

DEPARTMENT OF AGRICULTURE**Item 63 from the General Fund**

Requested 1969-70 (augmentation)	\$109,380
Total recommended reduction	\$83,000

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Eliminate funding for Interstate Pest Control Compact.....	\$83,000	103

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Statistical Sampling Program**

We recommend, that \$26,380 for two statistical analysts as discussed in Item 64, be used for contractual services to provide the desired level of expertise in statistical sampling techniques.

ANALYSIS AND RECOMMENDATIONS

Due to the interrelationships of programs and funding we have analyzed this augmentation in Item 64.

DEPARTMENT OF AGRICULTURE**Item 64 from the General Fund**

Requested 1969-70	\$12,548,513
Estimated 1968-69	12,239,066
Actual 1967-68	12,485,978
Requested increase \$309,447 (2.5 percent)	
Total recommended reduction	\$342,090

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Eliminate Beet Leafhopper Program.....	\$327,534	104
Delete proposed program supervisor position and approve 23 other detection positions for one year only.....	14,556	110
Total recommended reduction	\$342,090	

GENERAL PROGRAM STATEMENT

The Department of Agriculture has the responsibility to promote and protect the agriculture industry while also protecting the public regarding certain aspects of health, safety and welfare. This responsibility is explicitly stated in Section 3 of the Agricultural Code. In a broad sense, the scope of departmental activities ranges from the administration of the California Land Conservation Act of 1965 through animal health and pest control to the enforcement of quality, quantity and safety standards of agricultural and consumer goods. The latter includes many agricultural field products, as well as meats, poultry, dairy products and pesticides.

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The department's finances are derived from two major sources, the General Fund and the Department of Agriculture Fund. The former is generally expended to support activities which benefit or protect the general public, while the latter supports activities that serve identifiable interests which pay the costs of benefits received.

The General Fund financing of \$12,725,015 equals 51.2 percent of the total departmental budget, while the Department of Agriculture Fund portion is 47.2 percent. Total proposed expenditures before reimbursements equal \$26,647,882. A General Fund augmentation of \$109,380 is appropriated in the preceding item.

An appropriation from the Fair and Exposition Fund derived from horseracing revenue supports the activities of the Division of Fairs and Expositions. The federal government contributes \$67,122 for matching research projects which encompass a federal-state interest. The federal contribution is matched by the General Fund. A second federal contribution is \$71,073 for services, mainly laboratory and field testing, performed by the department. Additional federal financial contributions, in the form of reimbursements and unbudgeted program support, are identified later in the discussion of individual programs, as federal participation in many instances is both sizable and crucial.

The department also collects and expends approximately \$12 million under 32 marketing order programs established at industry request to aid in solving problems relating to production and control, and to provide advertising of agricultural products. These marketing order expenditures do not appear in the Governor's Budget.

Although the funded position count declines slightly from 1,999.5 in the current year to 1,995.2 in the budget year, the department is significantly adjusting its staffing for workload and program reasons. A total of 98.7 positions are being eliminated and 114.6 new positions (including the continuation of 20.8 positions established administratively in the current year) are proposed for the 1969-70 fiscal year. Many of these workload adjustments and program changes will be noted later in the analysis when discussing the programs affected.

AGRICULTURAL PEST AND DISEASE PREVENTION

The basic objective of this program is to prevent the introduction and spread of plant and animal diseases which may represent a threat to the agricultural industry. This program includes program elements involving plant quarantine, entomology, plant pathology, weed and vertebrate pest control, apiary inspection, nursery service, animal health and laboratory services.

The cost for this program is \$8,236,549 of which the General Fund expenditure is \$7,510,850 or 91.8 percent while the Department of Agriculture Fund portion is \$604,679 or 7.3 percent. The latter is composed of \$390,566 for a portion of the pink bollworm program and \$214,113 for activities provided by the nursery service. The remaining balance of less than two percent is an expenditure reimbursed to the program by the federal government and private industry for testing services performed by the department.

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INTERSTATE PEST CONTROL COMPACT

We recommend that the \$83,000 augmentation to finance the Interstate Pest Control Compact be deleted.

The preceding item in the Governor's Budget proposes an augmentation of \$109,380. The major portion of this amount is \$83,000 which is requested as California's contribution to the pest control fund established by the Interstate Pest Control Compact.

The compact was approved by the Legislature (Chapter 1913, Statutes of 1965) subject to ratification by at least five states. Eight states have now ratified the agreement. In addition to California, other members are the scattered eastern states of Michigan, Illinois, Delaware, New Hampshire, New Jersey, Pennsylvania, and West Virginia.

The compact is designed to control and eradicate pest infestation in member states in an effort to prevent the pest from spreading to other states. Programs may be carried out in a nonmember state subject to agreement by the nonmember state. However, in order to be eligible for an apportionment, a state must have an infestation larger than it is able to control under normal conditions.

Each member state appoints a representative to the governing board established by the compact. In turn, an executive committee composed of the chairman of the governing board and four members of the board representing four geographic groupings of member states can act for the governing board.

Revenues for the pest control fund are secured by evenly dividing one-tenth of the total budget among the member states with the balance of the budget assessed to each state in proportion to the value of its agricultural and forest crops and products. Thus, California's assessment would, even if all 50 states become members, exceed any other state's contribution.

The \$83,000 in the Governor's Budget is designed to build up the fund and must be viewed as a token contribution. California's experience in eradication programs, compared to all other states is perhaps the most extensive from the standpoint of time, scope and past expenditure. Through this historical experience, California has learned that pest control programs are extremely costly and encompass operations that last many years. Some program efforts fail because by the time a pest is discovered, infestation exceeds a manageable area for eradication so that the only practical solution is one of control. Viewed over the long run, therefore, many control efforts would probably be in operation simultaneously. The total cost of the compact at that point would greatly escalate, thus impairing the financial ability of many states to participate or making them reluctant to finance problems in other states through the compact mechanism. The compact's funding formula would place California in the position of financing its internal pest eradication programs while paying a significant share of eradication costs in other states.

In addition to the costs, it is difficult to speculate how the compact mechanism could effectively achieve the biological and cultural controls which are becoming increasingly recognized as essential elements

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of many eradication efforts. Obviously the compact would have no means to achieve biological or cultural controls or any other effect in nonmember states.

These aspects would appear to contribute sufficient reasons for denying the appropriation request even if the present membership constituted an effective group for California to work with. However, the present membership of seven scattered eastern states plus California does not provide a basis for concentrated action by California or any other state. A voluntary compact between states is a limited substitute for comprehensive programs at the federal level.

BEET LEAFHOPPER

We recommend that General Fund support of the Beet Leafhopper Control Program in the amount of \$327,534 be eliminated.

We observed in our analysis of the 1968-69 fiscal year budget that one of the main policy problems and an area of increasing expenditure in the department's budget involves its pest control and eradication efforts. We pointed out that the key to some of our current problems is lack of differentiation between eradication programs and control programs.

Insect or pest eradication efforts are feasible when the technical capacity to completely eradicate exists and an insect is confined to a clearly defined and manageable geographic area. If eradication becomes too prolonged in time and there is demonstrated inability to eliminate the infestation, the effort is no longer directed at eradication but becomes a control program. A control program occurs when an infestation is so widely dispersed that eradication is impossible and only control to minimize damage is feasible.

In terms of responsibility, the two concepts are quite different. The General Fund traditionally has been used to finance an eradication effort. However, when the department seeks General Fund financing for a control effort, this amounts to the state assuming responsibility for a cost that should properly be the responsibility of an individual or industry as a cost of doing business. This is the case in the Beet Leafhopper Control Program.

The control program of the department against the beet leafhopper, which transmits "curly-top" to sugar beets and other susceptible plants, was first undertaken in 1931 and financed by the sugar beet industry. It was continued until 1943 when the industry observed that crops other than beets were affected and because resistant strains of sugar beets were being developed. Since then, the General Fund has provided 100-percent financing during the past 25 years. The department has expended approximately \$5.5 million for this program and has an additional \$327,534 proposed for the 1969-70 fiscal year. This request is an increase of 24.8 percent over the current year. We recommended last session that financial support by the General Fund be terminated and that if the program is to be continued, it be financed with industry funds.

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The beet leafhopper makes an annual migratory movement between the foothills and floor of the San Joaquin Valley. Because of this movement and the geographical areas affected, namely the coast range foothills from Tracy to Bakersfield in the San Joaquin Valley, Riverside County and more recently the Imperial Valley, control efforts are mainly directed at the plant host, the Russian thistle. The leafhopper generally overwinters in the foothills before migrating to crops on the valley floor in the early spring. The Russian thistle is not the only host plant, but is the main host where vegetation is sparse.

Besides the extensive spraying of foothill areas with DDT to kill the beet leafhopper, the Russian thistle host plant is also destroyed by the department. Much of the Russian thistle acreage can be temporarily eliminated by hand labor and mechanical means. However, in so doing, the soil is disturbed which creates an excellent seedbed for dormant thistle seeds already in the soil, thus resulting in maximum seed germination and an increased stand of thistle the following year. No possibility presently exists for completely eradicating either the host plant or the insect.

Russian thistle is one of the few plants which thrives in the crop-producing fringes of the valley and foothills. In its younger stages of growth and in the dry months, the thistle serves as cattle and sheep forage. It also serves to protect the land against erosion. For these reasons, its destruction under the beet leafhopper program has some negative values.

Since 1950, an average of 150,000 acres of thistle has been sprayed annually. For the budget year, 200,000 acres are proposed to be sprayed. Except for expanding the geographic scope of the program, we are confronted with essentially the same program as in 1946.

On occasion, the subject of biological control for both the host plant and the insect has been discussed. With respect to Russian thistle its control has been largely discounted due to the negative values noted above and also because the weed infests such a large and unmanageable area. Attempts to assess the benefits derived through biological control for leafhopper were studied as early as 1951 when General Fund money was made available for a University of California study in the Mediterranean area. In 1953, funds were also made available for a U.S.D.A. study conducted in North Africa. Parasites were collected during these studies and in cooperation with the University were released during 1954 and 1955. It was reported that a total of 586,000 parasites were released, but no tangible effective results were recorded. We understand the industry is now financing some additional work in the development of virus-resistant strains of beets.

The goal of the department now appears to be that of restricting damage directly attributable to the curly-top virus to not more than 1 percent of the total susceptible crop. However, statistically it would seem that measuring the degree of damage presents many problems. First, the area encompasses most of the agricultural land in the state. Second, numerous crops are affected, including melons, squash, pepper,

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cantaloupe and several ornamental plants. Therefore, a goal of 1 percent or less damage, which requires surveying hundreds of square miles and a score of crops, is a difficult goal against which to measure progress.

However, the basic question would still seem to be one of responsibility. We believe the state's policy should be that control expenditures are a normal cost of doing business and not a General Fund responsibility. In the case of the beet leafhopper, those who benefit most are receiving special assistance which others who must control widespread infestations of common insects do not receive.

During consideration of the 1968-69 Governor's Budget, the Legislature reaffirmed the policy that General Fund financing is to be used for "eradication" programs but not for "control" programs. With reference to the beet leafhopper program the Senate concluded that "the \$387,800 for the beet leafhopper program is approved only for 1968-69 and the department should take appropriate action to insure that the 1969-70 program and future programs will be industry financed." The Assembly Ways and Means Committee recommended that "the department and industry study the feasibility of industry assuming the full cost of the beet leafhopper control program beginning with the 1969-70 fiscal year and report back to the Legislature at the 1969 Session." Thus, both committees clearly stated their views.

The department during prior budget hearings and in a statement before the Senate Committee on Agriculture last October has continued to stress two problems which make it difficult for industry to finance the program instead of the General Fund. These are: (1) many different crops are susceptible to damage and therefore an assessment formula is difficult to develop and (2) the program involves spraying private land, the owners of which are not directly concerned with the problem.

With regard to the first difficulty, heavy damage has generally been confined to two major processing crops, i.e., beets and tomatoes, except during years of heavy infestation when some damage has occurred in melons, flax, spinach, squash and various minor crops. According to the University of California, sugar beets are the primary host and the crop on which reproduction of the leafhopper takes place in the valley. Tomatoes are a secondary host even in areas of high damage to beets. However, regardless of the number of crops that may be affected, it is the producers of these crops and not the general public who receive the major economic value. If the individual industries or crop producers involved decide that the cost of a segment of the program exceeds the benefits to them, as was determined by the citrus industry with respect to the citrus whitefly program, then the program can be discontinued or revised depending on the facts and benefits involved.

Secondly, although the spray program is confined to private lands not owned by individuals directly interested in the leafhopper program, the source of funding (whether the General Fund or industry funds)

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does not determine where the department executes a control program. The state would probably have to administer any spray program irrespective of the source of funds or extent of the program.

The department, in compliance with a directive from the Conference Committee for the Department and the industry to study the feasibility of industry support for the program, has submitted a report to the Legislature on its efforts in the last interim to serve industry financing. After reiterating its historic stand, the department's conclusion states: "We have had two meetings with industry representatives to try to find an equitable method of assessing the cost of this work to those that benefit from it. All agree that the work has been very successful in reducing losses to major crops from curly-top virus and recommend that the project continue." Considering that the department during the budget year will assess and expend approximately \$11.7 million for industry-supported programs and an additional \$12,000,000 for 32 marketing orders, this conclusion implies an unwarranted lack of ability to find a basis for industry support. The conclusion indicates that both the department and the industry will seek General Fund support for the program as long as the Legislature provides it. We continue to recommend deletion of the funding for the beet leafhopper program.

PINK BOLLWORM PROGRAM FOR 1969-70

The threat to California's cotton crop from the pink bollworm has been imminent for over a decade. When infestation finally occurred during 1965, a combined eradication and control spray program was initiated by the department. The program involved aerial spraying. Pesticide was applied with the initial goal of eradicating the infestation in the Antelope Valley to keep the insect from spreading to the San Joaquin Valley, where 90 percent of the state's cotton crop is cultivated. Simultaneously a control spray program was carried out along the Colorado River. By the end of 1966, all the remaining cotton-growing areas south of the Tehachapi Mountains were infested. Spraying activity has increased from 5,000 acres in 1965, to 116,000 acres in 1966 and 300,000 acres in 1967. Then, in 1967, four moths were discovered in the San Joaquin Valley and attention shifted there.

In December, 1967, in joint hearings before the Senate and Assembly Agriculture Committees, the department's extensive spray program was the subject of intense scrutiny which generally concluded that the spray program had failed and that cultural controls and sterile moth releases should be tried. Last session, in our analysis of the current year budget, we recommended that the spray program proposed at that time for 1968-69 be deleted from the department's budget. At the direction of the Legislature, the department presented a revised program encompassing biological control in place of spraying. The revision was essentially a joint effort by the U.S. Department of Agriculture and the state Department of Agriculture based on an agreement signed on April 5, 1968. The joint program sought to eradicate the insect from the San Joaquin Valley through the sterile moth technique

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and discontinued any spray or control efforts along the Colorado River. The \$776,560 state expenditures for the current year program as shown in the Governor's Budget is financed on an approximate 50-50 basis between the General Fund and industry funds. In addition, the U.S.D.A. is supporting the effort by matching half the total cost of the sterile moth program and providing certain detection work.

In recognition of the direct benefit to be received by the cotton industry, the Legislature had established in Chapter 170, Statutes of 1967, a 50-cent-per-bale assessment on cotton grown in California to assist in financing pink bollworm programs. At the time of this writing, the department indicated that a cash balance of \$1,090,892 was available from the assessment. Prior to the current year, the entire program has been supported by the General Fund. Shown below are the presently budgeted program costs. The substantial decrease in expenditures reflects the change from the spray to the sterile moth approach.

<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
1967-68	1968-69	1969-70
\$1,016,022	\$776,560	\$781,130

During the current year, the department enforced stringent cultural control practices and no-host periods designed to reduce the number of insects that would survive during the winter and emerge in the spring. The sterile moth release program was confined to Kern County in the San Joaquin Valley. Because of the sterile moth program, cultural controls or other factors, no moths have been found during the current year in the San Joaquin Valley.

Although the budget is silent on the budget year program details, the program will consist of further sterile moth activity in Kern County to insure that complete eradication has occurred. However, the real test of the sterile moth approach will come with the extension next year of sterile moth releases to the Coachella Valley. The department indicates that as many as 12,000 larvae per acre have been found in Coachella during the current year, representing a 40 percent infestation. Four thousand acres will be covered by the extension next year into the Coachella Valley plus a small five-acre plot at Borrego Springs in San Diego County.

LACK OF PINK BOLLWORM RESEARCH FUNDS

Although the budget indicates only a minor increase in the program expenditure from \$776,560 in 1968-69 to \$781,130 for 1969-70, the actual program increase is in excess of 13 percent. This appearance of nominal increase is explained by the transfer of \$85,940 for a research project from the Department of Agriculture budget in 1968-69 to the University of California's budget in 1969-70.

When the proposal for research was originally discussed in hearings before the subcommittees of Senate Finance and Assembly Ways and Means on the current year budget, we stressed in our analysis that if a research project was to generate answers to the current pink boll-

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worm problem "the research should be guided by the Department of Agriculture and performed in cooperation with its regulatory functions . . ." We further stressed that if research is to contribute to current problems it must be performed in the short-run and not become involved in the long-run approach that is customary for University research.

Based upon the results of the current year, the department indicates that further research effort is needed next year. The research money does not appear to be in the University's appropriation. Even if the money were available, the department by its actions has forfeited any assurance that the research will be done to aid California's current problems and be tied closely to the departments regulatory effort. We believe the department should undertake the management responsibility to administer the research program in the manner the Legislature provided last session. If the department needs an applied research effort (as opposed to basic, long-term research) we recommend that the department develop a research program and bring it to the Legislature for inclusion in the department's budget where it can be financed jointly by industry and the state.

Legislation will be needed to insure that the pink bollworm program will continue to be partially financed by industry assessment in the future. The current statute will expire February 1, 1971. Thus, if the program is to seek eradication of the pest throughout California, future funding will have to be assured.

PLANT QUARANTINE AND INCREASED DETECTION EFFORTS

We recommend that the program supervisor position (\$14,556) be deleted. We recommend approval of the other 23 detection positions for one year only, with the further condition that the department assign the positions to an integrated field detection organization.

During the current year, the department has developed a plan providing for a five-year phaseout of the 17 border inspection stations. The department has begun to implement the program during the current year. Final implementation is scheduled to occur in the 1972-73 fiscal year.

The budget year expenditure equals \$1,590,715 as compared to an expenditure of \$1,697,442 for fiscal year 1968-69 and \$1,713,810 during 1967-68. This reduction reflects the closure of three inspection stations during the current year and operational changes in eight other stations during the budget year and the elimination of 27 existing quarantine inspection positions. The budget year plan generally entails placing the subject stations on a seasonal basis and/or reducing hours of operation.

Based on workload data and field visits to most of the border stations in past years, we have recommended in previous analyses that many of the stations, particularly in the northern counties, could be closed or operated on a reduced level without significantly lowering the overall exclusion factor. The department's plan for the budget year is a first

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step which is in line with our previous recommendation. The budget year changes do not include or necessarily commit the state to closure of the major quarantine stations.

Despite the five-year phaseout of the quarantine program no economies are expected to result according to the department. The quarantine program will, in effect, be replaced by an intensified pest detection program with no net reduction in personnel or associated costs.

For many years the value of California's border stations has been widely discussed. It is generally recognized that the quarantine stations are of some, though unmeasurable, benefit with respect to precluding introductions of agricultural pests. Each year the department reports many thousand of "lots" of suspected materials intercepted while at the same time detecting many new pests throughout the state despite the quarantine station system. Some of these pests are eradicated. Many more are not and become widely established.

While no single system can hope to be 100 percent effective, it seems increasingly clear that our effort to prevent pests from entering the state is an outmoded concept of isolating California by maintaining border quarantine stations. The basic problem is to determine the extent to which the border station should be cut back and what compensating actions, if any, should be taken. There is no objective basis for solving this problem now.

In the department's budget an increased detection program is proposed directly predicated on the reductions in the quarantine system. We believe the two activities must be approached separately because there are no data upon which to relate them at this time.

The department has proposed 24 new detection positions, but has not justified the positions from the standpoint of quantifiable workload. The department should address itself to the question of the efficiency of the present detection program as opposed to stressing the subjective threat to agriculture as a result of closing the border stations. In this regard, the department, commenting in 1966 on the subject of border station closures, said that "... the Bureau of Plant Pathology has no record of the interception of a major plant pathogen, including nematodes, by any of the 18 plant quarantine border stations during the past 5 years." The department, after reviewing its records, indicates that this statement is still valid.

Six of the 24 new positions are agricultural services biologists which will be assigned to the present bureau of plant quarantine. These positions are at the managerial level and are designed to function as district supervisors. An additional 10.6 new positions, mainly specialists, are proposed for the Bureaus of Entomology and Plant Pathology. The function relating to weed and vertebrate pest control is presently void of any detection personnel and seven positions (one program supervisor and six agricultural services biologists) are being requested to staff six districts.

The entire 24 positions are to be used in detection and survey work, and we believe could be justified by the department without regard

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to the proposed plant quarantine program changes. We believe, in addition, that the department and the legislature are warranted in providing some enhanced detection capability during the period of experimentation and transition in the plant quarantine program. In order to assure a full exploration of the relationship between plant quarantine and detection efforts, we believe the department should have to rejustify the new detection positions next year.

Currently pest detection work is performed by specialists in the two Bureaus of Entomology and Pathology. Under terms of the revised organization plan, the Bureau of Plant Quarantine would establish six districts and each district would have a field staff of generalists. Additional specialists personnel, i.e., entomologists and pathologists, would serve as staff to the six districts but would organizationally report to their individual bureau chiefs instead of reporting to the supervisor of the applicable district. The department indicates that this approach would aid the overall planning and coordination effort by involving all of the bureau chiefs in the Division of Plant Industry.

If the department is establishing six new separate field detection districts, these districts should be fully integrated so that the district supervisors can utilize all the personnel, both specialists and generalists in a flexible and efficient manner. Establishing a situation where biologists are separated organizationally because some are generalists and others are specialists removes much of the supervisory latitude that should be given to the field supervisor and also tends to reduce the overall responsibility of the bureau chief of pest detection because some of the personnel report to other bureau chiefs.

At various times, in the past, we have pointed out the need for the department to integrate the supervision of its field personnel by establishing district managers to whom substantial authority would be delegated. This has not been acceptable to the interests that pay for Agriculture Fund financed activities. The plant quarantine and detection work are all in one division and are supported by the General Fund. These activities should be integrated at the district level in which case the new program supervisor in Sacramento is not needed.

AGRICULTURAL MARKETING SERVICES

This program consists of 14 elements of a regulatory, inspection or service nature to aid producers and handlers in the planning and marketing of agricultural products.

Total program expenditures are shown as \$9,972,650. The General Fund portion of this amount is \$1,618,520 or 16.2 percent and the Agricultural Fund expenditure is \$8,031,538 or 80.5 percent. The balance of the program expenditures consists of \$220,300 in industry reimbursement for servicing marketing orders, a federal contribution for matched fund marketing projects and salary reimbursements for the Market News element totaling \$102,292. An additional federal contribution of approximately \$1.2 million for support of the Market News and Agricultural Statistics programs is not reflected in the Governor's Budget.

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EXPANDED PROGRAM IN MILK REGULATION

The implementation of the milk pooling agreement which was approved recently by the milk industry pursuant to the Milk Pooling Act has resulted in the creation of two additional bureaus within the Division of Marketing Services. Formerly the functions of cost of production determination, price setting, auditing accounts at the producer and wholesale level, and establishing and enforcing controls on competition were administered by the Bureau of Milk Stabilization.

During the budget year the latter bureau will retain the function of determining production costs and establishing minimum wholesale and retail prices within the 32 price zones. The new Bureau of Milk Pooling will attempt to establish an equitable allocation of class 1 milk production among producers, while the Bureau of Milk Marketing Enforcement will administer the auditing and competitive controls formerly undertaken by the Bureau of Milk Stabilization. Financial support by the milk industry will increase from \$1,577,444 in fiscal year 1967-68 to \$3,088,858 in the budget year.

AGRICULTURAL STANDARDS AND INSPECTION SERVICE

The department conducts a variety of activities designed to regulate the quality of agricultural commodities and certain other products. For the fiscal year 1969-70, the department proposes to spend \$7,882,515, an increase of \$134,515 over the current year. General Fund involvement is approximately 45 percent of total expenditures.

Activities supported by the Agriculture Fund include the testing of fertilizers, pesticides, agricultural minerals, feeds and livestock remedies and petroleum products to insure that they comply with quality standards and that their labels provide accurate information with respect to composition and performance. Other self-supporting programs involve the regulation and licensing of agricultural pest control operators, inspection of livestock brands to establish ownership, and supervision of the work of public weighmasters. Among the quality and labeling control activities supported completely or in part by the General Fund are seed inspection, fruit and vegetable standardization, poultry, meat and egg standardization, and pesticide residue testing on fruits, vegetables and other commodities.

The department, during the budget year will begin its second full year in a cooperative program for red meat inspection under terms of the Federal Wholesome Meat Act. The total cost of the program will equal \$2,395,884, which is only slightly higher than the estimated current year expenditure of \$2,365,391. Funding for the program involves a federal reimbursement of up to 50 percent of the total cost of the program. During the budget year, the federal government will contribute an estimated \$1,020,593 to the cooperative effort.

A similar law, the Poultry Products Inspection Act, was passed by Congress last year. Individual states, as in the Meat Inspection Act, have two years from the signing of the law to comply with the federal standards. If compliance is not demonstrated, the federal government will assume the program. Otherwise, the federal government will reimburse up to 50 percent of the total cost of the program. The de-

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partment is presently negotiating with the U.S.D.A. It is anticipated that the total cost of the program, which presently is \$563,563, will double as the state complies with federal standards. The General Fund cost will remain approximately constant due to the federal reimbursement.

FAIRS AND EXPOSITIONS**Financial Support for Local Fairs**

The Division of Fairs and Expositions is charged with analyzing and recommending local fair support allocations and the allocation of capital outlay funds. The funds are distributed according to the provisions contained in Sections 19627 and 19630 of the Business and Professions Code and Sections 4401-4507 of the Agricultural Code. In addition to reviewing and approving the budgets of 71 of the 74 district and county fairs, the division also prepares a master premium list and provides advisory service relating to administration, accounting, exhibiting and maintenance.

Total expenditures for the 1969-70 fiscal year equal \$325,075. After reimbursements for premiums on liability insurance, indemnity bonds, construction supervision and administrative overhead (\$99,512), the net expenditure from the Fair and Exposition Fund equals \$225,563 for the budget year vs. \$225,520 for the current year.

In our 1968-69 budget analysis, we observed that the criteria by which the department allocates support appropriations for local fairs are arbitrary, sometimes conflicting, and burdensome. As a result, we recommended that the various sections of the Agricultural Code and the Business and Professions Code, particularly the sections under which allocations for support of the local fairs are made, should be simplified in order to provide a logical and more easily administered basis for the division to allocate support funds.

The Assembly Committee on Governmental Organization and the Senate Finance Committee both requested that this office undertake a study to accomplish the recommended objective. We are preparing and will soon issue a special report on allocation factors for local fairs. The following is a brief synopsis of our findings.

Throughout the history of financial participation by the state in support of local fairs, no objective criteria have been developed for state allocations to local fairs. The allocations are not made on any goal or established basis of need that stimulates improved management of local fairs or is in any way related to a cost-benefit evaluation. Allocations have instead been made on a rather mechanical basis to fill the gap between revenues and expenditures. The process is simply a method of distributing state funds so that each local fair can justify receiving as much as possible up to the statutory ceiling of \$65,000.

We have attempted to separate the educational, or most apparent statewide value, from the amusement portion of each fair's activity. Thus, to the extent local fairs do fulfill an educational function, state financial support if provided should be used to further that educational function. Premium payments to encourage quality exhibits is the most significant educational feature of the fair system.

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We conclude that the preferable approach to allocating state funds is for state subventions to be limited to the premiums actually paid by local fairs. In effect, the amusement function of the fair and interim activities would have to be locally self-supporting. This would be a simple, equitable and economical program to administer and at the same time, one that would recognize and differentiate between state responsibility and local autonomy. Another alternative which would encourage changing admission fees is to compute a derived revenue on the basis of 50 cents per attendee as a basis for evaluating fair revenues and costs in order to determine need for state assistance. A combination of both these approaches could also be used.

ADMINISTRATIVE SUPPORT SERVICES

The administration program includes the Division of Administration consisting of the director and his principal assistant, the fiscal office, the personnel office, an office services section, a data processing unit and an information office.

Augmentation for Statistical Sampling Program

We recommend that the funding for the proposed addition of two statistical sampling analysts at a cost of \$26,380 be used instead for outside contract services to provide the department with a high degree of statistical expertise.

The department has historically conducted many activities in the area of quality and quantity testing and sampling. Scores of edible products and other consumer goods are sampled annually to insure proper quality and quantity standards. The department has determined that evaluation of the capability of the present inspection programs to protect the public is needed along with new insights into improved inspection techniques. Historic practices should not be continued at the expense of economies that could be achieved through statistically determining the number of products that must be tested while still maintaining a given level of protection. We agree.

During the current year, the department has established a statistical sampling unit within the Division of Administration. The unit consists of two analysts. In addition, federal-state matching funds in the amount of \$15,960 are proposed for the budget year to aid in providing improved statistical indices for sampling standards.

Significant new ideas and advanced statistical techniques, which are not available to the department, could be readily obtained from an outside source. The department could assist and implement the program changes through utilization of the two presently established positions.

Outside assistance is further recommended in the interest of economy. An important aspect of sampling programs in the Department of Agriculture is that the types of products sampled would not normally be expected to change. Only the quantities would change. Institutions already exist that can provide the latest scientific sampling knowledge. Thus, the department could more expeditiously serve its objective by concentrating on the implementation of statistical sampling ideas rather than attempting to research or develop these ideas.

Department of Agriculture
MARKETING RESEARCH

Item 65 from the General Fund

Requested 1969-70	\$67,122
Estimated 1968-69	61,314
Actual 1967-68	61,489
Requested increase \$5,808 (9.5 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Under the Federal Cooperative Marketing Research program the state and federal government share equally the cost of conducting research in various agricultural projects of a joint interest.

In the budget year there are four separate marketing research projects assigned to four divisions within the department. The four projects relate to the inherent problems due to changing marketing conditions and opportunities for market expansion, the feasibility of conducting acreage surveys via aerial photography, studying registration and certification alternatives for implementing an industry supported system relating to disease-free nursery stock, and a research effort attempting to develop better statistical sampling techniques. The latter project replaces a research program involving fruit and vegetable marketing problems which was discontinued due to the withdrawal of federal financial support during the current year.

DEPARTMENT OF AGRICULTURE

Item 66 from the Agriculture Fund

Requested 1969-70	\$11,740,053
Estimated 1968-69	11,416,983
Actual 1967-68	9,150,246
Requested increase \$323,070 (2.8 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

This item appropriates from the Department of Agriculture Fund that portion of the department's budget requested by or benefiting particular agriculture groups. The fund is composed of fees and assessments derived from a variety of industry sources. Discussion of programs which are fully or partially financed by the Agriculture Fund are discussed in Item 64 of the analysis.

Department of Agriculture
DIVISION OF FAIRS AND EXPOSITIONS

Item 67 from the Fair and Exposition Fund

Requested 1969-70	\$225,563
Estimated 1968-69	225,520
Actual 1967-68	198,692
Requested increase \$43 (<1 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The Division of Fairs and Expositions derives its support through the operation of Section 19621, Business and Professions Code, which provides for an annual appropriation from the Fair and Exposition Fund to the Department of Agriculture for the cost of "supervising" local fairs. Analysis of this item is contained in Item 64.

Department of Agriculture
DISTRICT FAIRS

Item 68 from the Fair and Exposition Fund

For transfer to the General Fund	\$435,500
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the item as budgeted.

The sum of \$4,680,000 is appropriated annually from horseracing revenues in the Fair and Exposition Fund for allocation by the Department of Agriculture to district and county fairs for support purposes. The authority for this continuing appropriation is contained in Section 19627 of the Business and Professions Code.

While Section 19627 appropriates a total of \$4,680,000 each year, the code also allocates the money between district agricultural associations and the county agricultural fairs, with the limitation that the annual allocation to any one fair may not exceed \$65,000. This budget item is concerned with the district fairs. The county fairs are the subject of Item 308.

The budget proposes to continue a policy first introduced in the modified budget for the 1967-68 fiscal year. It proposes that \$435,500 of the money available for district fairs as a result of the appropriation contained in Section 19627 be reappropriated from the Fair and Exposition Fund to the General Fund. The effect of this reappropriation is for the Legislature to place the \$435,000 in the General Fund during next fiscal year rather than follow the more cumbersome administrative procedure which would place it in the General Fund at a later date.

District Fairs—Continued

The reappropriation of \$435,500 consists of \$305,500 which is a 10 percent reduction in the total amount of \$3,055,000 which the Division of Fair and Expositions would allot to qualifying district fairs for support purposes, plus an additional \$130,000 which is the allocation for one fair that does not qualify for financial support and another fair that no longer exists. The reappropriation is consistent with the action taken by the Legislature for the current year.

Department of Agriculture

THE 1-A DISTRICT AGRICULTURAL ASSOCIATION

Item 69 from the Fair and Exposition Fund

For transfer to the General Fund	\$25,000
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the item.

Pursuant to Section 19622 (c), Business and Professions Code, the sum of \$250,000 is appropriated annually from the horseracing revenues in the Fair and Exposition Fund for support of the 1-A District Agricultural Association (Cow Palace) in San Francisco. Item 69 effectuates a 10 percent reduction in this appropriation by reappropriating \$25,000 from the Fair and Exposition Fund for transfer to the General Fund. The 1-A District Fair experienced a similar reduction during the last two years.

Department of Agriculture

THE 48th DISTRICT AGRICULTURAL ASSOCIATION

Item 70 from the Fair and Exposition Fund

For transfer to the General Fund	\$12,500
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the item.

Pursuant to Section 19622 (d), Business and Professions Code, the sum of \$125,000 is appropriated annually from the horseracing revenues in the Fair and Exposition Fund for support of the 48th District Agricultural Association in Los Angeles. This item makes a 10 percent reduction in this appropriation by reappropriating \$12,500 from the Fair and Exposition Fund for transfer to the General Fund. If approved, the support appropriation will equal \$112,500, the identical appropriation authorized by the Legislature for the last two years.

POULTRY IMPROVEMENT COMMISSION**Item 71 from the General Fund**

Requested 1969-70 -----	\$13,543
Total recommended reduction -----	\$13,543

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Delete entire item -----	\$13,543	118

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

We recommend that General Fund support of the commission be deleted because any General Fund support solely to extend the commission's existence three months is an unnecessary expenditure.

GENERAL PROGRAM STATEMENT

The Poultry Improvement Commission was established and operates under the provisions of Sections 1101-1208 of the Agricultural Code. The commission consists of seven members appointed by the Governor representing the poultry industry and three ex officio members representing the University of California and the State Department of Agriculture.

The objective of the commission is to provide the poultry industry with performance and economic data based on tests of various types and strains of poultry.

ANALYSIS AND RECOMMENDATIONS

We recommend that the item be deleted.

The commission, according to the statutory intent contained in Section 1202 of the Agricultural Code, was to collect fees for poultry testing projects that would have made the activity "self-perpetuating and self-supporting." However, industry interest in the project fell short of this goal. The fees, together with revenue obtained from the sale of poultry and eggs, provided only a part of the revenues needed to cover the commission's costs. For many years the commission has been partially supported by an augmentation from the General Fund for expenditure through the Poultry Testing Project Fund. This item has been a direct appropriation from the General Fund.

The General Fund support has been gradually reduced by the Legislature and the administration during past years. It was eliminated for the 1967-68 and 1968-69 fiscal years. At the time the General Fund support was eliminated, based partly on our analysis that the commission was accomplishing little and should be fully supported by the industry if continued, we indicated that elimination of General Fund support would eventually cause the program to be terminated.

Last year the commission indicated during hearings on the current year budget that all operations were planned to cease "officially" on October 3, 1969. The testing of poultry was actually scheduled to terminate during December 1968. Accordingly, Chapter 1247, Statutes of 1968, was passed last session to terminate the commission and dispose

Poultry Improvement Commission—Continued

of its assets on October 3, 1969. In addition, the Budget Act of 1968 transfers any remaining balance in the Poultry Testing Project Fund into the General Fund on June 30, 1969. This is now estimated to be \$13,884.

The proposed budget for 1969-70 seeks a General Fund appropriation of \$13,543 for direct General Fund support of the commission activities from July 1 until October 3, 1969, and thereby extends the time for termination of its affairs and writing a final report. Since testing has terminated, the balance of the current year should be a sufficient time to formulate the final report in view of the fact that traditionally annual reports have been prepared as tests were completed. Therefore, a General Fund appropriation to prolong the activity appears unwarranted. The commissions funding should expire on June 30 pursuant to the Budget Act of 1968 and its existence terminate on October 3, 1969, pursuant to Chapter 1247.

1969-70 Analysis
DEPARTMENT OF COMMERCE

Items 72 and 73 from the General Fund

Requested 1969-70 -----	\$824,847
Estimated 1968-69 -----	854,135
Actual 1967-68 -----	775,641
Requested decrease \$29,288 (3.4 percent)	
Increase to improve level of service \$89,405	
Total recommended reduction -----	\$89,232

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Reduce Office of Tourism and Visitor Services (Item 72)-----	\$10,000	120
Reduced World Trade Division (Item 72)-----	5,000	121
Reduce Division of Economic Development (Item 72)-----	34,860	124
Reduce Museum of Science and Industry (Item 73)-----	39,372	125

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Division of Economic Development

The program of this division is too small to warrant a separate commissioner. We recommend that the department director assume supervisory control over the five positions in this division.

2. Museum of Science and Industry

A decline in sports arena parking revenues indicates that the museum faces a \$250,000 deficit during the current fiscal year. We have recommended maintaining General Fund support at current levels until an evaluation is made of the museum's financial condition.

GENERAL PROGRAM STATEMENT

The Department of Commerce is a new agency formed under the Governor's Reorganization Plan No. 1 of 1968 consolidating existing