and that the data and assumptions used to develop the appropriation be available for detailed review.

The Governor's Budget projects (as shown in Table 1) that total county welfare department operating costs for the AFDC, Food Stamp and Adult programs will be $342,179,900 in the 1977–78 fiscal year, an increase of $11,996,600, or 3.6 percent over the amount estimated to be expended during the current fiscal year. This total expenditure estimate assumes that AFDC and Food Stamp workloads will decline slightly thereby, under

Table 1

Total County Welfare Department Administrative Costs for the AFDC, Food Stamp and Adult Eligibility Determination Casework and Child Support Collection Activities [a]

	1976–77	*1977–78*
1. AFDC Administration		
(a) AFDC eligibility casework	$208,934,000	$206,177,140
(b) Child support collections (District Attorneys' offices)	50,626,300	53,581,960
2. Food stamp administration	69,001,100	70,634,900
3. Adult programs administration		
(a) Special adult programs	1,022,200	532,000
(b) Emergency payments	579,600	614,300
	$330,183,300	$342,179,900

[a] Excludes costs of eligibility determinations for Medi-Cal cards, and county general assistance programs. Also excludes cost of all social services provided by counties.

provisions of the cost-control plan, reducing the number of required county staff and operating costs. The net increase results from the inclusion in the budget of a six percent cost-of-living adjustment. Because the federal government will now provide assistance to aged, blind or disabled persons who own a house valued at more than $25,000, there is no longer a need for a special state funded, and county administered Excess Value of Home program. The termination of this county administered program will reduce General Fund administrative costs by approximately $469,000 in 1977–78.

COUNTY ADMINISTRATIVE COST CONTROL

The Legislature required the department to formulate and implement a plan to control the growth of county welfare department administrative costs in fiscal year 1975–76. The department responded to the legislative mandate in a positive manner. Within four months after the start of the fiscal year the department created a small but effective cost control unit, produced a management information system and worked with counties and other outside groups to formulate an approach to administrative cost control.

There are three basic principles in the administrative cost control plan adopted by the department. First, there are to be no reductions in the number of cases carried by individual eligibility workers and each county is frozen at a base year level of worker productivity. Departmental approval is required to change productivity standards. Secondly, certain low productivity counties are expected to increase the number of cases handled per worker. By 1977–78 low productivity counties are to be in the average range in the AFDC program. Thirdly, counties which have high costs for clerical services, data processing, rent, administrative service and other support items are to improve 5 percent each year until the problem is corrected. A county which spends more on support costs than it does on the salaries and benefits of its eligibility workers and first line supervisors is defined as a problem county in terms of support costs.

We will issue a report on the first year's operation of the cost control effort indicating that in 1975–76, the upward trend of county administrative costs was significantly slowed. If prior year growth trends in administrative costs had continued unabated, we estimate AFDC administrative expenditures would have been approximately 9.5 percent higher than actually experienced, and food stamp costs would have been approximately 19.4 percent higher. If the administrative cost control effort had not been effective, we could not have expected to see the modest increases now being projected for 1977–78 county administrative costs.

An important finding regarding the administrative cost control plan was that several large counties did not appear to place much emphasis on the program. If these counties continue in the current year to be out of conformity with the provisions of the administrative cost control plan, it may be necessary for the Legislature to consider stricter penalties for poor performance.

COST-OF-LIVING ADJUSTMENTS

We recommend that state participation in salary and benefit increases for counties which fail to meet the productivity requirements of the cost control plan be limited to the percentage increase given state employees, 6 percent or the percentage change in the Consumer Price Index, whichever is the lowest.

For counties which meet the plan's productivity requirements, we recommend state participation in salary increases of up to the 6 percent budgeted, or up to the percentage increase given state employees, whichever is greater, and we recommend full participation in benefit increases within sharing ratio limits.

The budget proposes that any county welfare department which increases its salaries and benefits by more than 6 percent does so without state fiscal participation, i.e., the state would participate in salary and benefit increases and other operating cost increases up to a maximum of 6 percent.

We recommend a dual system for cost-of-living increases because there should be greater incentives for counties to implement successful cost control efforts. For counties which do not reach their cost control plan requirements, we recommend an increase to compensate them for the percentage increase given to state employees, or 6 percent, or the percentage change in the Consumer Price Index, whichever is the lowest. Between June 1977 and June 1978, the Consumer Price Index is anticipated to increase by 5 percent. The state employee percent is not determined yet. This percentage increase would apply to salaries, benefits and other operating expenses.

For counties which have successful cost control efforts, we recommend the state participate in salary increases up to 6 percent or up to the percentage salary increase given state employees, whichever is greater. In the current year the state gave its own employees a salary and benefit increase of 8.3 percent, composed of the $70 flat salary increase, special adjustments to selected classes and benefit improvements. However, state fiscal participation in county salary and benefit increases was limited to a maximum of 6 percent.

We recommend full state participation in county employee benefit increases in those counties with successful cost control programs for two reasons. First, some counties negotiated benefit packages with automatic annual increases before the cost-control plan became effective. It does not appear appropriate to refuse to pay the state share of employee benefit increases negotiated before the cost control plan was in force. Secondly, Los Angeles County, for example, did an excellent job of controlling administrative costs in 1975–76 and in fact substantially contributed to the overall state improvement. A limitation on state participation in benefit increases would be detrimental to Los Angeles County. It would appear to be inequitable to penalize a county in light of the improvements it has made.

Department of Benefit Payments
LEGISLATIVE MANDATES

Item 266 from the General Fund	Budget p. 685
Requested 1977–78	$17,222,100
Estimated 1976–77	9,201,200
Actual 1975–76	233,893
Requested increase $8,020,900 (87.2 percent)	
Total recommended	Pending

1977–78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
	Reimbursement of Local Costs for Mandated Expenditures		
266(a)	Unemployment Insurance	General	$900,000
266(b)	Aid to Families with Dependent Children	General	16,322,100
			$17,222,100

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	*Analysis page*
1. May Caseload Estimates. Withhold recommendation pending receipt and review of May 1977 subvention estimates.	639

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the appropriate amount for Item 266 pending receipt and review of the May 1977 subvention estimates.

Various jurisdictions of local government including school districts, special districts and municipalities reimburse the Unemployment Insurance Fund for the actual cost of unemployment insurance benefits received by their former employees. Because of liberalized benefit entitlements, unemployment insurance cost to local government has been increasing. However, because the state mandated the benefit increases, it must pay the increased local cost pursuant to provisions in the Revenue and Taxation Code. For 1977–78, the Governor's Budget requests $900,000 for such unemployment insurance reimbursements. Part of the request, $370,578, is intended to cover unpaid reimbursement obligations for 1975–76 and 1976–77 resulting from previous insufficient appropriations. The balance, $529,422, is the estimated amount necessary to cover 1977–78 unemployment insurance reimbursement obligations.

The Legislature increased the AFDC welfare payments standard by 6 percent effective January 1, 1977. Normally counties pay a portion of AFDC grant costs. However, in this case, the state has an obligation to reimburse counties for the increased local share of the 6 percent grant increase.

The budget requests $16,322,100 for the 1977–78 fiscal year to reimburse

LEGISLATIVE MANDATES—Continued

counties for their portion of the cost of the January 1, 1977, AFDC grant increase.

The proposed $16,322,100 increase is based on the department's December 1976 estimates. The requested amount will be changed when the Department of Finance submits the Revenue and Expenditure Budget Revision to the Legislature in May 1977 and we will review these estimates.

Health and Welfare Agency
DEPARTMENT OF CORRECTIONS

Items 267–273 from the General Fund — Budget p. 692

Requested 1977–78	$235,403,026
Estimated 1976–77	222,610,103
Actual 1975–76	199,218,713
Requested increase $12,792,923 (5.7 percent)	
Total recommended reduction	$3,971,509

1977–78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
267	Departmental Operations	General	$229,148,189
268	Community Release Board	General	3,447,303
269	Workers' Compensation—Inmates	General	22,600
270	Transportation of Prisoners	General	220,000
271	Returning Fugitives from Justice	General	770,000
272	Court Costs and County Charges	General	1,178,934
273	Local Detention of Parolees	General	616,000
			$235,403,026

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *New Positions for Security Housing Units. Reduce Item 267 by $591,409.* Recommend deletion of 36 new positions requested for security housing units. 644
2. *Regular Visiting Program. Reduce Item 267 by $13,588.* Recommend deletion of one correctional officer position requested for Folsom State Prison. 645
3. *Parole Attrition Program. Reduce Item 267 by $1,115,390.* Recommend deletion of 84 temporary help (professional) and 12 temporary help (clerical) positions for parole services. 649
4. *Community Correctional Program Redirection. Reduce Item 267 by $2,751,122.* Recommend deletion of the entire program. 650
5. *Inmate Trials. Increase Item 272 by $500,000.* Recom- 651

mend augmentation to reflect needs of this expenditure category.

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 their presribed terms, and advises and assists other governmental agencies and citizens' groups in programs of crime prevention, criminal justice and rehabilitation.

ANALYSIS AND RECOMMENDATIONS

To carry out its activities, the department operates 12 major institutions, 19 camps, two community correctional centers and 60 parole units. The department estimates these facilities and services will provide for an average daily population of 21,585 in institutions and 15,090 on parole (including felons and nonfelon drug addicts).

Impact of Determinate Sentencing Act of 1976, Chapter 1139, Statutes of 1976 (SB 42)

The projected institution and parole average daily populations reflect the department's evaluation of the impact of Chapter 1139, Statutes of 1976 (SB 42), known as the Determinate Sentencing Law. This act, effective July 1, 1977, abolishes the existing indeterminate sentencing law under which the term of penal incarceration and parole supervision may be fixed and subsequently reset by the Adult Authority for adult male felons and by the Women's Board of Terms and Paroles for adult female felons. These entities will be replaced by a single agency, the Community Release Board, upon the operative date of the act.

The Determinate Sentencing Law (SB 42) establishes three separate sentencing choices (for example, two, three or four years or four, five or six years) for most offenses and death or life imprisonment with or without the possibility of parole as specified for other offenses. The law provides that the sentences shall be set by the trial courts and directs that the middle sentence shall be given unless specified aggravating or mitigating circumstances are set forth prior to or at the time of sentencing and found true by the court as a basis for setting the lesser or greater term prescribed for the offense. The primary sentence may be increased for prior convictions or other circumstances as specified in the law. Trial courts will not be required to sentence all felons to prison under this legislation and will retain the right to dispose of cases by imposing a fine, a county jail term, probation or by suspending the imposition or execution of the sentence as provided by law.

SB 42 also provides for a reduction of up to one-third of the sentence imposed, conditioned upon the good behavior and program participation of the inmate. Three-fourths of the possible sentence reduction relates to good time served and one-fourth to program participation. The term of parole after the new sentencing law becomes effective will be limited to one year for determinate sentences and to three years for those life-term cases in which parole is permitted. While the new act will result in a

DEPARTMENT OF CORRECTIONS—Continued

substantial reduction in parole population, its impact on the institutional and parole programs has not been assessed fully and to some extent may be determinable only after experience is gained under it. The presently anticipated budgetary implications of the measure are discussed more fully in subsequent program sections of this analysis.

The proposed budget for this department generally provides for continuation of previously authorized institution programs with some requested program enrichment as discussed later. The department will propose changes in parole programming during hearings on the 1977–78 Governor's Budget. It also has initiated a review of the institutional programs to assess the potential impact of the act for inclusion in the 1978–79 Governor's Budget. Because of the workload involved and the fact that SB 42 was enacted late in the 1976 Legislative Session, it was not possible to complete those program reviews for inclusion in the budget document.

The total operations of this department, the Community Release and the Narcotic Addict Evaluation boards and special items of expense from all funding sources (General Fund, special and federal funds and reimbursements) are summarized in Table 1.

Table 1
Budget Summary

	Estimated	Proposed	Change from Current Year	
Funding	*1976–77*	*1977–78*	*Amount*	*Percent*
General Fund	$222,610,103	$235,403,026	$12,792,923	5.7%
Correctional Industries Revolving Fund	16,573,213	17,045,086	471,873	2.8
Inmate Welfare Fund	5,763,563	5,964,243	200,680	3.5
Federal funds	42,063	42,063	–	–
Reimbursements	2,013,425	1,813,425	−200,000	−9.9
Total	$247,002,367	$260,267,843	$13,265,476	5.4%
Program				
I. Reception and Diagnosis	$2,658,612	$2,708,660	$50,048	1.9
Personnel-years	126.7	125.1	−1.6	−1.3
II. Institution	$203,979,520	$213,374,138	$9,394,618	4.6
Personnel-years	6,788.4	6,835	46.6	0.7
III. Releasing Authorities	$2,947,865	$3,592,130	$644,265	21.9
Personnel-years	78.2	77.3	−.9	−1.2
IV. Community Correctional	$25,546,948	$24,741,353	$−805,595	−3.2
Personnel-years	878.3	785.8	−92.5	−10.5
V. Administration (Undistributed)	$8,605,488	$10,315,506	$1,710,018	19.9
Personnel-years	253.4	302.1	48.7	19.2
VI. Special Items of Expense	$3,263,934	$2,784,934	$−479,000	−14.7
VII. Community Correctional Program Redirection	–	$2,751,122	$2,751,122	–
Totals	$247,002,367	$260,267,843	$13,265,476	5.4%
Personnel-years	8,125.0	8,125.3	.3	–

Although departmental expenditures from all funding sources listed in Table 1 are projected to increase by $13,265,476 (or 5.4 percent over the current year), the proposed General Fund portion will increase by $12,-792,923 or 5.7 percent. This increase in General Fund expenditures is related to various budget adjustments which will be discussed in relation to the analysis of each program. Table 1 also reflects relatively minor increases in the expenditures of the Correctional Industries Revolving Fund and the Inmate Welfare Fund because of increased personnel costs and price increases.

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, on request, a comprehensive diagnostic evaluation and recommended sentence for convicted felon offenders awaiting sentencing. Little is known about newly committed felons or nonfelon addicts and there is thus 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 $2,708,660 for this program is $50,048 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 includes 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 good work habits and job skills, vocational training in various occupations, academic instruction ranging from literacy classes to college correspondence courses, and group and individual counseling. The department will also operate 19 camps which will house an estimated 1,170 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 21,585 inmates in the budget year, an increase of 390 inmates over the current year.

Although the Governor's Budget generally proposes continuation of the existing program level (with some exceptions discussed herein) SB 42 may necessitate adjustments in some programs, such as academic education, vocational training, counseling services, etc. At least a part of inmate participation in such programs in the past has been at the urging of the term-setting and paroling agencies and the desire of the inmates to obtain a favorable release date because of program participation. As previously noted, under SB 42 the determinate sentences may be reduced up to one-third by the department for good behavior and program participation. Denial of this early release time is subject to appeal and hearing

DEPARTMENT OF CORRECTIONS—Continued

before the Community Release Board.

The act requires that a prison official and the inmate sign a document within 14 days of the commencement of the prison term outlining the conditions the inmate must meet to receive credit for good time and program participation. Such credit accumulates at the rate of four months for each eight months served in which the time-off credits are earned. Loss of credits in one eight-month segment has no impact on time-off credits earned in other periods. The four-month credits are earned on the basis of three months for good behavior and one month for program participation. The inmate need not be successful in the prescribed program or assignment to earn time-off credits but must make a reasonable effort to participate.

The conditions specified for earning time-off credits may be modified by:

(1) Mutual consent of the prisoner and the Department of Corrections.
(2) The transfer of the inmate from one institution to another.
(3) The department's determination that the prisoner lacks adaptability or success in a specified program or assignment. In this case, the inmate will be entitled to a hearing on the decision.

The department proposes an expenditure of $213,374,138 in the budget year, which is an increase of $9,394,618 or 4.6 percent over estimated current-year expenditures of $203,979,520 for this program. The budget-year and current-year expenditures substantially exceed the 1975–76 fiscal year expenditures of $184,802,567 primarily because of population, price and salary increases and program expansion.

Increased Programming—Security Housing Units

We recommend deletion of 36 new positions proposed to enrich programs in restricted housing units for a savings of $591,409 (Item 267).

The restricted housing units, including security housing, protective custody and management control units, contain the system's most difficult management cases which must be segregated from the general population for safety or disciplinary reasons. The 36 requested positions include two vocational instructors, one recreation specialist, and one occupational therapist to be assigned (one each) to four of the five restricted housing units. The remaining 32 positions are correctional officers to be distributed to each of the five units to provide increased recreation for these inmates.

Inmates are assigned to security housing units for disciplinary reasons because of their own volitional acts. The fact that they spend more time locked in a cell than the general population should encourage behavior modification so they can return to the more desirable environment of regular housing and programs.

Moreover, implementation of SB 42 provisions may result in a significant reduction in security housing requirements because the possible loss of good time should act as a deterrent to unauthorized conduct. In recent years, additional custody positions have been authorized and recreation yards have been modified to provide more out-of-cell time and increase recreational activities for security housing units. In the 1972–73 and 1973–

74 budgets, the department was authorized an additional 434.3 correctional officer positions to augment overall security based on comprehensive surveys made by the department to eliminate staffing deficiencies in the security element of the institution program. For these reasons, additional security coverage does not appear to be justified. Current restrictive housing unit staffing should be adequate to provide a reasonable amount of out-of-cell exercise. The services of the proposed new vocational instructors, recreational specialists and the occupational therapist for the limited number of eligible inmates in security housing units should be provided by currently authorized staff to the institutions.

It should also be noted that the request for these new positions is based on current operations which may be significantly changed during the budget year when SB 42 becomes operative, and some instructional time now devoted to the general population may become available because of a voluntary decline in education program participation.

Increased Staff for Inmate Visiting

We recommend the deletion of one correctional officer requested for inmate visiting activity at Folsom State Prison for a savings of $13,588 (Item 267).

The department is requesting 11 correctional officer positions to permit an increase in the number of hours and days available for inmate visiting with authorized visitors. The staff would be assigned to various institutions as required. Included is one position for Folsom State Prison which is not necessary because the scheduled closure of the prison ranch will provide a position for this purpose.

The proposed expansion of visiting hours and days is based on work-load requirements reflecting increased numbers of persons visiting prisoners and a desire not to curtail unreasonably the length of visits during the normal working day, especially for those who have travelled substantial distances for this purpose. The visiting program appears to be beneficial in reducing inmate tensions and resulting "acting out" behavior and tends to maintain favorable family contacts. We recommend approval of the remaining 10 positions for expansion of the regular visiting programs.

Other New Positions and Program Adjustments

The department is requesting other new positions and program increases for the institution program which we recommend for approval as follows:

Program Detail	*Total Cost*
1. Provide pay or compensatory time off at one and one-half times normal rate for holidays worked as required by the State Personnel Board.	$842,553
2. Replace deteriorated food service equipment not covered by the normal equipment replacement allotment.	330,000
3. Improve psychiatric treatment for the most acute psychotics at the California Medical Facility at Vacaville. This request includes 18.2 nursing and medical technical assistant positions, allocated over a three-floor treatment unit for three shifts on a seven-day week	

DEPARTMENT OF CORRECTIONS—Continued

basis, to provide out-of-cell treatment and recreation programming for psychotic inmates now confined to their cells 20–23 hours per day.	304,000
4. Provide overtime pay to staff who supervise meetings of approximately 74 inmate self-help groups such as Alcoholics Anonymous, Toastmasters, cultural groups, etc. The overtime pay will aid in recruitment of sponsors, reduce sponsor turnover and thus add stability to the operation of these group meetings participated in by approximately 9,000 inmates. The funds will be allocated to 10 separate institutions.	100,000
5. Increase by 1,000 the number of inmate job assignments for which wages are paid. Adoption of this request would result in a total of 7,241 pay positions out of a total of 8,732 institution inmate job assignments. This is a continuation of the legislatively approved trend in recent years to increase the number of inmate pay positions. Inmate pay provides a modest income (pay ranges from 6 cents to 35 cents per hour) to make canteen purchases and/or to provide some cash upon release to the community.	149,040
6. Workers' Compensation benefits for inmates as required by Chapter 1347, Statutes of 1976 (SB 627)	22,600
7. Family Visiting program—provide one correctional officer at each of 10 institutions to handle existing workload plus program expansion authorized in the current year and proposed for the budget year.	131,640
8. Corrections Decisions Information System—provide clerical positions to permit conversion of the manual records system to electronic data processing as discussed later in our analysis of the administration program.	200,832
9. Increased capacity—32.2 new positions (some part year) to permit opening of presently closed housing facilities because of population increases at the Institution for Women and the California Rehabilitation Center (some of these positions are being added administratively in the current year)	392,589
10. Miscellaneous workload—11 positions for various institutions. Nine of these positions have been deleted as required by Section 20, Budget Act of 1976, because of extended vacancy due to recruitment problems and other reasons. The positions were approved originally on a workload basis. The remaining two positions are also for workload increases.	130,559

Other than the new position costs, the increased expenditures for this program are related primarily to merit salary adjustments, price and operating expense increases.

III. RELEASING AUTHORITIES

Higher Costs for Community Release Board

As noted earlier, SB 42 replaces the Adult Authority and the Women's Board of Terms and Paroles with a Community Release Board. The board will have nine members, all appointed by the Governor with the advice and consent of the Senate. Its costs will exceed those of the boards it replaces for a number of reasons as discussed below.

Under the existing indeterminate sentencing law, the parole boards review all felony cases committed to the custody of the Director of Corrections to fix the term of imprisonment and parole within limits established by law. These term-setting boards have the authority to re-set the length of incarceration and parole supervision at will as long as the total sentence does not exceed the legal maximum prescribed by law.

SB 42 transfers the term-setting function to the trial courts with prescribed sentences as discussed previously. The Community Release Board will review, within one year of commitment, the sentences of all persons committed to the department for the purpose of ascertaining whether specific sentences are out of line with sentences received by other inmates for similar offenses. The board will have the authority to return cases to the trial courts for resentencing when it determines sentences are disparate, and it will also set the term of incarceration for those persons still committed for life with the possibility of parole. The up to one-third reduction in sentence for good behavior and program participation will be a determination of the department subject to review by the Community Release Board on appeal of the inmate. Indigent inmates who are adversely affected by these decisions will be entitled to legal counsel under SB 42.

Currently, the parole period of each inmate is fixed by the parole boards and the parolee may be reincarcerated and rereleased to parole by the paroling authorities for cause, subject to appropriate hearings as required by law. The 12-month maximum parole period under SB 42 applies even if the parolee is reincarcerated in a state facility for parole violation; in such cases the parole period continues to run during the length of the reincarceration. The Community Release Board must hold parole revocation hearings prior to reincarceration for parole violation. Additionally, all inmates incarcerated prior to July 1, 1977 must have their sentences redetermined by the board as specified under SB 42 within 90 days of the operative date of the bill. Those inmates whose period of incarceration served prior to July 1, 1977, exceeds the term which they would have received under SB 42 will be subject to immediate release. These sentences and releases must be reviewed and set by the new board, and indigent inmates are entitled to legal representation in this process pursuant to SB 42.

For these reasons and because of the undetermined but probably substantial workload involved in the transition from indeterminate to determinate sentences and in recognition of some new workload, the Governor's Budget proposes funding this board at $3,592,130, which is approximately $600,000 above the level which would have been necessary for the two boards being replaced. The additional $600,000 will permit the board to contract for legal defense services for indigent inmates and is

DEPARTMENT OF CORRECTIONS—Continued

based on estimated workload requirements. Determination of specific workload requirements must await accumulation of experience operating under this new legislation.

Because of the uncertainty relating to workload and specific position requirements, the department proposes that, except for the nine board members, staffing for this operation in the budget year be classified as "temporary help-staff services" to maximize flexibility to meet workload conditions during the transition to SB 42 and in establishing ongoing program procedures. The proposed funding level and staffing pattern appear reasonable, subject to periodic review by the control agencies during the transition period and in developing permanent staffing patterns for this function.

Narcotic Addict Evaluation Authority

This board, consisting of four part-time members, makes release decisions on narcotic addicts who have committed crimes but who are committed as nonfelons (rather than as felons) for treatment of their drug problem. This board is not directly affected by SB 42, and the budget contemplates continuation of the currently approved program level. However, SB 42 could have an indirect impact on this board and the nonfelon narcotic addict program of the Department of Corrections if nonfelon addicts determine that acceptance of a shorter determined prison sentence as a felon would be more advantageous than commitment to the nonfelon addict program which generally can entail a period of institutional and community treatment for up to seven years.

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.

Overbudgeting of Parole Services

Expenditures for this program will total $27,492,475 in the budget year. This amount is composed of two parts: (1) $24,741,353 (General Fund and reimbursements) to fund regular parole services, and (2) $2,751,122 for a new community correction redirection program. Despite the 40 percent decrease in the number of parolees expected in the budget year, this total level of funding is essentially a continuation of the expenditure level approved by the Legislature for the current year. Table 2 shows that the original 1976–77 expenditure level was based on an average daily parole population of 14,755. The revised estimate for the current year shows a workload decrease of over 2,000 parolees, a 14 percent decline. The average daily population is expected to decline to 8,935 in 1977–78, a workload decline of 5,820 parolees, or a 40 percent reduction from the budgeted level for the current year.

The continuation of current year funding in the budget year, despite the substantial decline in parole population, is attributable to a provision in SB 42 which declared it was not the intent of that measure to diminish resources allocated for parole services.

The department states that the reason for the decline in parole caseload in the current year is the parole boards are already being influenced by the provisions of SB 42, even though that law does not become operative until July 1, 1977.

Under SB 42, parole periods are significantly shorter than those applicable under existing law, and this accounts for the further substantial decline in caseload in the budget year.

Table 2

Felon Parole Population

Fiscal year	*First of year*	*End of year*	*Average Daily Population*
1976–77 (Budgeted)	15,295	14,275	14,755
1976–77 (Revised)	13,497	12,015	12,675
1977–78 (Proposed)	12,015	6,040	8,935

Based on the previously approved workload standards, the budget for parole services in 1977–78 should be $23,625,963, a reduction of $3,886,512 below the amount requested. The department proposes to utilize this approximately $3.8 million in two expenditure categories, i.e., $1,115,390 for a staff attrition program to enrich parole services by delaying staff reductions to the greatest extent possible and permitting staff reductions to occur through normal attrition. The department advises it will present this program enrichment proposal to this office for review prior to legislative hearings on this budget item. The remaining $2,751,122 in potential budgetary savings (set forth as Program VII in the Governor's Budget) is proposed for a parole redirection program which is not defined in the Governor's Budget.

Parole Staff Attrition Program

We recommend the deletion of 84 temporary help (professional) and 12 temporary help (clerical) positions for a reduction of $1,115,390.

A total of 260.8 professional and clerical positions could be deleted from the parole program in the budget year based on the presently projected parole caseload, but the Governor's Budget proposes to retain the equipvalent of 96 of these positions in a temporary help "blanket" at a salary cost of $878,343. The addition of $237,047 in operating expenses related to these positions results in a total request of $1,115,390 for the staff attrition program. The remaining 164.8 positions have been deleted from the total authorized positions but $2,751,122 in salary and operating costs related thereto is proposed for expenditure under the parole redirection program.

The $1,115,390 proposed for the attrition program in the budget year is the department's estimate of its requirement to avoid layoff and to reduce staff gradually through the normal rate of attrition. The 96 positions (many part-year only) are therefore the total estimated layoffs that would be necessary if our recommendations on attrition and program redirection are approved.

DEPARTMENT OF CORRECTIONS—Continued

Pending review of the as yet undisclosed program changes, we are recommending deletion of this request to maintain the historically approved staffing patterns and program levels.

Program Redirection

We recommend deletion of the Community Correctional Program Redirection function for a reduction of $2,751,122 (Item 276).

The $2,751,122 requested for redirection of community correctional programs (parole services) is to provide undefined increased parole services which were not sufficiently determined for inclusion in the Governor's Budget. Details on this proposal are to be presented to our office for review prior to the budget hearings.

As the community correctional program portion of the budget contains sufficient funds to provide the currently authorized program, we are recommending deletion of this request for program enrichment, pending receipt and review of the new program proposal.

V. ADMINISTRATION

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

Data Processing Positions

The support requirements for administration (not prorated to other programs) are estimated at 302.1 personnel-years and $10,315,506, which includes General Fund support of $9,935,108 (up 19.9 percent or $1,710,018 from the current year) and reimbursements of $380,398. The General Fund increase represents merit salary adjustments, price increases and 49.5 proposed new positions at a salary cost of $689,562 plus related operating costs for General Fund assumption of the partial operational costs and continuing developmental costs of the Corrections Decision Information System (CDIS). CDIS entails conversion to electronic data processes of the manual recordkeeping, statistical and program evaluation functions of the department. Continuation of this function requires the 49.5 positions for administration, plus 23 other positions at a salary cost of $230,784 proposed in the institution and community correctional programs. It is contemplated that these 72.5 new positions for CDIS will be required for a two-year period at which time 57.5 of the positions will be deleted. The remaining 15 positions will be retained and combined with the 40 positions currently authorized for the manual data system to operate the new computerized system.

Other New Positions

The department is requesting an additional 18.5 positions at a salary cost of $263,581 for administration. A total of 13.5 of these positions at a salary cost of $195,685 were deleted from the budget by Section 20, Budget Act of 1976, because of vacancies arising from recruitment and personnel management problems. The department advises that these problems are being resolved and that the positions should be restored as previously authorized on a workload basis.

The remaining five positions at a salary cost of $67,902 consist of one position to be substituted for contractual services previously funded as operating expenses and four positions supported by federal grants. These positions are justified for administrative workload.

VI. SPECIAL ITEMS OF EXPENSE

Items 270–273 provide reimbursements to the counties for expenses relating to transportation of prisoners and parole violators to state prisons, returning fugitives from justice from outside the state, court costs and all other charges relating to trials of inmates for crimes committed in prison 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. These special items of expense are distributed as follows:

				Change from Prior Year	
Function	*Actual 1975–76*	*Estimated 1976–77*	*Proposed 1977–78*	*Amount*	*Percent*
Transportation of Prisoners (Item 270)	$189,354	$200,000	$220,000	$20,000	10.0%
Returning Fugitives from Justice (Item 271)	699,960	700,000	770,000	70,000	10.0
Court Costs and County Charges (Item 272)	1,698,899	1,803,934	1,178,934	−625,000	−34.7
County Charges for Detention of Parolees (Item 273)	538,533	560,000	616,000	56,000	10.0
Totals	$3,126,746	$3,263,934	$2,784,934	$−479,000	−14.7%

The $479,000 or 14.7 percent reduction in this program under current-year expenditures results primarily from a $625,000 or 34.7 percent reduction in the court costs and county charges function. The reduction reflects a transfer of funds from this budget item to the budget of the State Public Defender for support of new positions in that office to provide legal defense services for state prisoners when local public defenders refuse to handle the cases because of a conflict of interest or other legal cause. These positions are more fully discussed in the analysis of the State Public Defender's budget request.

Underbudgeting of Court Costs and County Charges

We recommend that Item 272 be augmented by $500,000 to reflect the increased needs for costs of inmate trials.

This item was reduced (as discussed previously) for the budget year by $625,000 below current-year estimated expenditures to offset a like increase in the State Public Defender's office. Based on our review of legal

DEPARTMENT OF CORRECTIONS—Continued

defense costs for inmate trials, it appears that an excessive amount of money has been transferred to the Public Defender's budget resulting in a corresponding funding deficiency in this item.

The State Public Defender is primarily responsible for providing legal defense services for criminal indigents in the state and federal appellate courts. Under the provisions of Chapter 1239, Statutes of 1976, he also represents indigent state prison inmates charged with new offenses in the trial courts, but only when the local public defender, who has the primary responsibility to defend such inmates, refuses to do so because of conflict of interest or other cause.

This budget item traditionally has provided funds to reimburse *all* local costs for inmate trials (including costs incurred by the district attorney, the sheriff, the court, etc.). Prior to Chapter 1239, when the local public defender was unable to handle a case involving a state prison inmate, the judge would appoint a private attorney and the costs were reimbursed from this item. Information furnished by the Department of Corrections shows that over an approximate three and one-half year period (July 1, 1973 through November 1976) reimbursements to counties for services of local public defenders (exclusive of court appointments from the private bar) averaged 4.5 percent of total reimbursements for court costs and related county charges. Based on this information, the $1,803,934 budgeted in the current year for reimbursement of local inmate trial costs would include approximately $81,177 for local public defender services.

A recent review of court-appointed attorney costs subject to reimbursement from this budget item in three counties having approximately one-third of the cases involved, found that the average reimbursement over a two and three-quarter year period was approximately three times the amount reimbursed to local public defenders. On this basis, three times $81,177 or $243,531 of the estimated current-year expenditure would represent court-appointed attorney costs.

Thus, *total* legal defense reimbursements for local public defenders and private attorneys would average approximately $324,708 per annum ($243,531, plus $81,177). Only a portion of the total defense cost would relate to cases refused by the local public defender for conflict of interest or other reasons which would now be handled by the State Public Defender under Chapter 1269. Such costs should not exceed $125,000. Because reimbursement claims filed by the counties must be paid and the amount transferred to the State Public Defender exceeds total defense costs, there will not be sufficient funds in this item to pay all potential claims. Therefore, we recommend that this item be increased by $500,000. We are recommending a corresponding reduction in the State Public Defender's budget, leaving $125,000 in a temporary help category in that budget to provide required services relating to conflict cases.

Health and Welfare Agency

DEPARTMENT OF THE YOUTH AUTHORITY

Items 274–281 from the General Fund | Budget p. 717

Requested 1977–78	$127,278,946
Estimated 1976–77	121,372,838
Actual 1975–76	109,864,502
Requested increase $5,906,108 (4.9 percent)	
Total recommended reduction	$5,070,400

1977–78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
274	Department Support	General	$100,431,266
275	Transportation of persons committed	General	43,540
276	Maintenance and operation of county juvenile homes and camps	General	3,825,840
277	Construction of county juvenile homes and camps	General	400,000
278	County delinquency prevention commissions—administrative expenses	General	33,300
279	County delinquency prevention commissions—research and training grants	General	200,000
280	Assistance to county special probation supervision programs	General	19,687,000
281	Legislative Mandate (Chapter 1071, Statutes of 1976)	General	2,658,000
			$127,278,946

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Funding Level. Withhold recommendation pending May revision of the population estimate. 659
2. *Population Decline. Reduce Item 274 by $306,200.* Recommend deletion of funding for surplus staff. 660
3. *Dental Services. Reduce Item 274 by $55,000.* Recommend deletion of two dental positions at DeWitt Nelson Training Center. 660
4. Staff Realignment. Recommend identification of positions transferred to new parole branch. 661
5. *Parole Placement Specialists. Reduce Item 274 by $253,000.* Recommend deletion of eight placement specialists and related clerical staffing. 661
6. *Parole Overhead. Reduce Item 274 by $240,000.* Recommend deletion of excess supervisoral staffing in parole. 662
7. *Parole Zone Headquarters. Reduce Item 274 by $43,200.* Recommend deletion of two positions assigned to zones with smaller caseloads. 663

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

8. Training. Withhold recommendation pending development of comprehensive training plan. 663
9. *Branch Headquarters. Reduce Item 274 by $215,000.* Recommend elimination of intermediate headquarters. 663
10. Capacity Alterations. Recommend department not make modifications which reduce capacity without legislative review. 664
11. Reception Center Processing. Recommend department review the feasibility of reducing time for reception center processing. 665
12. Public Works Employment Act of 1976. Recommend clarification of planned expenditure level for "operation maintenance catch-up." 665
13. *Probation Subsidy. Reduce Item 280 by $1,300,000.* Recommend elimination of over-budgeting. 665
14. *Juvenile Justice Legislation. Reduce Item 281 by $2,658,000.* Recommend deletion of item and separate legislation to permit legislative review of local cost reimbursement policy. 666

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 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, personnel, training, 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

As required by law, this element establishes minimum standards of operation and makes 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. It also assists in the improvement of local juvenile enforcement, rehabilitation, and delinquency prevention programs by providing training and consultation services to local agencies.

Financial Assistance

This element 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 encourge 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

This element disseminates information on delinquency and its possible causes; encourages support of citizens, local governments, and private agencies in implementing and maintaining delinquency prevention and rehabilitation programs; and conducts 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. The rehabilitation program encompasses a community parole program, and an institutional program consisting of four reception centers, eight institutions and five forestry camps as shown below.

Facility	*Location*
Reception Centers:	
Northern Reception Center/Clinic	Sacramento
Southern Reception Center/Clinic	Norwalk
Youth Training School Clinic [a]	Chino
Ventura Reception Center/Clinic [a]	Camarillo
Institutions:	
Northern California Youth Center	Stockton
O. H. Close School	
Karl Holton School	
DeWitt Nelson Youth Training Center	
Preston School of Industry	Ione
Fred C. Nelles School	Whittier
El Paso de Robles School	Paso Robles
Southern California Youth Center	Chino
Youth Training School	
Ventura School	Camarillo

[a] Colocated with institution.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Camps:

Ben Lomond Youth Conservation Camp	Santa Cruz
Pine Grove Youth Conservation Camp	Pine Grove
Mt. Bullion Youth Conservation Camp	Mariposa
Washington Ridge Youth Conservtion Camp	Nevada City
Oak Glen Youth Conservation Camp	Yucaipa

These facilities with an estimated average daily population of 4,569 wards, plus a community parole caseload program involving 7,274 wards, constitute a projected total daily average population of 11,843 wards under departmental supervision in fiscal year 1977–78 (Table 1). As discussed later in this analysis, the department estimates it will handle a daily average of 92 fewer institutional wards and 24 fewer parolees in 1977–78 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.

Table 1
Average Daily Population of Youth Authority Wards

	1975–76	*1976–77*	*1977–78*
Reception centers	697	696	696
Facilities for males	3,776	3,770	3,678
Facilities for females	149	195	195
Subtotal (Institutions)	4,622	4,661	4,569
Change from prior year	–	+39	−92
Parole caseload	7,653	7,298	7,274
Change from prior year	–	−355	−24
Total Wards	12,275	11,959	11,843

Diagnosis

All wards received by the Department of the Youth Authority undergo a diagnosis procedure at one of four departmental reception centers, which includes interviews, psychological and educational testing, and medical and dental examinations. Based on this information, staff develops 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 $127,278,946 and 4,146.1 personnel-years of effort. Additionally, the department anticipates budget-year reimbursements amounting to $10,046,401 and federal grants totaling $1,039,496 for a total expenditure program of $138,364,843.

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

Table 2
Budget Summary

	Estimated 1976–77	*Proposed 1977–78*	*Change Amount*	*Change Percent*
Funding				
General Fund	$121,372,838	$127,278,946	$5,906,108	4.9%
Reimbursements	10,103,469	10,046,401	−57,068	−0.6
Federal funds	990,253	1,039,496	49,243	5.0
Totals	$132,466,560	$138,364,843	$5,898,283	4.4%
Programs				
Youth Authority Board	$1,478,870	$1,492,423	$13,553	0.9%
Personnel-years	40.9	40.9	-	-
Administration	$5,463,151	$5,290,169	$−172,982	−3.2
Personnel-years	205.1	192.4	−12.7	−6.2
Community Services	$26,168,130	$27,927,829	$1,759,699	−6.7
Personnel-years	65.5	62.5	−3.0	−4.6
Rehabilitation Services	$95,897,664	$99,219,360	$3,321,696	−3.5
Personnel-years	3,799.6	3,787.2	−12.4	−0.3
Research	$2,129,745	$1,777,062	$−352,683	−16.6
Personnel-years	82.7	63.1	−19.6	−23.7
Legislative Mandates [a]	$1,329,000	$2,658,000	$1,329,000	100.0
Totals	$132,466,560	$138,364,843	$5,898,283	4.4%
Personnel-years	4,193.8	4,146.1	−47.7	−1.1

[a] Chapter 1071, Statutes of 1976 (AB 3121) relating to the juvenile justice system.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

Additional Institutional-Based Conservation Camps

The budget reflects the closing of the DeWitt Nelson Forestry Training Program (two units) and the opening of two institutional-based conservation camps, one at DeWitt Nelson and one at the Ventura School. Forestry training will be conducted at each camp by forestry staff assigned at the camp rather than in a centralized facility.

Institutional-based camps (the department currently operates one at the El Paso de Robles School) permit a greater number of wards to participate in conservation programs, including fire prevention and suppression, than could participate in the regular, less secure, camp setting. The program at the Ventura School, which is co-educational, will permit female wards to participate in the conservation program. The budget reflects a net increase of $48,085 for additional staffing for these two camp programs.

Participation in the National School Lunch Program

The budget indicates that the department has applied to the State Department of Education to participate in the National School Lunch program on the basis that PL 94-105 expanded the definition of qualifying schools to include "juvenile detention centers." It is anticipated that participation in this program will result in a net General Fund savings of $1,014,717 in the budget year. Gross savings of $1,354,499 will be partially offset by additional costs of $167,750 to provide food equivalent to the federal participation requirements to older wards who are not eligible for the program, and $172,032 for 11 personnel-years and related operating expenses to manage the program. The department has, for several years, participated in the National School Milk program.

Institutional Population Down

The budget reflects the closing of five living units, equivalent to 250 wards, in the current and budget years. Staff assigned to these units are proposed to be deleted through attrition. This is discussed later in this analysis.

Other Program Changes

Additional Security Staff. The budget contains 3.2 positions and $56,223 to provide one additional security person 16 hours per day at the DeWitt Nelson Training Center, one of three schools located at the Northern California Youth Center (NCYC) in Stockton. These positions are required because (1) a large number of wards leave DeWitt Nelson daily for work and training within the NCYC complex, and (2) older wards with more violent and serious records are currently incarcerated at DeWitt Nelson.

Psychiatric Services for Wards on Parole. The department requests $100,000 to provide psychiatric services to the estimated 15 percent of parolees who have a history of psychiatric problems. Most of the time, such cases are referred to community mental health programs. However, because of the time lapse and difficulty often involved in getting some wards into local programs, $100,000 is proposed to provide direct psychiatric services to wards during the time between institutional release and the link-up with local services and programs.

Substance Abuse Services. For the past five years, most of the substance abuse programs of the department have been funded by the Office of Criminal Justice Planning. Such funding will terminate in the budget year and $250,000 from the State Office of Narcotics and Drug Abuse is proposed to continue this program at a reduced level.

Offender-Based Institutional Tracking System (OBITS). The budget proposes $157,841 to continue use of OBITS, the department's basic ward information system which was developed with federal funding. All but $22,139 of the request is to provide remote terminals to the department, its parole zone headquarters and institutions, and to reimburse the Teale Data Center for services. The $22,139 is for one position to maintain and update the system. Fourteen federally funded positions associated with development of OBITS will terminate by June 30, 1977.

Increased Security for Visiting. The department requests $117,311 to provide for increased security during visiting periods. This increase will provide staff to (1) operate the recently installed metal detectors and (2) monitor an increased number of visitors and observers at board hearings. The primary purpose of the increased monitoring is to prevent visitors from passing contraband to wards and to reduce the possibility of incidents during visiting periods.

Performance Monitoring and Evaluation System. The budget contains $72,212 for implementation of a department-wide, management-by-objectives system. This increase will provide 3.5 personnel-years of effort to train staff and implement pilot projects.

Special Repairs and Maintenance. The department requests $300,000 to provide special repairs and maintenance for projects which cannot be funded from Title II of the Public Works Employment Act of 1976.

Legislative Mandates. Item 281 provides $2,658,000 to reimburse local government for the costs imposed by Chapter 1071, Statutes of 1976 (AB 3121). This item is discussed later in this analysis.

Public Works Employment Act of 1976. The budget reflects a federally funded project entitled, "Operation Maintenance Catch-up" in the amount of $2,948,931 to renovate existing facilities. These funds will be used primarily to hire semi-skilled workers. Associated operating expenses will be funded from the department's support budget. This item is discussed later in this analysis.

Institutional Population Overbudgeted.

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

As mentioned earlier, the budget reflects the closing of five living units (250 beds) in the current year because of lower-than-budgeted institutional population. This reduction is continued in the budget year. As of December 31, 1976, institutional population is 463 wards below the revised current year average budgeted level (after the 250-bed adjustment). The Governor's Budget proposes that positions deleted through the closure of the five living units be phased out through attrition in order to avoid layoff procedures.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

We believe that the projected institutional population reduction is overly conservative. Unless ward population increases considerably between now and the May revision, institutional population capacity can be reduced by at least an additional 300 beds. If the population remains at or near its current level, the department should consider closing and disposing of El Paso des Robles School rather than closing individual living units scattered throughout the system. This would result in considerably greater savings because institutional support services (i.e., medical, management staff, etc.) could be deleted.

Population Decline Warrants Staff Layoff

We recommend deletion of funding for surplus staff for a savings of $306,200 (Item 274).

As mentioned under the previous recommendation, the department proposes to close five living units and delete the affected staff through attrition rather than layoff. The excess staff (approximately 20 positions in the budget year) would be used as backup while other employees participate in training activities or take vacation, sick leave or compensatory time off. On the basis of sound administrative and budgetary policy, we believe that these positions should be deleted as soon as the units are closed. The social problems caused by layoff requirements should not be resolved through adjustments in the budgets of line agencies.

Thus, we recommend that funds included in the department's budget for attrition be deleted for a savings of $306,200. Some of these savings will be offset by the costs associated with civil service layoff procedures. An adjustment to the projected savings can be considered when the May revision of the population estimate is reviewed.

Dental Services Overbudgeted at DeWitt Nelson Training Center

We recommend deletion of the dentist and dental assistant positions added last year at the DeWitt Nelson Training Center for a savings of $55,000 (Item 274).

Last year the administration proposed, and the Legislature approved, the addition of a dentist and a dental assistant at the DeWitt Nelson Training Center in order to provide a higher level of dental care to wards undergoing pre-camp forestry training.

This year the Governor's Budget points out on page 720 that "The DeWitt Nelson Training Center provides dental work for all wards transferred to the several Youth Conservation Camps. The pre-camp training program is conducted at this center and the dental work is completed while the wards are being trained." Yet on page 721, the budget states, "The institution-based camps will be established from the *closure of the DeWitt Nelson Forestry Training Program* . . . " (Italics added).

Therefore, we recommend deletion of these two positions because the program for which they were authorized has been deleted from the budget. This would result in a General Fund savings of $55,000. Wards assigned to the regular conservation camps will receive dental work before transfer to the camp program, and regular institutional dental care will be available to wards assigned to the institutional-based camps.

Planned Staff Realignment Not in Budget

We recommend that the department identify how positions currently budgeted to the Parole and Institutions Branch will be reallocated when that branch is divided.

Although not reflected in the Governor's Budget, we understand that the department plans to divide the existing Parole and Institutions Branch into two functional units. Traditionally, the institutions and parole management functions have been distinct and separate. In 1970–71, these functions were combined at the departmental level in order to enhance the ability of the department to provide wards with a "continuity of treatment".

We believe the existing organizational structure has not significantly contributed to this goal and has resulted in less than the desired level of management attention to the parole program. Thus, we support in concept the department's desire to separate the management of these programs. However, the department should identify how the positions currently assigned to the Parole and Institutions Branch will be allocated. No staff augmentation should be required as a part of this reorganization.

Parole Placement Specialists Not Cost Effective

We recommend that eight parole placement specialist plus related clerical support be deleted for a savings of $253,000 (Item 274).

During last year's budget hearings, the Department of Finance proposed and the Legislature approved the addition of eight parole agents to function specifically as placement specialists. These agents, who are assigned to the four parole zone headquarters (two each), attempt to speed up referral of difficult-to-place wards to parole. The objective in establishing this program was to reduce from 30 days to 20 days the time lapse, between the granting of parole by the Youth Authority Board and the actual release of the ward from the institution. By eliminating 10 days per ward, it was estimated that the need to open an additional 120 institutional beds could be avoided.

The department has almost achieved its goal of reducing placement time by 10 days, but this has been done primarily by changing procedures rather than through the efforts of the placement specialists. Prior to July 1976, field parole agents to whom the wards would be assigned took no official action to develop placement plans until the board actually granted parole. However, under current procedures, action is generally begun on hard-to-place cases 60 days before the board parole hearing, and quite often the parole plan is available to the board at the hearing. In such cases, the ward can be released from the institution almost immediately after parole is granted.

While the concept of having parole agents who specialize in finding placements for wards who are not returning to their parents' or relatives' homes appears useful, it is difficult to implement in the field. A parole agent assigned to the zone headquarters (he/she may be physically located elsewhere) lacks the day-to-day contact with community resources which field parole agents have. Because the development of placements represents a significant part of the field parole agents ongoing workload, they should have a significantly better knowledge of all the resources available for difficult-to-place wards in their territory, than a placement specialist representing, on the average, a geographical area equal to one-eighth of the state. Because it appears that the only significant goal of the placement specialists is being achieved under the revised operating procedures, we recommend that these positions, plus related clerical staffing, be deleted for a General Fund savings of $253,000.

Eliminate Excess Overhead from Parole Units

We recommend that excessive overhead in parole be eliminated through the deletion of assistant supervisors in the smaller units for a savings of $240,000 (Item 274).

Approved departmental staffing formulas were developed, beginning in 1971, in the Improved Parole Effectiveness Program (IPEP). This program resulted in the adoption of a 50:1 ward/parole agent ratio and the development of an "average" parole unit consisting of eight case-carrying parole agents (400 cases in total), an assistant supervisor, a unit supervisor and related clerical staffing. During the current year, a parole agent was added to each unit to handle parole violation investigations.

Since 1966–67, the total parole caseload has been declining steadily as shown in Table 3.

Table 3

Youth Authority Parole Caseload

Year	Average Caseload	Change from Previous Year: Number	Change from Previous Year: Percent
1966–67	14,820	—	—
1967–68	14,246	−574	−3.9%
1968–69	13,933	−313	−2.2
1969–70	13,766	−167	−1.2
1970–71	13,373	−393	−2.8
1971–72	12,821	−552	−4.1
1972–73	11,870	−951	−7.4
1973–74	9,546	−2,324	−19.6
1974–75	8,327	−1,219	−12.8
1975–76	7,653	−674	−8.1
1976–77 (estimated)	7,298	−355	−4.6
1977–78 (estimated)	7,274	−24	−0.3

Although the department has consistently adjusted the number of regular case-carrying agents to reflect caseload reductions, it has not taken action to maintain parole units at the "average" size and thereby reduce overhead costs. As of December 31, 1976, there was only one parole unit with 400 or more assigned cases. One parole unit had only 205 assigned cases.

While geographical considerations preclude requiring all units to be consolidated to the "average" size of 400 cases, some excess overhead costs can be eliminated by deleting assistant supervisors in smaller units. This action would eliminate 12 positions and provide a budget-year savings of

$240,000. Implementation of this recommendation would not reduce the number of parole agents providing direct services to parolees. There would remain one supervisorial position for five case-carrying agents (plus the violations specialist and clerical staff) in the smaller parole units and two supervisorial positions in the units with six or more case-carrying agents, the violations specialist and clerical staffing.

Relate Staffing to Workload in Parole Zone Headquarters

We recommend the deletion of one parole agent position in each of two parole zones with smaller caseloads for a savings of $43,200 (Item 274).

On a statewide basis, parole units are organized into and managed by a total of four parole zones. Each zone headquarters is currently staffed with six professionals, i.e., a zone administrator, an administrative assistant, a planner, a training officer and two placement specialists (discussed earlier in this analysis) and related clerical support.

Parole caseloads in the zones as of December 31, 1976 were:

Zone 1 (Bay Area and North Coast)	*Zone 2 (Northern California)*	*Zone 3 (Los Angeles County)*	*Zone 4 Southern California)*
1,771	1,222	2,427	2,031

As shown above, caseload varies significantly between zones, ranging from 1,222 in Zone 2 to 2,427 in Zone 3. However, the professional staffing complement in each zone headquarters is the same. Because many of the duties performed by zone headquarters personnel are dependent on, or directly related to, caseload (such as business services, training and case work auditing), we believe a total of two parole agent positions can be eliminated (one each) in Zones 1 and 2. The remaining staff members will be able to provide services at a level equal to that currently provided in the two larger zones.

Develop Training Plan

We withhold recommendation on the department's training request of $1,073,361 until it develops a comprehensive plan for expenditure of these funds.

Despite its large training expenditure, the department has not developed a comprehensive plan for a training program, i.e., it has not assessed its overall needs and allocated training resources to meet them.

We believe the department should develop a comprehensive training plan which recognizes needs in the areas of (1) safety and security of the institutions, (2) treatment techniques, and (3) supervisory and management development. Until such a plan is developed, we cannot recommend approval of the funding request.

Delete North and South Branch Headquarters

We recommend elimination of the intermediate headquarters of the Parole and Institutions Branch for a savings of $215,000 (Item 274).

In 1962–63, when the Northern California Youth Center (NCYC) was being planned as an eventual 12-institution complex with a capacity of 4,800 wards, a center administrator and core staff were authorized. In

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

1967–68 planning began for the Southern California Center (SCYC), which also was projected to have a population of 4,800 wards. An administrator and secretary were authorized for this center, effective August 30, 1968. At that time it was anticipated that institutional populations would eventually exceed these capacities. Actual institutional population (department-wide) totaled 3,973 wards on December 31, 1976.

By 1970–71, only three of the projected twelve institutions had been constructed at NCYC and no additional institutions (the Youth Training School with a 1,200 ward capacity was in existence when SCYC was staffed) had been built at SCYC. At that time, the department desired to provide closer coordination between the parole and institutions programs. The Division of Rehabilitation was created in the department's headquarters by combining the institution and parole divisions, and the administrative superintendents of NCYC and SCYC were reclassified as Chiefs of Rehabilitation Services, north and south.

Over the years, the north and south branch staffs expanded to a total of 14 positions (seven each). This organization remained essentially the same until the current year when eight of these positions (four from each branch) were transferred to the central headquarters. Thus, each of the two branch headquarters now contains a CEA III, an administrative assistant and a secretary.

We believe these remaining six positions are not cost effective. They lack supporting professional staff and requisite authority to resolve problems and provide managerial assistance to institutional superintendents and parole unit administrators. Moreover, the department's desire to split the parole and institutions branch into two separate branches (discussed earlier) eliminates the primary reason for the creation of the North-South Branch organization. Accordingly, we recommend deletion of these positions for a savings of $215,000 in the budget year.

Budget for Capacity-Related Alterations

We recommend that the department not make permanent modifications to dormitory units which reduce capacity unless such projects are reviewed and approved by the Legislature.

During 1975–76 the department altered a 50-bed living unit at the Northern Reception Center/Clinic, located in Sacramento County, to a 35-bed unit in order to provide more "program" space, i.e., a multi-purpose room, a library and office space.

It should be noted that population levels can fluctuate significantly (as recently as one year ago the department was concerned that population might exceed institution capacity by the end of 1977–78), new construction is expensive and the reduction in living unit capacity significantly increases per capita costs. (The increased cost was approximately $3,000 per ward per year in the case cited above.) Therefore, we recommend that the department undertake no projects which reduce living unit capacity without legislative approval through the capital outlay budget review process.

Reception Center Processing

We recommend that the department review the reception center program for the purpose of reducing the amount of ward free time by shortening the reception process and report to the Joint Legislative Budget Committee by November 1, 1977.

The department states that the typical ward is directly involved in the reception center placement process for slightly less than one hour per day, or 26 hours out of a 28-day stay at the reception centers. After allowing approximately 14 hours for eating, sleeping and other personal time requirements, the ward has approximately nine hours per day of free time. As discussed in the capital outlay section of this analysis, the department has requested $72,000 for working drawings for gymnasiums at the northern and southern Reception Centers/Clinics. The requested gymnasiums would reduce this free time by one hour per day, leaving eight hours of free time.

We believe the department should review its reception center program with a goal of eliminating a significant portion of the remaining free time by shortening the reception process. We recommend that the department report to the Joint Legislative Budget Committee by November 1, 1977 on the results of this review.

Public Works Employment Act of 1976

We recommend that the department identify the expenditure level planned for its federally funded "Operation Maintenance Catch-up" program and adjust its reimbursement schedule accordingly.

The Governor's Budget reflects a two-year $2,948,931 program entitled "Operation Maintenance Catch-up" which the Department of the Youth Authority reports will be funded from the Public Works Employment Act of 1976 (PWEA). We understand that the department has applied to the Employment Development Department (EDD), which administers the PWEA funds, for only $1,736,706. However, the PWEA display contained on page 653 of the Governor's Budget (within EDDs budget) does not reflect any Department of the Youth Authority expenditures from this funding source. The Departments of the Youth Authority and Finance should explain this apparent inconsistency and adjust the Department of the Youth Authority reimbursement schedule accordingly.

Probation Subsidy Program Overbudgeted

We recommend that the probation subsidy program (Item 280) be reduced by $1.3 million to reflect a more realistic expenditure level.

The probation subsidy program was established in 1965 to encourage greater use of probation by sharing with the counties savings resulting to the state from a reduction in commitments of juveniles and adults to state institutions. Participating counties must make "earnings" based on a prescribed formula set forth in the Welfare and Institutions Code. The county achieves earnings by reducing its combined level of adult and juvenile commitments below a base commitment rate previously established. For each reduction in its base commitment level, the county is reimbursed (up to a maximum of $4,000) its actual cost of providing an enriched probation program meeting minimum standards prescribed by the Youth Authority.

DEPARTMENT OF THE YOUTH AUTHORITY—Continued

As shown in Table 4, this program has been consistently overbudgeted for the last four fiscal years. Additionally, the number of counties participating in the program and county "earnings," which determine probation subsidy expenditures, have been declining over the past several years.

Table 4

Probation Subsidy Savings

	1973–74	*1974–75*	*1975–76*	*1976–77 (est.)*
Budgeted	$23,742,000	$24,100,665 [a]	$21,687,000	$19,687,000
Expended	20,410,354	22,248,284	20,759,555	18,317,616
Savings	$3,331,646	$1,852,381	$927,445 [b]	$1,369,384

[a] Includes $2,174,000 appropriated by Chapter 411, Statutes of 1974, primarily for treatment of offenders or alleged offenders by local law enforcement agencies.

[b] Includes $914,258 transferred to departmental support.

Despite these indicators and estimated current-year savings of $1,369,384, an appropriation equal to the current support level is requested in the Governor's Budget. Based upon estimated current year savings, we believe that $1.3 million can be deleted from the department's probation subsidy request.

Juvenile Justice Legislation [Chapter 1071, Statutes of 1976 (AB 3121)]

We recommend that Item 281 ($2,658,000) be deleted from the Budget Bill and that the issue of reimbursing local costs for the "juvenile justice" revisions imposed by AB 3121 be addressed through the regular legislative process.

Chapter 1071, Statutes of 1976 (AB 3121) made major changes in the way juveniles are processed by the criminal justice system at the local level. The act:

(1) Permits the detention of "status offenders" (run-aways, for example) only in shelter care facilities, crisis resolution homes or other nonsecure facilities.

(2) Requires each county probation department to establish a program of pre-adjudication home supervision and to place specified minors in the program. Probation officers or aides assigned to this program are limited to a caseload of no more than 10 minors.

(3) Revises existing procedures regarding juvenile court fitness hearings for minors, 16 years of age or older at the time of the alleged commission of an offense, who are charged with specified felonies (murder, certain arsons, robberies, rapes, kidnapings, assaults and discharges of firearms). The juvenile court is required to find such minors unfit for juvenile court proceedings unless it determines, based upon specified criteria, that the minor would be amenable to juvenile court care, treatment and training.

(4) Requires the prosecuting attorney, rather than the probation officer, to initiate action in juvenile court (i.e., file the petition) in cases involving minors accused of law violations.

(5) Modifies existing law under which the probation officer is permitted to place a minor in an informal supervision program for up to

six months in lieu of filing a petition to initiate juvenile court action, or subsequent to dismissal of a petition already filed.

(6) Requires the court to declare an offense committed by a minor to be a felony or misdemeanor if the same offense, if committed by an adult is punishable as a felony or misdemeanor. The act specifies that the minor cannot be held in physical confinement for a period exceeding the maximum term which could be imposed on an adult for a similar offense.

During legislative hearings on AB 3121 the cost aspects, as well as the substantive changes, were considered at length. As finally chaptered, the bill contained an "offsetting savings" SB 90 reimbursement disclaimer clause. Despite this provision, the Governor's Budget proposes a $2,658,000 appropriation to reimburse local governments for costs imposed by the act and further indicates that the administration will propose a deficiency bill in the amount of $1,329,000 to pay such costs in the current year. It should also be noted that the budget of the Office of Criminal Justice Planning indicates that approximately $2.8 million of federal Juvenile Justice and Delinquency Prevention funds will be distributed in 1976–77 and 1977–78 to the counties for the purpose of deinstitutionalizing "status offenders."

In our view, the proposal to reconsider a local mandate funding decision through the Budget Bill poses three serious problems. First, while it is clear that AB 3121 will significantly increase county costs, the act specifically disclaims responsibility for such costs. We believe it is inappropriate to, in effect, delete the SB 90 disclaimer through the Budget Bill when it was thoroughly debated during legislative hearings on the bill.

Second, the Department of Finance local mandate cost estimate upon which this budget proposal is based contains various assumptions which we find questionable. For example, it assumes that because the prosecuting attorney must file the petition and present it to the juvenile court, the probation officer will not have to be present during the adjudication phase of the juvenile court hearing. This assumption overlooks Section 581 of the Welfare and Institutions Code, which requires that the probation officer be present in all of these hearings unless his presence is waived by *all* parties to the proceeding (the judge or referee, the minor, *and* the probation officer himself).

Third, standards to evaluate cost increases under the bill do not exist, nor does the budget propose that any be established. Because of the complex nature of AB 3121, its widespread impact throughout the local justice system and the large amount of discretion granted to judges in implementing many of the changes it imposes, it will be extremely difficult and costly, at both the state and county level, to calculate accurately net mandated costs for each county.

Accordingly, we recommend that: (1) any decision to remove the SB 90 disclaimer be made through the regular legislative process by amending Chapter 1071, Statutes of 1976, (2) the Departments of the Youth Authority and Finance undertake a study to determine an appropriate statewide reimbursement level for local costs, and (3) that any funds appropriated to reimburse counties be distributed on a basis (such as per capita) that does not impose substantial state and local administrative costs.

Health and Welfare Agency
CALIFORNIA HEALTH FACILITIES COMMISSION

Item 282 from the California Health Facilities Commission Fund — Budget p. 735

Requested 1977–78	$855,871
Estimated 1976–77	1,096,922
Actual 1975–76	708,721
Requested decrease $241,051 (21.9 percent)	
Total recommended increase	$316,051

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *Proposed Deletion and Transfer of Positions. Increase by $316,051.* Transfer $232,371 and seven positions from Item 243 and augment by $83,680 for four positions and do not recommend transfer of the functions of the California Health Facilities Commission to the Department of Health at this time. — 668

GENERAL PROGRAM STATEMENT

The California Health Facilities Commission was created by Chapter 1242, Statutes of 1971, and charged with the responsibility of developing a uniform system of accounting and reporting for all hospitals in California. Chapter 1171, Statutes of 1974, further required the commission to develop and implement an accounting and uniform reporting system for long-term care facilities in California, in addition to the hospitals. The purpose of developing these systems of reporting requirements was to: (1) encourage economy and efficiency in providing health care services, (2) enable public agencies to make informed decisions in purchasing and administering publicly financed health care, (3) encourage organizations which provide health care insurance to take into account financial information provided to the state in establishing reimbursement rates, (4) provide a uniform health data system for use by all state agencies, (5) provide accurate information to improve budgetary planning, (6) identify and disseminate information regarding areas of economy in the provision of health care consistent with quality of care, and (7) create a body of reliable information which will facilitate commission studies that relate to the implementation of cost effectiveness programs.

ANALYSIS AND RECOMMENDATIONS

We recommend a transfer of $232,371 and seven positions from Item 243, support for the Department of Health and the augmentation of $83,680 for four positions which are proposed to be deleted from the California Health Facilities Commission. We do not recommend the transfer of the functions of the California Health Facilities Commission to the Department of Health at this time.

The budget proposes an appropriation of $855,871 from the California Health Facilities Commission Fund for support of the commission during the 1977–78 fiscal year, a decrease of $241,051, or 21.9 percent, from the current fiscal year. This proposed reduction includes the deletion of four positions and operating expenses at a cost of $83,680 and the transfer of $232,371 for seven positions and related functions to the Department of Health on January 1, 1978. The budget states that the administration will introduce legislation to transfer all of the functions of the commission to the Department of Health. It is our understanding the transfer is planned to be completed by December 1978. The administration contends that the statutory mandate of the commission will be substantially accomplished by that time.

The Department of Finance recently issued a report which recommended that the California Health Facilities Commission be phased out and its functions be transferred to the Department of Health.

The main argument advanced by the Department of Finance is that the commission's only mandated function of establishing a uniform accounting system for health care facilities has been substantially accomplished. With the virtual completion of the accounting system for hospitals the only remaining task is the development of a similar system for long-term care facilities. However, the statutory authority relating to the powers and duties of the commission indicates that the commission may not have completed its mandated responsibilities. The law requires the commission to engage in the following:

> "The commission shall establish approved systems of health facility accounting, uniform reporting, and auditing to create, to the extent feasible, *one uniform, comprehensive state system which takes into account the data requirements of all state programs. . . . Administrative agencies shall use the comprehensive system provided for in this section to the maximum extent feasible.*" (Health and Safety Code Section 441.16(c))

Assuming that the commission has fulfilled its statutory purpose, there may be compelling reasons to delay the transfer of the commission's remaining duties to the Department of Health. One reason is ability of the Department of Health to administer additional responsibilities competently in the area of health facility data collection. The Department of Health's record in administering its present health facility duties is not an impressive one. Data is collected by the Office of Statewide Health Planning and Research Development, Licensing and Certification Division, Medi-Cal Division, and the Administration Division. The lack of coordination among these various sections has resulted in duplication of effort and data. Consequently, hospitals are subjected to numerous forms and questionnaires requiring information data. In some instances, the Licensing and Certification Division has sent the hospitals hastily prepared questionnaires which subsequently received little, if any, attention from the Department of Health. It may be noteworthy that the Health Facilities Commission is currently performing systems analysis work which will reduce some duplication within the Department of Health.

CALIFORNIA HEALTH FACILITIES COMMISSION—Continued

Prospective Rate Setting

Another comparison between the commission and the Department of Health can be made in the area of rate setting. The commission offered a report to the Legislature proposing an economic stabilization program and later submitted a rate setting proposal to the Social Security Administration. The Department of Health also sent a proposal to the Social Security Administration. The commission's proposal involved several years of activity and included the input of a nationally renowned expert in the field of rate setting, while the Department of Health proposal was developed in a haphazard manner over the course of several months.

The question of whether the Health Facilities Commission should be eliminated has very significant implications for major issues which the Legislature will be confronting in the next several years. The hospital inflation rate continues to increase in excess of other services. Many people believe that some form of rate setting will occur in the next few years.

Since both the Department of Health and the Health Facilities Commission submitted proposals to develop a rate setting system, the crucial issue is who will administer rate setting? The federal government has awarded the grant to the Department of Health but the project has not been initiated because the Joint Legislative Budget Committee expressed concern that full legislative review of the proposal be conducted prior to the commencement of work and the commitment of state funds.

Under normal conditions, we do not recommend either the establishment or retention of commissions for the administration of government functions. We normally recommend existing departments assume responsibility for administering functions rather than having a commission do it. However, we believe there should be a delay in the transfer of the commission's functions to the Department of Health until the Legislature has thoroughly considered such a move.