

the county from persons legally responsible for the care of the ward or from the ward's estate) and one-half of the cost of maintaining a ward in county facilities up to \$190 per month, plus all of the excess cost over that figure, actually mitigates against the expansion of the county juvenile home and camp program.

We specifically recommend that statutory changes be enacted to raise the cost to the counties of commitments to the Youth Authority to the present \$95 per month subvention figure with provision for adjusting the cost to any subsequent changes in the subvention figure.

We recognize that this change in the law would have the effect of causing the counties to directly pay a larger share of the cost of care of juvenile delinquents. In the long run, however, net savings should result. The entire cost of juvenile delinquency, regardless of whether expended by the State or the county, must ultimately be borne by the taxpayer, and to the extent that the juvenile home and camp program was expanded because of the incentive of equal cost to the county, more wards would be cared for at the lower per capita cost county level and fewer at the more expensive Youth Authority level.

One other beneficial result should be noted. Equalizing the cost to the county, regardless of how it chose to care for its own delinquent children, would equalize the burden of such care as between those counties which have assumed the higher cost (to them) of county level care, and those who continue to rely solely on the state facilities for those juveniles requiring custodial care.

If the equalization of comparable charges which we recommend had been in effect for the current year, reimbursement to the State would have amounted to 3.8 times the \$677,070 now estimated, or \$2,572,866. This is approximately one-quarter of the estimated cost of the Youth Authority for the same period.

This, of course, is merely a shifting of the burden from one tax shoulder to another. The real savings to the taxpayer can be calculated at the rate of \$1,068 for every ward cared for at the county level who would otherwise be cared for in a Youth Authority facility. This is the difference in per capita costs, and does not include the costs of Youth Authority parole or other current expense costs.

DEPARTMENT OF EMPLOYMENT

DISABILITY AND HOSPITAL BENEFITS PROGRAM

ITEM 423 of the Budget Bill

Budget page 1371

Budget line No. 25

For Support of Disability and Hospital Benefits Program From the Unemployment Compensation Disability Fund

Amount requested	\$3,565,900
Estimated to be expended in 1954-55 Fiscal Year	3,318,187
Increase (7.5 percent)	\$247,713

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$154,254	\$154,254	---	1397	21
Operating expense -----	103,686	103,686	---	1397	22
Equipment -----	-10,227	-10,227	---	1397	23
Total increase -----	\$247,713	\$247,713	---	1397	25

RECOMMENDATIONS

Amount budgeted -----	\$3,565,900
Legislative Auditor's recommendation -----	3,562,750
Reduction -----	\$3,150

ANALYSIS

The major activity of the Department of Employment consists in the administration of the unemployment insurance and employment service programs which are financed entirely by grants of federal funds and are not subject to the same degree of budgetary control as are the operations of a normal state agency.

The department also administers the disability and hospital benefits program which is a state program, subject to state control but many of its operations are so closely integrated with those of the other programs as to render the usual type of budget analysis impossible.

In addition, a small part of the agencies' activities are financed from the Department of Employment Contingent Fund, which is a state fund, subject to state control.

Expenditures for administrative purposes from the three funds involved are as follows:

Fund	Estimated	Proposed	Increase	
	1954-55	1955-56	Amount	Percent
Unemployment Administration Fund	\$21,541,228	\$22,647,557	\$1,106,329	5.1
Unemployment Compensation Disability Fund -----	3,318,187	3,565,900	247,713	7.5
Department of Employment Contingent Fund -----	37,268	38,543	1,275	3.4
Totals -----	\$24,896,683	\$26,252,000	\$1,355,317	5.4

The foregoing expenditures from the Unemployment Administration Fund and the Unemployment Compensation Disability Fund are not included in the budget totals, although those from the Department of Employment Contingent Fund are. Likewise the benefit payments made under the two major programs, unemployment insurance, and disability insurance are also omitted from the budget totals. Unemployment insurance benefits are paid out of the Unemployment Fund held in trust in the Federal Treasury, on requisition by the Director of the Department of Employment, while disability insurance benefits are paid out of the Unemployment Compensation Disability Fund in the State Treasury. Payments are as follows:

	Actual 1953-54	Estimated 1954-55	Estimated 1955-56
Unemployment insurance -----	\$124,993,158	\$160,000,000	\$172,000,000
Disability insurance -----	38,195,311	45,005,632	48,630,000
Totals -----	\$163,188,469	\$205,005,632	\$220,630,000

The degree of interrelationship of the various programs is indicated by the distribution of the proposed expenditures for 1955-56 among the various operating units of the Department of Employment as shown in the following tabulation:

Support Expenditures, Department of Employment, by Funds and Operating Units, 1955-56

Operating unit	Unemployment			Total
	Administration Fund	Disability Fund	Contingent Fund	
Office of the director	\$65,126	\$15,014	\$250	\$80,390
Job Development Section	23,316	---	23,316	46,632
Legal Section	72,917	10,325	---	83,242
Research and Statistics Section	201,166	52,937	---	254,103
Employment Service Technical Section	76,876	---	1,151	78,027
Benefit Payments Technical Section	115,690	---	50	115,740
Interstate unit	264,696	1,064	---	265,760
Farm Placement Section	512,189	---	50	512,239
Division of Appeals	1,064,155	119,720	---	1,183,875
Division of Public Employment Offices and Benefit Payments	10,342,210	106,097	1,148	10,449,455
Division of Accounts and Tax Collections	1,705,872	106,074	---	1,811,946
Division of Inspection and Investigation	649,733	12,335	---	662,068
Division of Administration and Finance	7,526,285	553,677	12,578	8,092,540
State Advisory Council	1,600	---	---	1,600
Division of Disability and Hospital Benefits	25,726	2,588,657	---	2,614,383
Totals	\$22,647,557	\$3,565,900	\$38,543	\$26,252,000

Charges are accumulated in each of the various operating units by programs, salaries being distributed on the basis of daily time reports. Budgeting generally is on a performance basis, and in many respects is the best in the state service.

Positions financed by the three funds, as shown on budget page 1397, are as follows for the last three fiscal years:

Fund	Filled 1953-54	Authorized 1954-55	Authorized 1955-56
Unemployment Administration	3,397.7	3,423.1	3,472.9
Unemployment Compensation Disability	561.8	596.6	623.2
Department of Employment Contingent	5.8	3.1	3.1
Total	3,965.3	4,022.8	4,099.2

The only positions which can be clearly identified in the printed budget as being devoted to the disability and hospital benefits program are the following, in the division of disability and hospital benefits:

Administration, budget page 1394	14.5
Claims control, budget page 1395	36
District offices, budget page 1395	326.1
Office of medical director, budget page 1396	6
Total	382.6

It is proposed to add three positions in the claims control section and 21 in the district offices, at a total cost of \$77,832, to take care of increased work load.

We recommend approval of these positions.

A saving of \$162,564 is expected to be realized during 1954-55 in the amount as originally budgeted for that year, due in part to the fact that anticipated increases in work load during the current year, due to changes in the law which became effective January 1, 1954, have failed to materialize. A substantial part of the total increase of \$247,713 requested for 1955-56 is due to rebudgeting for this increased work load, the impact of which is now being felt.

Revenues for the Disability Fund, consisting largely of contributions from employees, exceeded expenditures, including benefit payments, during 1953-54, a condition which it is estimated will continue during 1954-55 and 1955-56, resulting in an increase in the fund balance from \$128,708,300, on July 1, 1953, to \$145,161,815 on June 30, 1956, as shown in detail on budget page 1398.

Automobile Replacements	
Budget page 1394, line 77 (1 car)-----	\$1,050
Budget page 1396, line 11 (2 cars)-----	2,100
Total -----	\$3,150

We recommend deletion of this amount with an appropriate adjustment of the agency budget by the Department of Finance to permit the payment of mileage for rental of cars from the state pool. We also recommend augmentation of the Purchasing Revolving Fund in an amount sufficient to permit the furnishing of adequate automotive service to the agency from the state pool either on a day-to-day basis or monthly assignment basis.

We are recommending similar adjustments in the budgets of other agencies where addition or replacement passenger vehicles are involved. This is part of an over-all recommendation looking toward the eventual centralized ownership of all state cars in order to achieve the maximum benefits to be derived from broad fleet ownership and control, central maintenance, and extension of pool operations to the extent feasible and economical, as explained in detail in a special section in connection with Section 3 of the Budget Bill.

**Department of Employment
CONTINGENT FUND**

ITEM 424 of the Budget Bill

Budget page 1371
Budget line No. 44

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

Amount requested-----	\$38,543
Estimated to be expended in 1954-55 Fiscal Year-----	37,268
Increase (3.4 percent) -----	\$1,275

Employment

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages-----	\$1,215	\$1,215	---	1397	29
Operating expense-----	60	60	---	1397	30
Total increase-----	\$1,275	\$1,275	---	1397	33

RECOMMENDATIONS

Amount budgeted-----	\$38,543
Legislative Auditor's recommendation-----	38,543
Reduction-----	None

ANALYSIS

The amount requested is to finance half the total cost of \$46,632 of the Job Development Section (Budget page 1373), consisting of five positions and related travel expenses, plus overhead, and is computed as follows:

Job Development Section, one-half of \$46,632-----	\$23,316
Division of Administration and Finance, pro rata-----	12,578
Employment Service, Technical Section, Pro Rata-----	1,151
Division of Public Employment Offices and Benefit Payments, Pro Rata-----	1,148
Office of the Director, Pro Rata-----	250
Benefit Payments Technical Section, Pro Rata-----	50
Farm Replacement Section, Pro Rata-----	50
Total-----	\$38,543

The functions of the Job Development Section are to create new employment opportunities and extend existing ones and to sustain present employment opportunities by preventing the loss, interruptions or reduction of employment demands which now exist. It took over the functions of the former Division of Development and Stabilization of Employment in October, 1954, and is carrying on at the same level of service as provided for in the adjusted budget for the current year.

One-half of the direct cost of \$46,632 of the section is paid out of federal grants through the Unemployment Administration Fund.

The deficiency authorization of \$16,078 for 1954-55 shown on Budget page 1371, line 45, is to provide for an increase of two in the staff as originally budgeted for 1954-55, together with related overhead.

We recommend approval of the budget as submitted.

In the methods of financing the budget included in the introductory section of this analysis, we have recommended that the Department of Employment Contingent Fund be used for General Fund purposes.

If this action is taken by the Legislature, either at the current or any subsequent session, support for the Job Development Section could be financed, either by leaving the required amount in the Department of Employment Contingent Fund, or by financing the \$38,543 from the General Fund in case the entire balance in the contingent fund is transferred.