

LOCAL ASSISTANCE**SCHOOL BOND RETIREMENT FUND**

ITEM 371 of the Budget Bill

Budget page 1224
Budget line No. 8*For Transfer by the State Controller to the General Fund From the School Bond Retirement Fund*

Amount requested ----- \$28,000,000

RECOMMENDATIONS

Amount budgeted ----- \$28,000,000

Legislative Auditors' recommendation ----- None

Reduction ----- \$28,000,000

ANALYSIS

The provisions of Item 371 of the Budget Bill would authorize the State Controller to transfer the sum of \$28,000,000 from the School Bond Retirement Fund to the General Fund.

The purpose of the transfer is to meet an assumed deficiency in the General Fund in the 1954-55 Fiscal Year.

We recommend disapproval of the item.

Reference to the use of reserve fund money for the purpose of balancing the Budget is contained in the preliminary statement of this report.

DEPARTMENT OF EDUCATION

ITEM 372 of the Budget Bill

Budget page 1221
Budget line No. 44*For Support of Child Care Centers From the General Fund*

Amount requested ----- \$4,193,000

Estimated to be expended in 1953-54 Fiscal Year ----- 3,848,885

Increase (8.9 percent) ----- \$344,115

RECOMMENDATIONS

Amount budgeted ----- \$4,193,000

Legislative Auditor's recommendation ----- 3,848,885

Reduction ----- \$344,115

Child Care Centers

The budget request for support of the Child Care Centers is \$4,193,000. This is \$344,115 or 8.9 percent higher than the estimated expenditures for the current year. However, it is \$1,176,333 less than the amount appropriated for the current year. For the past two years we have recommended reductions in this item on the basis that the program was over budgeted. The estimated unexpended balances of \$873,644 for 1952-53 and \$1,569,115 for 1953-54 indicate that our position was correct. The budget for Child Care Centers has historically been in excess of need. The following table shows the amounts that have been appropriated and the actual expenditures for the past three fiscal years.

Year	Appropriation	Expenditure	Difference
1951-52 -----	\$5,456,856	\$4,801,816	\$655,040
1952-53 -----	5,404,115	4,530,471	873,644
1953-54 -----	5,418,000	3,848,885 (Est.)	1,569,115

The Department of Education has based this year's budget on an anticipated increase of 10 percent in the hours of attendance at the centers. In our judgment the department does not have a firm basis for estimating any increase over this year's budget. We recommend that the budget be reduced to the same level as in the present year or a reduction of \$344,115.

Legislative policy with respect to state support for child care centers has been governed in large part by war emergency and economic conditions, particularly in industries engaged in production for military purposes. The nature of the original emergency in 1943 under which the act was put into effect is indicated in the declaration of policy in that act, which stated as follows:

“The policy of the Legislature in enacting this chapter is to provide a means for meeting an emergency, existing in certain communities in this State, created by the employment of women with children in industry as a direct result of the war in which the United States of America is now engaged, without imposing additional taxes on property which the owners of such property cannot, because of the burdens imposed by such war, be reasonably expected to bear.”

The act, including the declaration of legislative policy, was further amended in 1946 and in 1947. In 1949 the Legislature recognized the change in emergency wartime conditions with the finding that “such wartime emergency is rapidly disappearing so that state support for child care centers will no longer be necessary after June 30, 1950, and that while in some communities there is still a need for child care centers, such need is a matter of local rather than state interest and therefore should be supported by the local school districts after June 30, 1950.” (Chapter 780, Statutes of 1949.)

The act has been subsequently amended at each session so that the present expressed policy of the Legislature is contained in Chapter 1427, Statutes of 1953, to the effect that “The policy of the Legislature in enacting this chapter is to continue to provide until June 30, 1955, a means for meeting an emergency, existing in certain communities in the State, created by the employment of women with children, due to the increased drafting of men in the armed forces, and the extended operations increase industries, as a result of the troubled and unsettled world conditions, without imposing additional taxes on property which the owners of such property cannot, because of the burden now imposed, be reasonably expected to bear.”

The budget which is presented by the Governor for 1954-55 is a budget based upon falling state General Fund revenues and is based upon economic assumptions which include the following:

1. Reduced expenditures for national security.
2. Elimination of premium-pay overtime for some workers, dropping of marginal employees, and possibly some reduction in regular hours of employment.
3. Reduction in gross national product.
4. Reduction in personal income and spendable resources of California civilians.
5. Increased unemployment.

Although legislative policy was established at the last session continuing the authorization of child care centers on a temporary basis, we think that policy should definitely be reviewed at the next session, and in the light of present changed conditions could appropriately be reconsidered at the present session.

TEACHERS' RETIREMENT SYSTEM

ITEM 373 of the Budget Bill Budget page 1225
Budget line No. 9

For Transfer to Teachers' Permanent Fund for Operation of the State Teachers' Retirement System From the General Fund

Amount requested	\$6,301,000
Estimated to be expended in 1953-54 Fiscal Year	6,890,800
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Decrease (7.2 percent)	\$489,800

ANALYSIS

The amount requested from the General Fund is \$6,301,000 for payment of teachers' retirement. This amount covers that part of anticipated payment allowances not provided for by member contributions made for services since 1944 or by current contributions of school districts and other employing agencies.

We recommend approval of the amount requested.

ITEM 374 of the Budget Bill Budget page 1225
Budget line No. 10

For Transfer to the Retirement Annuity Fund for Operation of the State Teachers' Retirement System From the General Fund

Amount requested	\$16,619,000
Estimated to be expended in 1953-54 Fiscal Year	15,276,000
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Increase (8.7 percent)	\$1,343,000

ANALYSIS

The amount requested from the General Fund is \$16,619,000 for payment of teachers' retirement allowances. This amount covers that part of the estimated allowances to be paid during 1954-55 which is not funded by members' contributions for services performed since 1944, or by current contributions of school districts and other employing agencies. The amount requested also includes subventions to local retirement systems in accordance with Section 14565 of the Teachers' Retirement Act.

We recommend approval of the amount requested.

SUBVENTIONS FOR EDUCATION

ITEM 375 of the Budget Bill Budget page 1227
Budget line No. 9

For Support of Free Textbooks From the General Fund

Amount requested	\$2,514,125
Estimated to be expended in 1953-54 Fiscal Year	3,356,951
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Decrease (25.1 percent)	\$842,826

RECOMMENDATIONS

Amount budgeted -----	\$2,514,125
Legislative Auditor's recommendation -----	2,514,125
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Reduction -----	None

ANALYSIS

The amount requested for the cost of printing, shipping and royalty payments is \$2,514,125 which is \$842,826 or 25.1 percent less than the estimated amount for the 1953-54 Fiscal Year. The cost of printing is \$1,020,195 below the current year's cost because of a reduction in the number of copies to be printed. Royalty and distribution charges are up by \$177,268 and \$6,000 respectively because of the increase in the number of copies that will be distributed to the local school districts.

We recommend approval as submitted.

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

ITEM 376 of the Budget Bill Budget page 1228
Budget line No. 51

For Assistance to Cities, Counties, Local Health Agencies and Local Health Districts, for Health Departments, From the General Fund

Amount requested -----	\$3,118,944
Estimated to be expended in 1953-54 Fiscal Year -----	2,991,695
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Increase (4.3 percent) -----	\$127,249

RECOMMENDATIONS

Amount budgeted -----	\$3,118,944
Legislative Auditor's recommendation -----	3,118,944
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Reduction -----	None

ANALYSIS

We recommend approval of this item in the amount of \$3,118,944 as requested. These funds are allocated to qualifying local health departments which meet minimum standards established by the State Board of Public Health. These funds are distributed in accordance with the formula set forth in Section 1141 of the Health and Safety Code. The law provides for a basic allotment, to administrative bodies serving one or more counties, of \$16,000 or 60 cents per capita per county, whichever is the lesser. If a county is divided into two or more local health department jurisdictions, the basic allotment is divided in proportion to population served, except that no funds are made available to independent health departments serving cities of less than 50,000 population. The law further provides that after deducting amounts allowed for basic allotments the balance of the appropriation shall be allotted on a per capita basis to the administrative body of each local health department in the proportion that the population of the local health jurisdiction bears to the population of the State as a whole.

The amount requested is based on a population estimate of 12,525,000 and would provide a per capita distribution of 20.735401 cents in addition to the basic allotments. The amount requested continues the present level of state assistance.

In addition to the amount appropriated by this item, an estimated \$387,117 in federal funds will be available for distribution to local health departments.

SERVICES TO COUNTIES WITHOUT LOCAL HEALTH DEPARTMENTS

ITEM 377 of the Budget Bill

Budget page 1229
Budget line No. 30

For Services to Counties Without Local Health Departments, Department of Public Health, From the General Fund

Amount budgeted	\$18,197
Legislative Auditor's recommendation	18,197
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Reduction	None

ANALYSIS

Chapter 740, Statutes of 1953, authorized the State Department of Public Health to furnish local public health services to counties of less than 40,000 population in accordance with agreements with the boards of supervisors of such counties. It is provided that to be eligible the counties must appropriate a sum the equivalent of not less than 55 cents per capita for the total county population. It is further provided that state funds appropriated for public health services in counties which have not qualified shall be available for this service.

During the current year it is estimated that \$8,555 will be expended under this program from funds appropriated for aid to local health departments. This item provides funds for this program for the budget year.

We recommend approval as requested.

TUBERCULOSIS SANATORIA

ITEM 378 of the Budget Bill

Budget page 1229
Budget line No. 49

For Subsidies to Cities, Counties, and Cities and Counties for Maintenance of the Tuberculosis Sanatoria, Department of Public Health, From the General Fund

Amount requested	\$5,365,518
Estimated to be expended in 1953-54 Fiscal Year	5,266,348
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Increase (1.9 percent)	\$99,170

RECOMMENDATIONS

Amount budgeted	\$5,365,518
Legislative Auditor's recommendation	5,365,518
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Reduction	None

ANALYSIS

We recommend approval of this item in the amount of \$5,365,518 as requested for state grants-in-aid for the care and treatment of tuberculosis patients. The amount of the tuberculosis subsidy to cities, counties, and cities and counties is based on schedules found in Sections 3301.5 and 3301.6 of the Health and Safety Code.

**Department of Public Health
CRIPPLED CHILDREN SERVICES**

ITEM 379 of the Budget Bill

Budget page 1230
Budget line No. 7

*For Assistance to Counties for Crippled Children Services From the
General Fund*

Amount requested	\$3,600,000
Estimated to be expended in 1953-54 Fiscal Year	3,000,000
Increase (20 percent)	\$600,000

RECOMMENDATIONS

Amount budgeted	\$3,600,000
Legislative Auditor's recommendation	3,600,000
Reduction	None

ANALYSIS

The amount of \$3,600,000 requested will provide \$3,000,000 for assistance to counties in the care and treatment of handicapped children and \$600,000 for expert diagnosis which is supported entirely by state funds. The entire cost of diagnosis during the 1952-53 Fiscal Year was paid from support funds. During the current year it is estimated that \$450,000 will be expended for diagnosis from the support item and \$150,000 will be expended from the local assistance item. This item provides for the financing of all diagnosis from moneys provided for local assistance during the budget year. In comparing current year expenditures with the amount requested it should be noted, therefore, that \$450,000 of the proposed \$600,000 increase in this item is the result of the transfer of amounts requested for diagnosis from the support item to local assistance.

Estimated expenditures for crippled children services during the budget year are \$6,537,129; of this amount \$4,565,495, or 69.8 percent is scheduled for expenditure from state funds and \$1,971,634, or 30.2 percent will be supported by county contributions. The proposed state expenditure consists of this subvention item for treatment and care and diagnosis, a subvention item of \$550,022 to provide for the employment of therapists for cerebral palsy classes and \$415,473 for state administration.

The legal basis for the entire program is found in the Crippled Children's Act (Division I, Part I, Chapter 2, Article 2, Health and Safety Code), which was enacted in 1927. The State Department of Public Health is directed by this act to establish and administer a program for handicapped children. It further directs the department to seek out handicapped children and provide expert diagnosis. During the first 10 years children with orthopedic, eye and plastic defects and those with multiple congenital anomalies were covered. Since that initial period, the scope of the program has been broadened to include many categories of crippling conditions not originally considered. In 1940 rheumatic fever and rheumatic heart disease programs were operated in demonstration areas and were financed from federal funds. In 1949 the Legislature appropriated money for a state-wide rheumatic fever program. In 1943 a program for treatment of conditions leading

to the loss of hearing was added, and in 1946 a program for children with cerebral palsy was established by legislative action.

The Crippled Children's Act makes it mandatory upon the county to appropriate not less than one-tenth mill on each dollar of assessed property valuation for the purpose of financing the program. The State, through its subvention program each year, augments county funds appropriated for the support of this program. The rapidly increasing cost of the program in recent years is the result of a combination of factors, namely: (1) additional counties organizing programs for crippled children and expansion of existing programs; (2) expanding scope of the program to include additional categories as medically eligible; (3) increased cost of treatment and care, and (4) normal state growth and the disproportionate increase in school age children.

The funds appropriated by this item for care and treatment of handicapped children will be distributed on the basis of a formula included as a part of the appropriation item. This is the same formula as the one adopted by the Legislature for distribution of funds during the current year except that the additional \$10,000 allotment allowed each county during the transition year of 1953-54 will not be allowed during the budget year. The cost of expert diagnosis is borne entirely by the State and reimbursements to the counties or direct payment of costs of diagnosis will not be subject to the formula.

We recommend approval of the amount requested.

CEREBRAL PALSIED CHILDREN

ITEM 380 of the Budget Bill

Budget page 1230
Budget line No. 61

For Assistance to Local Agencies and Costs to the State for the Employment of Technical Personnel for Treatment of Minors With Cerebral Palsy Attending Special Schools or Classes, Department of Public Health, From the General Fund

Amount requested	\$525,928
Estimated to be expended in 1953-54 Fiscal Year	439,653
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Increase (19.6 percent)	\$86,275

RECOMMENDATIONS

Amount budgeted	\$525,928
Legislative Auditor's recommendation	525,928
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Reduction	None

ANALYSIS

This item provides for the continued employment of therapists employed from subvended funds appropriated by this item during the current year. It also provides funds for the employment of therapists by the State Department of Public Health for assignment to classes for cerebral palsied children where local agencies are unable or not ready to employ such personnel directly. The policy of the department is to transfer personnel provided by this item to local agency pay rolls as rapidly as possible.

The amount requested will provide 122 therapists, an increase of 21 over the number budgeted for during the current year. The 122 therapists provided by this budget are required by classes presently organized.

We recommend approval as submitted.

**Department of Public Health
MOSQUITO AND GNAT CONTROL**

ITEM 381 of the Budget Bill

Budget page 1231
Budget line No. 8

For Subsidies to Local Districts and Other Public Agencies for the Control of Mosquitoes and Gnats, Department of Public Health, From the General Fund

Amount requested	\$400,000
Estimated to be expended in 1953-54 Fiscal Year	700,000
Decrease (42.0 percent)	<u>\$300,000</u>

RECOMMENDATIONS

Amount budgeted	\$400,000
Legislative Auditor's recommendation	<u>400,000</u>
Reduction	None

ANALYSIS

Authority for this program is found in Chapter 5.5 of Division 3 of the Health and Safety Code. This chapter on mosquito control was added by Chapter 704, Statutes of 1947, and amended by Chapter 695, Statutes of 1949, to include the control of gnats. Section 2426 provides that the department may enter into cooperative agreements with any local district or public agency engaged in the control of mosquitoes or gnats or both, under conditions to be prescribed by the State Board of Public Health. Such agreements may provide for financial assistance by the State but the state total contribution shall not exceed 50 percent of the entire cost of the proposed activity.

During the current year there is available \$700,000 for subventions to assist in the control of mosquitoes and gnats. This is made up of the \$400,000 appropriated by the Budget Act of 1953 and an additional \$300,000 appropriated by Chapter 1763, Statutes of 1953, to extend through the current year expanded activities related to the control of encephalitis.

The amount requested is the same as originally appropriated by the Legislature in 1947, and the same amount has been appropriated by an item in the Budget Act each year since. An additional amount of \$250,000 was made available from the Emergency Fund during 1952-53 because of an encephalitis outbreak and this expanded activity was continued through the current year by a special appropriation of \$300,000 to augment the Budget Act item.

We recommend approval as submitted.

HOSPITAL CONSTRUCTION

ITEM 382 of the Budget Bill

Budget page 1232
Budget line No. 8*For Assistance to Local Agencies for Hospital Construction From the***General Fund**

Amount requested	\$1,166,027
Estimated to be expended in 1953-54 Fiscal Year	2,138,590
Decrease (45.5 percent)	\$972,563

RECOMMENDATIONS

Amount budgeted	\$1,166,027
Legislative Auditor's recommendation	1,166,027
Reduction	None

ANALYSIS

The funds appropriated by this item would provide for continued participation in the federal hospital construction program (Public Law 725) on a matching basis. This item also reappropriates the unexpended balance of Item 405, Chapter 971, Statutes of 1953. Authority for this program is found in Sections 430-435.7 of the Health and Safety Code. The code provides that the amount of state assistance which shall be provided to any public agency for hospital construction shall be a sum equal to the assistance received by the public agency for that hospital under the federal act, but in no event shall the amount of the state assistance exceed one-third of the cost of construction of the hospital.

It is estimated that federal funds in the total amount of \$4,297,132 will be available during the budget year. It is also estimated that General Fund allocations necessary to match available federal funds will amount to \$1,066,421 more than the proposed appropriation, but that contracts requiring this amount in state funds will not be formalized until the 1955-56 Fiscal Year.

The amount requested is based on continuation of the present program in which state assistance is given only in the case of public hospitals or health centers, although the Constitution was amended in 1952 to allow private nonprofit hospitals to receive state as well as federal funds.

We recommend approval as submitted.

Department of Public Works**FLOOD CONTROL**

ITEM 383 of the Budget Bill

Budget page 1233
Budget line No. 65*For Allocation to the State Water Resources Board for Reallocation to the Los Angeles County Flood Control District for the Los Angeles River Watershed Project From the Flood Control Fund of 1946*

Amount requested	\$820,000
Estimated to be expended in 1953-54 Fiscal Year	455,000
Increase (80.2 percent)	\$365,000

RECOMMENDATIONS

Amount budgeted	\$820,000
Legislative Auditor's recommendation	820,000
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Reduction	None

ANALYSIS

Section 52 of the State Water Resources Act of 1945 gave specific authorization to this project at an estimated cost to the State of \$1,882,000. This amount was based upon 1944 costs, and indications are that the revised estimate will be nearly double the original estimate.

A total of \$1,274,000 has been appropriated by the Legislature to cover the cost of state cooperation on the project, of which approximately \$662,042 has been expended to date. The request for \$820,000 for the 1954-55 Fiscal Year would provide for a continuation of this work.

We recommend approval of the amount requested.

ITEM 384 of the Budget Bill

Budget page 1233
Budget line No. 62

For Allocation to the State Water Resources Board for Reallocation to the Los Angeles County Flood Control District for the Los Angeles and San Gabriel Rivers and Ballona Creek Project From the Flood Control Fund of 1946

Amount requested	\$7,991,000
Estimated to be expended in 1953-54 Fiscal Year	5,705,945
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Increase (40.0 percent)	\$2,285,055

RECOMMENDATIONS

Amount budgeted	\$7,991,000
Legislative Auditor's recommendation	7,991,000
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Reduction	None

ANALYSIS

The Los Angeles and San Gabriel Rivers and Ballona Creek Project was authorized by Section 29 of the State Water Resources Act of 1945. The original cost estimate was \$22,500,000, but increases in construction and land costs during the past 10 years have rendered this figure meaningless. Present estimates are that the cost of state cooperation on the project will be more than twice the original amount.

The cost of construction is being borne by the U. S. Corps of Engineers, and state participation is limited to the purchase of lands, easements, and rights of way. The Legislature has appropriated \$9,872,000 for this project, of which approximately \$4,388,233 has been expended to date.

We recommend approval of the amount requested.

FLOOD CONTROL FUND OF 1946

ITEM 385 of the Budget Bill

Budget page 1238
Budget line No. 7

For Transfer to the Flood Control Fund of 1946 From the General Fund

Amount budgeted -----	\$3,849,537
Legislative Auditor's recommendation -----	3,849,537
Reduction -----	None

ANALYSIS

This item provides for an augmentation of the Flood Control Fund of 1946 in the amount of \$3,849,537. Item 366 of the budget bill appropriates \$1,500,000 to the Reclamation Board and items 384-85 appropriate a total of \$8,811,000 to the State Water Resources Board from the Flood Control Fund of 1946. If the Legislature approves these three items, the total appropriation from the Flood Control Fund of 1946 for the 1954-55 Fiscal Year will be \$10,311,000. Since the amount available would be only \$6,461,463 (comprised of unappropriated surplus, July 1, 1954—\$6,181,463; and interest on investments—\$280,000), it will be necessary to transfer the sum of \$3,849,537 from the General Fund to the Flood Control Fund of 1946 to meet the appropriation requirements of the three items mentioned above.

We recommend approval of the amount requested.

LOCAL INSPECTION OF HOMES AND AGENCIES, CARE FOR AGED AND CHILDREN

ITEM 386 of the Budget Bill

Budget page 1244
Budget line No. 29

For Reimbursement of Expenses by Counties and Cities in Maintaining Approved Services for the Licensing and Inspection of Agencies for Child Care and Agencies for the Care of the Aged From the General Fund

Amount requested -----	\$969,750
Estimated to be expended in 1953-54 Fiscal Year -----	766,812
Increase (26.5 percent) -----	\$202,938

ANALYSIS

Effective July 1, 1954, the maximum average payment for licensing functions performed by the counties will be increased from \$4 per month to \$5 per month for each institution licensed by the counties. Chapter 1496, Statutes of 1953, provided for the increase in average payments to the counties.

We recommend approval of the item as submitted.

LOCAL INSPECTION OF HOMES AND AGENCIES, CARE FOR AGED AND CHILDREN

ITEM 387 of the Budget Bill

Budget page 1244
Budget line No. 31

For Reimbursement of Expenses by Counties and Cities in Maintaining Approved Services for the Licensing and Inspection of Agencies for Child Care and Agencies for the Care of the Aged From the General Fund

Amount budgeted -----	\$32,500
Legislative Auditor's recommendation -----	32,500
Reduction -----	None

ANALYSIS

This request will be used to reimburse the counties and cities for expenditures incurred in the 1953-54 Fiscal Year and for which funds are not available from the current appropriation.

We recommend approval of the item as submitted.

REIMBURSEMENT TO COUNTIES FOR ADMINISTRATION AND CARE OF ADOPTIONS

ITEM 388 of the Budget Bill

Budget page 1244
Budget line No. 64

For Reimbursement to Counties for Administration and Care of Adoptions From the General Fund

Amount requested	\$1,390,200
Estimated to be expended in 1953-54 Fiscal Year	1,303,469
Increase (6.7 percent)	\$86,731

ANALYSIS

The increase of \$86,731 in this item is due primarily to an increase in the number of adoptions which will be handled by licensed county agencies and to an increase in the maximum amount for reimbursement of county administrative costs and care of children until they are placed for adoption. It is estimated that the number of licensed public adoption agencies will increase from 14 in 1953-54 to 19 in 1954-55. The item contains amounts for reimbursement of county administrative costs and for cost of care of children, not exceeding an average of \$300 per child, from the time of relinquishment until the time of placement for adoption. Chapter 1342, Statutes of 1953, provided for an increase from \$200 to \$300 per child as the maximum state reimbursement to the counties for administrative costs and cost of care of children until they are placed for adoption.

We recommend approval of the item as submitted.

TRANSPORTATION OF NEEDY CHILDREN

ITEM 389 of the Budget Bill

Budget page 1245
Budget line No. 74

For Reimbursement to Counties for the Cost of Transporting Needy Children to Homes Without the State Pursuant to Section 1580 of the Welfare and Institutions Code From the General Fund

Amount requested	\$2,500
Estimated to be expended in 1953-54 Fiscal Year	2,500
Increase	None

ANALYSIS

We recommend approval of this item as submitted.

SUBVENTIONS FOR OTHER PURPOSES
Salaries of Superior Court Judges

ITEM 390 of the Budget Bill

Budget page 1246
Budget line No. 48

*For State's Share of Salaries of Judges of Superior Courts From the
 General Fund*

Amount requested	\$1,770,000
Estimated to be expended in 1953-54 Fiscal Year	1,702,877
Increase (3.8 percent)	\$67,323

ANALYSIS

Under the provisions of Section 69640 of the Government Code, the State contributes \$7,500 per year towards the salary of each judge of the superior courts. The amount budgeted is to provide this amount for each of the 236 judges authorized by existing law.

We recommend approval.

County Service Officers

ITEM 391 of the Budget Bill

Budget page 1247
Budget line No. 18

*For Contributions to Counties Toward the Compensation and Expenses of
 County Service Officers From the General Fund*

Amount budgeted	\$350,000
Legislative Auditor's recommendation	None
Reduction	\$350,000

ANALYSIS

The county service officer program was first established by Chapter 429, Statutes of 1939, which added Section 970 to the Military and Veterans Code. This section permitted the board of supervisors of any county to appoint, prescribe the qualifications of and fix the compensation of an officer to be termed a "county service officer." Chapter 207, Statutes of 1951, amended this section by specifying that such an appointee shall be a veteran.

Chapter 1493, Statutes of 1945, added Section 972 to the Military and Veterans Code, which permitted the Veterans' Welfare Board, out of any state moneys available therefor, to contribute towards the compensation and expenses of any county service officer established by any county. Contributions by the Veterans' Welfare Board towards the payment of the salary of the county service officer are restricted to a maximum of \$75 per month. All legislation concerning the establishment of county service officers and state contributions to the costs of these officers is on a permissive basis.

In order to determine the nature of the services performed by county service officers, a member of our staff spent a full day at each of the county service offices in Sacramento (Sacramento County), Auburn (Placer County), Fresno (Fresno County), and Martinez (Contra

Costa County). The services performed by the county service officers are generally in connection with the following categories:

Federal Benefits	State Benefits
Allotments	Farm and Home Purchases
Pensions	State Educational Assistance
Compensation	State Veterans' Home
Federal Insurance	Employment
Medical Care	Record Establishment
Federal Death Benefits	Legal and Court Assistance
Burial Allowances	Tax Exemption
Federal Loans	Local Financial Aid
Federal Educational Assistance	Aid in Securing Housing
Decorations	Reports to Local Government
Discharges	Agencies and State Department of Veterans' Affairs
Miscellaneous	

We have kept a log of the actual work and contacts and interviews performed at each of the offices mentioned above. An analysis of these logs indicates that each day in these offices is more or less a repetition of calls by veterans, veterans' dependents, veterans' friends or relatives, all seeking some form of assistance such as hospitalization, food and lodging, burial allowances, employment, disability benefits, entry to a federal or state veterans' home, legal aid of one kind or another, et cetera. We found also that each county service officer prepared a monthly summary of the number of claims filed and established, the number of veterans interviewed, the number of new cases opened, and a tabulation of the monetary or the monetary equivalent recoveries made as a result of the initiation of the various claims. We believe that it is reasonable to assume that much of the actual cash recovery or equivalent value goes towards relieving what would otherwise be county welfare obligations. For instance, in the report for October of 1953 for the Contra Costa County Service Office there is listed an item, "estimated bed days and savings to county." This amounted to 500 days or \$4,000 which was saved for the county as a result of this many days of hospitalization in facilities other than those supported by the county, generally federal Veterans' Administration hospitals. It would appear, then, that the county service officer, as a focal point for veteran activities, is of direct benefit, financial and otherwise, to the county by reason of securing federal and state funds or other assistance for veterans. Consequently, it would seem that since the sole beneficiary, in a governmental sense, is the county, then the county should bear the entire cost of the county service office.

Our attempts to obtain information from local posts of various veterans' organizations have been rather unsatisfactory. However, we have evidence that in many cases county service officers disseminate information to post service officers in bulletin form. In turn, apparently the county service officers receive information from the State Department of Veterans' Affairs which is then included in the Post Service Officer's Bulletin. From our conversations with members of a number of veterans' organization posts, it would appear that the post service officers' activities have declined over the years to the point where most of them

are now simply referring the requests of members or nonmember veterans to the county service officer, rather than to attempt to handle the problems themselves. In this sense there appears to be very little duplication between the work done by the county service officer and the designated veterans' post service officer. In other words, the establishment of the county service officer has relieved the veterans' organizations of the necessity to perform the sort of work for which these organizations were primarily established in the first place.

In view of the foregoing, we believe the costs of the county service office should be wholly a county charge and that no contributions should be made by the State towards either the salaries or operating expenses of the personnel involved. The State is one of the levels of government which is providing the actual monetary assistance to the veteran. As such it should not also be required to help defray the costs of establishing claims against itself. The counties receive substantial economic benefits from the disability benefits, insurance payments, compensations, federal and state hospitalizations, et cetera. Consequently, we believe they should bear the cost of operating the county service offices. Therefore, we recommend deleting this item.

County Agricultural Commissioners

ITEM 392 of the Budget Bill

Budget page 1247
Budget line No. 42

For Salaries of County Agricultural Commissioners or Compensation for Service Performed for County Agricultural Departments, Department of Agriculture, From the General Fund

Amount requested	\$141,162
Estimated to be expended in 1953-54 Fiscal Year	131,274
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Increase (7.53 percent)	\$9,888

ANALYSIS

This item provides for the payment by the State of not more than two-thirds of the Agricultural Commissioners' salary, or \$3,000, whichever is the lesser, in accordance with Section 63.5 of the Agricultural Code.

The State participates in this program in order to secure uniform enforcement of the Agricultural Code.

We recommend approval of the item as submitted although we believe that this statute should be reviewed by the 1955 Legislature for possible elimination of the requirement for State participation.

Workmen's Compensation for Civil Defense Workers

ITEM 393 of the Budget Bill

Budget page 1247
Budget line No. 63

For Furnishing of Workmen's Compensation to Civil Defense Workers, Office of Civil Defense, From the General Fund

Amount requested	\$35,000
Estimated to be expended in 1953-54 Fiscal Year	25,000
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Increase (40 percent)	\$10,000

ANALYSIS

This item provides hospitalization, medical care, and services of the State Compensation Insurance Fund for the civil defense workers injured during training.

We recommend approval as submitted.

DEPARTMENT OF THE YOUTH AUTHORITY
Juvenile Homes and Camps

ITEM 394 of the Budget Bill

Budget page 1248
 Budget line No. 9

For Reimbursement to Counties for Maintenance of Juvenile Homes and Camps, Youth Authority, From the General Fund

Amount requested -----	\$971,000
Estimated to be expended in 1953-54 Fiscal Year -----	793,100
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Increase (22.4 percent) -----	\$177,900

RECOMMENDATIONS

Amount budgeted -----	\$971,000
Legislative Auditor's recommendation -----	971,000
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Reduction -----	None

ANALYSIS

These expenditures are for the purpose of reimbursing counties which establish homes, ranches, or camps for juvenile offenders under the provisions of Sections 950 through 960 of the Welfare and Institutions Code. Reimbursement is for one-half of the operating costs of such facilities, but not exceeding \$95 per month per ward. The maximum of \$95 is effective on the first of July, 1954, having been raised by the Legislature in 1953 from the \$80 effective during the current year. It is expected that such reimbursement will be required for 887 wards during the budget year.

The total cost of operating the presently established 16 camps in 10 counties for the budget year is expected to be \$2,175,040. The counties' share is estimated at \$1,204,040 with the State paying \$971,000. The per capita cost of such care amounts to \$2,452 compared with \$3,430 per capita in the Youth Authority, exclusive of the parole program.

Assistance to counties for the operation of juvenile homes and camps was begun in 1945 at which time the rate of reimbursement was \$50. The rate was changed to \$80 in 1949 and revised to the \$95 figure in 1953.

On the other hand the counties pay the State at the rate of \$25 per month per ward for juvenile offenders committed to the Youth Authority. This rate was established by the Legislature in 1947. From 1943 until 1947 the rate was \$20 per month per ward with provision for a rate not to exceed \$40, if the county could be reimbursed for the cost by parents, relatives, guardian, or the ward's estate.

Thus from the counties' point of view it will cost either one-half of actual per capita cost, or the excess over \$95, depending on whether the per capita cost is more than \$190 per month, to care for a juvenile offender in county facilities whereas it will only cost the county \$25 a month if the juvenile is committed to the Youth Authority. The

Revenues started accruing to this fund on May 21, 1946, while benefit payments started December 1, 1946. If the estimates for 1954-55 are correct, that year will be the first in the history of the fund when revenues and expenditures will be approximately equal in amount.

As we pointed out in our budget analyses for 1952-53 and 1953-54, the Department of Employment is using "performance budgeting" as recommended by the Hoover Commission for the Federal Government, at least insofar as salaries and wages are concerned, a type of budgeting which we believe to be much more meaningful as to the functions performed than that used by other state agencies. We recommend studies by appropriate committees of the Legislature looking toward possible application of this type of budgeting to state agencies in general.

Contingent Fund

ITEM 396 of the Budget Bill

Budget page 1304
Budget line No. 39

For Support of the Department of Employment From the Department of Employment Contingent Fund

Amount requested	\$21,190
Estimated to be expended in 1953-54 Fiscal Year	403,269
Decrease (94.7 percent)	\$382,079

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$343,021	—\$343,021	---	1329	28
Operating expense	—39,058	—39,058	---	1329	29
Equipment	---	---	---	---	---
Total increase	—\$382,079	—\$382,079	---	1329	31

RECOMMENDATIONS

Amount budgeted	\$21,190
Legislative Auditor's Recommendation	21,190
Reduction	None

ANALYSIS

Item 423 of the Budget Act of 1953 appropriated \$63,605 for support of the Department of Employment from the Department of Employment Contingent Fund during 1953-54. This appropriation, shown on budget page 1304, line 39, was to defray one-half the cost of the Division of Development and Stabilization of Employment, plus related overhead, the other half being financed from federal grants. Of this amount it is estimated that \$9,628 will not be needed during the current year, the amount shown as unexpended balance, estimated saving, budget page 1304, line 44. This leaves estimated expenditures for this program for 1953-54 of the difference between the two, or \$53,977.

The appropriation was augmented by a deficiency authorization of \$375,000, executive order No. D53-176, of which \$349,292, budget page 1304, line 40, is for support and the remainder of \$25,708, budget page 1304, line 49, is for the state contributions to the State Employees Retirement Fund. The deficiency authorization was to cover the cost of an expanded program for the detection and prevention of fraudulent and improper benefit claims under the Unemployment Insurance Code for

which federal grants for the current year are insufficient, and was made as a result of the findings of the subcommittee of the Assembly Standing Committee on Finance and Insurance pursuant to House Resolution 77.

Since no appropriation is requested from the Department of Employment Contingent Fund for fraud investigation during 1954-55, because it is hoped that federal grants for this purpose will be adequate, the appropriate comparison between the amount requested for 1954-55 and the estimated to be expended in 1953-54 should exclude this item and is as follows:

Amount requested for 1954-55	\$21,190
Estimated to be expended in 1953-54 Fiscal Year	53,997
Decrease (60.8 percent)	—\$32,807

The staff originally authorized for the Division of Development and Stabilization of Employment for 1953-54 consisted of 16 people. This has been reduced by the Department of Employment itself to five for the current and budget years. Of the five the position of public assistance program specialist, budget page 1321, line 47, was transferred from the Department of Social Welfare to administer the program of the Governor's Committee on Aging which is financed from a number of other funds, only a small part of the costs being attributable to the Department of Employment. Reimbursements to the Department of Employment for this activity are estimated at \$7,318 for 1953-54 and \$10,978 for 1954-55 as shown on budget page 1321, line 66. The activity was placed in this division of the Department of Employment as a matter of convenience.

The program of the Department of Employment has accordingly been reduced to three technical and a part of one clerical units of personnel, with related overhead, and we recommend its continuance during the budget year at the reduced level, one-half of the total cost to be financed from federal grants.

Fraud Investigation

The Fraud Investigation Section, formerly a part of the Division of Public Employment Offices and Benefit Payments, was made directly responsible to the director of the department by the provisions of Chapter 1275, Statutes of 1953.

The Fraud Investigation Section was increased from an actual staff of 34.3 during 1952-53 to an authorized staff of 77 during 1953-54 and 1954-55, the 1953-54 increase being financed in part by the deficiency authorization previously referred to.

The results of this stepped up program are indicated by the following comparison between fraud and investigation activities for the months of December 1952 and December 1953 as indicated by the department's reports to the Governor for those months.

<i>Activity</i>	<i>December 1952</i>	<i>December 1953</i>
Cases received for investigation during month	167	300
Cases disposed of during month	116	479
Cases pending at end of month	577	2,050
Convictions obtained as result of prosecutions	41	173
Amount of overpayments established during prior month	\$42,200	\$96,400
Amount of overpayments recovered during prior month	\$44,900	\$69,600

At the end of December, 1953, prosecutions were pending in 222 cases.

There are indications that the findings of the subcommittee of the Assembly Standing Committee on Finance and Insurance as to the extent of fraudulent and improper unemployment insurance payments in California, as set forth in its report of May 1, 1953, have had repercussions on a nation-wide scale and as a consequence that the Federal Government will be more apt to provide adequate funds for fraud investigations during 1954-55 than it has in the past, which should obviate the necessity for any further appropriations from the Department of Employment Contingent Fund for this purpose.

Department of Employment Contingent Fund

A summary of the transactions in the Department of Employment Contingent Fund from the date of its inception on January 20, 1945, to June 30, 1955, is shown in Table 1, in thousands of dollars:

TABLE 1—DEPARTMENT OF EMPLOYMENT CONTINGENT FUND (IN THOUSANDS)

Period	Revenues		Expenditures		Ending balance (5)
	Rent from state-owned buildings (1)	All other net (2)	Capital outlay (3)	All other (4)	
	January 30, 1945, to June 30, 1952, actual	\$61	\$5,477	\$4,893	
1952-53, actual	158	820	934	62	513
1953-54, estimated	299	807	---	433	1,186
1954-55, estimated	412	903	1	22	2,478
Totals	\$930	\$8,007	\$5,828	\$631	\$2,478

The revenue for rent from state-owned buildings of \$930,000 shown in column 1 is the rental from branch offices constructed from the capital expenditures of \$5,828,000 shown in column 3. The rental is to be paid chiefly out of federal grants. The Disability Fund will pay a small part as will the General Fund, the latter for space occupied by the Board of Equalization in the building in Riverside. Rental payments will terminate when the Contingent Fund has been reimbursed for the entire cost of the buildings. Table 2, which follows, shows the detail of the actual rentals received for 1951-52 and 1952-53 and the estimated rentals for 1953-54 and 1954-55, by location of the buildings involved. All of these buildings are branch offices, with the exception of that in Sacramento which is a warehouse at Ninth and R Streets used for storage of supplies and equipment and certain inactive records.

TABLE 2—RENTAL REVENUE, BY LOCATIONS

Location	Rentals			
	1951-52	1952-53	1953-54	1954-55
1. Chico	\$5,876	\$8,080	\$8,814	\$8,814
2. Long Beach	33,600	46,200	50,400	50,400
3. Riverside	9,647	17,687	19,295	19,295
4. Redding	3,673	8,080	8,814	8,814
5. Bakersfield	7,712	21,207	23,135	23,135
6. Stockton	---	30,386	33,148	33,148
7. Santa Rosa	---	6,375	12,751	12,751
8. Hollywood	---	7,896	23,687	23,687
9. Sacramento	---	9,247	27,741	27,741
10. Salinas	---	2,062	12,375	12,375

TABLE 2—RENTAL REVENUE, BY LOCATIONS—Continued

Location	Rentals			
	1951-52	1952-53	1953-54	1954-55
11. Santa Barbara -----	---	\$1,063	\$12,755	\$12,755
12. Fullerton -----	---	---	7,989	7,989
13. San Francisco -----	---	---	50,200	86,056
14. Indio -----	---	---	2,121	8,484
15. Eureka -----	---	---	2,107	12,642
16. San Bernardino -----	---	---	2,240	26,880
17. Vallejo -----	---	---	1,080	12,954
18. Inglewood -----	---	---	---	24,360
Totals -----	\$60,508	\$158,283	\$298,652	\$412,280

Revenue of \$8,007,000 shown in column 2 of Table 1 is from interest, penalties and fines collected on contributions from employers and employees less interest paid on refunds and judgments, which is nominal at present, plus a few small miscellaneous items.

The expenditures for capital outlay of \$5,828,000 shown in column 3 of Table 1 are for the construction of the branch offices shown in Table 2, including the Sacramento warehouse and including \$500,000 advanced to cover part of the cost of the plans for the Department of Employment headquarters building on the Capitol Mall in Sacramento, which is now under construction.

The 1953 Legislature, by an amendment to Section 3125 of the Unemployment Insurance Code, authorized the Disability Fund, out of which the construction of the Mall building is to be financed, to reimburse the Contingent Fund for this advance. This section reads in part as follows:

“Of the amount herein authorized to be invested upon request of the Director of Employment, there shall be transferred by the Controller five hundred thousand dollars (\$500,000) to the Department of Employment Contingent Fund in repayment of the amount authorized to be expended from that fund for preliminary plans and specifications under Chapter 34 of the Statutes of 1950 (Third Extraordinary Session).”

Funds for the acquisition of sites and construction of the branch office buildings at the locations shown in Table 2 were appropriated by the Legislature prior to the 1953 Session. At that session a request for funds for additional branch office construction was denied on the basis that their cost, if leased, would continue to be borne as a reimbursement from the Federal Government.

The principal item in the other expenditures of \$631,000 shown in column 4 of Table 1 is the deficiency authorization of \$375,000 for fraud investigation.

The estimated balances in the fund of \$1,186,000 at June 30, 1954, and \$2,478,000 at June 30, 1955, shown in column 5 of Table 1 are exclusive of the \$500,000 repayable from the Disability Fund which was advanced for the Mall building plans.

OTHER ITEMS NOT CONTAINED IN BUDGET BILL

Although this analysis is confined mainly to items in the Budget Bill, in certain cases items in the Budget Act of 1953 are not contained in the Budget Bill of 1954. Two of these are explained as follows:

BOARD OF STATE HARBOR COMMISSIONERS, SAN FRANCISCO

The Board of State Harbor Commissioners, San Francisco, in accordance with provisions of the State Harbors and Navigation Code, has the responsibilities of providing, operating and maintaining facilities adequately to carry on the commerce of the Port of San Francisco.

The activities of the Harbor Board are supported from the San Francisco Harbor Improvement Fund to which accrues all the harbor revenue, with the exception of moneys derived from bond sales for which special accounts are provided. (Section 1706 of the Harbors and Navigation Code.) The fund is classified in the appendix to the budget document as one of four "utility funds" which are defined as follows:

"Utility funds operate under state control for the benefit of the public and derive their resources from charges to those who use the service, and are not supported from taxes or other state revenues. They are not functions subject to the regulatory or police powers of the State."

Since 1923 the appropriations for support of the Harbor Board from the San Francisco Harbor Improvement Fund have been included in the Budget Bill, although it is recognized as a utility fund in counter-distinction to appropriations for other state agencies operating out of state revenues and also contrary to the policy of omission of budget bill appropriations for the support of the remaining three utility funds which are also included in the appendix to the budget but not taken into the budget totals.

An opinion rendered by the Office of the Attorney General, numbered 53/117 and dated September 23, 1953, determines that the funding provisions as they now appear in the Harbors and Navigation Code constitute a continuing appropriation and it is unnecessary to include appropriations for support of the Harbor Board and its activities in the Budget Bill. However, it is pointed out in the opinion of the Attorney General that, if the Legislature so desires, it may require the Harbor Board to file a budget and to secure budgetary appropriation.

The Harbor Board will continue to submit a statement of its estimates of receipts and expenditures and show changes in its budget assets as presented in the Governor's Budget. Although the detail presented in the budget document will be in different form, it is more readily prepared from the accounts of the Harbor Board than under the procedure of prior budget presentation, and while the Legislature may, if it so desires, make a budget act appropriation which would be controlling, we see no particular reason why the operations of the San Francisco Harbor Improvement Fund could not be removed from annual legislative appropriations in keeping with policy already established as to the three other utility funds in the appendix to the budget.

SAN FRANCISCO BAY AREA RAPID TRANSIT COMMISSION

ANALYSIS

The San Francisco Bay Area Rapid Transit Commission, composed of the Director of Public Works and 26 members from the nine Bay area counties, was created by Chapter 1760, Statutes of 1951, and supported by an appropriation of \$50,000 contained in that act for the purpose of studying and investigating the rapid transit problems of the San Francisco area and reporting to the 1953 Regular Session of the Legislature. Provision was contained in the act that the commission was to terminate on December 31, 1953, unless the commission, by two-thirds vote, extended its life to a date not later than December 31, 1955.

A preliminary report was made to the Legislature in 1953 and the commission, by resolution, extended its life until 1955. At the same session legislation was enacted which appropriated \$400,000 to the commission for further studies of a rapid transit system, available for expenditure only on condition that the nine Bay area counties appropriated \$350,000. This appropriation has been made or committed by the nine counties, which, together with prior year legislative appropriations, makes available \$638,756 budgeted for expenditure in the current fiscal year, \$106,830 in 1954-55 and \$28,058 in a subsequent year.

Proposed expenditures for this year include operating expenses of the commission and \$600,000 for a contract for engineering survey services. It is noted that operating expenses of the commission also include for the current and the budget year \$25,000 for fiscal consultants, \$30,000 for legal services and \$22,000 for public relations services on a contract basis.