

California State Scholarship and Loan Commission—Continued

an adjusted family income of less than \$15,000 per year. It is estimated that 8,000 such loans will be guaranteed during the current year, the first year of the program, and that the number will increase to approximately 20,000 by 1967-68. The average amount of each loan is expected to average about \$800 during the current year.

Federal funds used to guarantee these loans are deposited in a special reserve fund, and interest income from this fund may be used to help support administrative costs to the state. Accordingly, \$80,420 in estimated interest for 1967-68 has been deducted from total budgeted administrative cost of \$108,933, reducing state cost for this program to \$28,513 for the budget year.

We have been informed that the cost of data processing services which are obtained by contract are now expected to be approximately \$23,000 for 1966-67 rather than \$30,234 as provided within the workload adjustment. *We recommend, therefore, that operating expense for this program be reduced by \$7,000.*

**CALIFORNIA STATE SCHOLARSHIP AND LOAN COMMISSION**

ITEM 98 of the Budget Bill

Budget page 381

**FOR SUPPORT OF THE CALIFORNIA STATE SCHOLARSHIP AND LOAN COMMISSION FROM THE STATE GUARANTEED LOAN RESERVE FUND**

Amount requested .....	\$80,420
Estimated to be expended in 1966-67 fiscal year .....	None
Increase .....	\$80,420

This item provides for the appropriation of \$80,420 in interest earnings from the Guaranteed Loan Reserve Fund for support of administrative expenses incurred by the State Scholarship and Loan Commission in operating the Guaranteed Loan Program.

The program is described on page 433 of this analysis. This interest income is generated from federal loan guarantee funds deposited as reserves for the student loans authorized under this program.

*We recommend approval in the amount budgeted.*

**DEPARTMENT OF EMPLOYMENT**

ITEMS 99, 100 and 101 of the Budget Bill

Budget page 384

**FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT FROM THE UNEMPLOYMENT COMPENSATION DISABILITY FUND, THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND AND THE UNEMPLOYMENT FUND**

Amount requested, Unemployment Compensation Disability Fund (Item 99) .....	\$11,431,901
Amount requested, Department of Employment Contingent Fund (Item 100) .....	499,644
Amount requested, Unemployment Fund (Item 101) .....	22,528
Total requested .....	\$11,954,073
Estimated to be expended in 1966-67 fiscal year .....	12,096,690
Decrease (1.2 percent) .....	\$142,617

Department of Employment—Continued

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The State Department of Employment administers two major programs which are designed to develop and expedite employment and to lessen hardships on the involuntarily unemployed through income stabilization. Employment opportunities, for both employees and employers, are provided by the operation of a statewide system of public employment offices. Income stabilization for the involuntarily unemployed is provided under two categories, unemployment insurance and disability and hospital benefits.

The magnitude of these two programs is indicated by projected benefit payments for the budget year. Unemployment insurance benefits are expected to total \$321,070,000 in the budget year and disability insurance benefits are projected as \$244,200,000; these programs *in toto* anticipate benefit payments of \$565,270,000 in the budget year. While the amount of individual benefit payments in both programs is determined by state law, the total expenditures in these categories reflect the rate of employment and the state of health enjoyed by persons in the labor force who meet necessary eligibility tests. The benefit amounts reported for the budget year, then, are the department's best estimates based on employment projections for the unemployment insurance program and actuarial determinations for the disability program.

Total proposed expenditures for the Department of Employment, including support and benefit payments, amount to \$648,264,330. The funding for the various departmental activities is derived from five sources as indicated below:

Federal support funds -----	\$71,040,257
State support funds	
Unemployment Compensation Disability Fund -----	11,431,901
Department of Employment Contingent Fund -----	499,644
Employment Security Financing Act (Reed Act) -----	22,528
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	\$82,994,330
Benefits	
Unemployment Fund -----	\$321,070,000
Unemployment Compensation Disability Fund -----	244,200,000
	<hr/>
	\$648,264,330

The only fund amounts which may be changed by budgetary action of the Legislature are those identified as "state support funds;" changes in benefit amounts can only be effected by statutory changes in eligibility requirements or benefit schedules, even though unemployment compensation disability benefit funds are state funds. Unemployment benefit funds and the federal funds for departmental support are provided by the Federal Bureau of Employment Security and the amounts are based on established statutes and guidelines.

**Department of Employment—Continued****ANALYSIS AND RECOMMENDATIONS****Division of Disability and Hospital Benefits**

Of the \$11,431,901 in unemployment compensation disability funds proposed for departmental administration, \$8,194,784 is provided for the direct support of the Division of Disability and Hospital Benefits. The balance, \$3,237,117, is apportioned among the various divisions of the Department of Employment in recognition of the direct and indirect services they provide the Division of Disability and Hospital Benefits.

This program is supported by a tax levied on employees' wages, and benefit payments are provided to eligible recipients for protection against the hazards of short-term nonoccupational illness or injury to stabilize income and lessen the need for public assistance. No new positions are proposed for the budget year.

**Department of Employment Contingent Fund**

Budget year expenditure of \$499,644 in Employment Contingent Fund moneys is proposed. Of this amount, \$379,292 is included to cover costs to the department for administrative pro rata charges for which the Bureau of Employment Security will not authorize the expenditure of federal funds. The balance, \$120,352 is used for partial support of the community employment programs and various operating expenses in the department. The community employment program involves working with local communities in the promotion and development of employment programs and with individual employers in the development of new industrial projects.

In the past we have recommended that any unencumbered surplus in the Employment Contingent Fund—beyond a \$1 million minimum—be transferred to the General Fund. The Legislature has approved this transfer in the past and control Section 19.1 of the Budget Act contains language to that effect for the budget year.

**Reed Act Funds**

Section 903 of the Social Security Act as amended (Reed Act) makes available funds to pay for Department of Finance audits of the unemployment insurance-employment service program. A state audit is required by state statute, but since routine federal audits are conducted, the Bureau of Employment Security will not authorize the expenditure of BES funds for what they regard as a redundant activity. Accordingly, federal funds under the terms of the Reed Act are made available for state appropriation for the state audit function. The state audit expenses, which appear as a reimbursement for the Department of Finance Audit Division, are proposed in the amount of \$22,528 for the budget year.

**Manpower Assistance and Development**

Manpower assistance and development are the two major facets of the employment services program of the Department of Employment. Manpower assistance provides job placement, counseling, testing and related job-finding activities. The primary goal of this program is the

**Department of Employment—Continued**

full and expeditious use of California's manpower resources. This work is carried out in more than 180 community area offices and is directed to the complementary needs of employees and employers. While the traditional role of the department had been largely an employment "clearinghouse" operation, in recent years particular attention has been paid the problem of various disadvantaged employees and potential employees. This involves referrals of trainable workers to training programs and the provision of special services to youth, older workers, minorities, veterans, handicapped and county welfare recipients. In this connection the manpower development element of employment services has been directed to motivating workers to develop new skills or upgrade existing skills.

In addition the department acts as the federal government's agent in providing applicants for the Job Corps, Neighborhood Youth Corps and in the referral of trainees to manpower development and training projects.

The department reports that in the budget year, major emphasis in employment services will be expressed in a four-part program:

1. Improvement of basic employment service functions to increase placements and reduce order cancellation ratios.
2. Revitalization of the employer contact program emphasizing increased contacts with more firms and smaller companies in growing industries.
3. Encouragement of employers to review hiring requirements to assure that they are based on job content.
4. Improvement of employment counseling by increasing the average number of counseling interviews.

**Department of Employment**

**COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY**

ITEM 102 of the Budget Bill

Budget page 397

**FOR SUPPORT OF THE COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND**

Amount requested .....	\$76,898
Estimated to be expended in 1966-67 fiscal year .....	69,248
<b>Increase (11.1 percent) .....</b>	<b>\$7,655</b>
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>\$76,898</b>

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
Eliminate Commission on Manpower, Automation and Technology .....	\$76,898	397	37	

**GENERAL PROGRAM STATEMENT**

The Commission on Manpower, Automation and Technology was established by Chapter 998, Statutes of 1963. It consists of 29 members, including 4 members of the Assembly, 4 members of the Senate, 15 members appointed by the Governor and 6 ex officio members. The

**Commission on Manpower, Automation and Technology—Continued**

Governor's appointments are six labor members, six management members and three public members; the ex officio members are the Directors of the Departments of Agriculture, Education, Employment, Industrial Relations, Social Welfare, and the Commissioner of the Economic Development Agency.

In addition, the statute establishing the commission created a 13-member state Manpower Advisory Committee. This committee is appointed by the Governor with three public members, three labor members, three management members and the Directors of the Departments of Agriculture, Education, Employment and Industrial Relations. The committee was created to fulfill the requirement of Section 102 of the Manpower Development and Training Act of 1962; it is charged with cooperating with the national Manpower Advisory Committee.

**ANALYSIS AND RECOMMENDATIONS**

The commission has been operative only for the periods March 1964 through June 1965 and July 1966 to the present. The Legislature did not appropriate funds for the 1965-66 fiscal year. During the first period of operation an executive secretary served the commission; since reactivation of the commission for the current year, a caretaker executive secretary was engaged September 1 pending a permanent appointment. This position was vacated January 31, 1967, and a permanent appointment has not been made. In addition, published newspaper reports indicate that the chairman of the commission plans to resign effective February 28, 1967, and close the offices of the commission unless he receives specific policy instructions from the Governor to the contrary. Although the commission has 4.1 staff positions authorized, only the position of intermediate stenographer is presently filled. The reactivated commission, due to administrative problems and the change in administration, has not become a fully functional operation.

A synopsis of the language of the commission's enabling legislation (Section 172, Labor Code) indicates the range of commission responsibilities:

1. Study production and distribution techniques to assess the impact of automation and technological change on employment opportunities, skill requirements and employee displacement.
2. Study industrial and business adjustments to automation and technological change.
3. Evaluate current training programs.
4. Recommend coordinated surveys by labor, management and government to project labor needs.
5. Stimulate a high level of initiative in the private sector of the economy to meet changing skill requirements.

None of the functions contained in the commission's enabling legislation require a commission for implementation; the existing structure and policy of the Department of Employment routinely produces much of this information and any additional research or evaluation can be implemented by existing staff at the suggestion of the director.

**Commission on Manpower, Automation and Technology—Continued**

The Secretary of Labor has been directed under Title I of the Manpower Development and Training Act to implement a national study, research and evaluation program with the same objectives expressed in the state statute governing this commission. In addition, as pointed out above, there already exists a state Manpower Advisory Committee which could coordinate any state activities in this sphere. The problems of automation and technological change as they affect manpower deployment is only part of the larger national problem which the Secretary of Labor is directed to solve. The provision of state support for activities which are essentially national in scope would appear to be superfluous. The state cannot reasonably expect to either compete with or complement in a significant manner the work of the federal government in this area with its vastly greater resources and its existing statutory requirements and policy commitments to the resolution of this problem. *Accordingly, we recommend disapproval of the entire item for a savings to the Employment Contingent Fund of \$76,898 (budget page 397, line 38).*

**BOARD OF CONTROL**

ITEM 103 of the Budget Bill

Budget page 399

**FOR SUPPORT OF THE BOARD OF CONTROL  
FROM THE GENERAL FUND**

<b>AMOUNT REQUESTED IN BUDGET BILL</b> .....		<b>\$31,138</b>
Budget request before identified adjustments .....	<b>\$31,776</b>	
Increase to recognize full workload change.....	<b>2,822</b>	
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Budget as adjusted for workload change.....	<b>\$34,598</b>	
Adjustment—undetailed reduction (10 percent).....	<b>3,460</b>	

**RECOMMENDED REDUCTION FROM WORKLOAD BUDGET**... None

**BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING** \$3,460

**GENERAL PROGRAM STATEMENT**

The Board of Control is a three-member board comprising the State Controller, the Director of the Department of General Services and one member appointed by the Governor from the general public. It has responsibility under three programs:

1. Claims against the state.
2. Rulemaking.
3. Miscellaneous fiscal matters.

**PROGRAM ANALYSIS AND RECOMMENDATIONS**

A total expenditure program of \$41,926 is proposed for this agency which is comprised of the net amount of \$31,138 requested by this item and \$10,788 to be allocated from Item 255 for administrative costs related to tort liability claims.

**1. Claims**

The board receives, processes and acts upon all claims made against the state. It exercises the power to adjudicate tort liability claims and directs payment of such claims out of funds appropriated for that