

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

Department of Commerce—Continued

units of state government which have the responsibility of providing service to world trade development, tourism, and business and industrial development.

Included in the department are:

1. Office of Tourism and Visitor Services, formerly an independent agency reporting to the Governor.

2. World Trade Division. The division consolidates the activities formerly under the jurisdiction of the California World Trade Coordinating Council, the San Francisco World Trade Center Authority and the Southern California World Trade Center Authority.

3. The Division of Economic Development, formerly the Economic Development Agency in the Department of Finance.

4. Museum of Science and Industry, formerly administered by the Department of Agriculture.

5. San Francisco Port Authority. The authority has been transferred to the City and County of San Francisco and appears only for the purpose of reporting 1967-68 expenditures.

The Department of Commerce requests a General Fund appropriation of \$824,847 to support its various programs in 1969-70. This proposed budget represents an overall net decrease of \$29,288 compared to the current year. Program expenditures adjustment as a result of consolidation and redirection of program emphasis is shown in Table 1. The total expenditures for the Department of Commerce for 1968-69 are \$854,135. The expenditures shown in Table 1 exceed this total by \$20,250 and this difference represents the cost of the Division of Economic Development before it was transferred to the Department of Commerce.

Table 1

Department of Commerce—General Fund Support

	Estimated 1968-69	Estimated 1969-70	Expenditure change	Percent change
Executive office -----	\$48,412	\$66,251	\$17,839	36.9%
Division of Economic Development -----	90,314	121,256	30,942	34.3
Museum of Science and Industry -----	377,783	421,355	43,572	11.5
Office of Tourism and Visitor Services --	101,204	103,238	2,034	2.0
World Trade Division -----	256,672	112,747	-143,925	-56.1
Total, General Fund -----	\$874,385	\$824,847	\$-49,538	-5.6%

ANALYSIS AND RECOMMENDATIONS

i. Promotion of Tourism, World Trade and Business and Industry

Tourism Promotion

We recommend disapproval of \$10,000 for research promotion and development. The agency intends to use these funds to update a research report of dubious value and to generate additional tourist data.

The Office of Tourism and Visitor Services was established by Chapter 101, Statutes of 1964, and is advised by a 15-member commission appointed by the Governor. The office is staffed with the following authorized personnel for 1969-70.

Department of Commerce—Continued

	Positions	Monthly salary range	Total salaries
Director -----	1	\$1,443	\$17,316
Information officer II -----	1	1,100-1,337	15,468
Senior stenographer -----	1	505- 614	7,368
Stenographer II -----	1	446- 543	5,766
Clerk-typist II -----	1	415- 505	5,352
Temporary help -----	0.4	(208)	1,718
Totals, authorized positions -----	5.4	\$41,324	\$52,988

The activities of the office are generally related to public relations and include distribution of tourism literature, answering inquiries, convention and travel show presentations, and news and feature story releases to newspapers and magazines. A brochure has been prepared and is used as the basic pamphlet of California for tourists. The pamphlet is supplemented by information from private organizations and literature from other state agencies such as the Department of Parks and Recreation.

Tourism Study of Dubious Value

The Office of Tourism and Visitor Services in cooperation with the U.S. Department of Commerce contracted with Economic Research Associates, a consulting firm based in Los Angeles, to conduct a research program titled "California Tourism Industry-Trends and Investment Opportunities." The total cost of the study was \$150,000. The state's contribution was \$25,000 and the remainder was funded under the terms of a federal area redevelopment act grant.

Economic research and development, in order to be of value, must base recommendations and conclusions upon sound, accurate data. Errors in the study's basic assumption of the size and composition of tourist-related employment in California leaves in question the validity of the entire report. For example, the summary of the report estimates that 1,350,000 jobs in California are tourist related, and of those it classifies as "air transportation" 90 percent are tourist related, while 100 percent of those employed in commercial lodging and in amusement and recreation enterprises are classified as tourist related. We question these assumptions and would expect anyone investigating tourist-related investment opportunities in California to question them as well. Everyone who stays at a motel, attends a horserace, or plays a game of tennis is not necessarily a tourist or is tourist related.

The Office of Tourism is requesting \$10,000 in the budget year to update this report and to generate additional tourist data. Based upon past performance, we do not believe the expenditure of this amount can be of any benefit to the state.

World Trade Promotion

We recommend approval of the proposed world trade specialist (\$15,173). We recommend disapproval of \$5,000 for research and promotion. The new specialist position should be able to handle the research function.

Department of Commerce—Continued

The World Trade Division is a new organization replacing the World Trade Authorities Coordinating Council. The Coordinating Council, created by Chapter 1770, Statutes of 1963, became operative July 1, 1965, and consisted of nine members appointed by the Governor, three of whom were members of the San Francisco World Trade Center Authority, three were members of the Southern California World Trade Center Authority, and three were members at large.

The three world trade authorities were separately budgeted until 1967-68 when the Department of Finance consolidated their appropriations. Chapter 1352, Statutes of 1968, eliminated the three world trade authorities and established a new single California World Trade Division within the newly formed State Department of Commerce.

Table 2 illustrates the General Fund support for the full world trade program. In both 1967-68 and 1968-69, the funds for the San Francisco and Southern California World Trade Authorities are part of the Coordinating Council budget.

Table 2
A Four-Year Comparison of General Fund Support
for the World Trade Program

Agency	Actual 1966-67	Actual 1967-68	Estimated 1968-69	Proposed 1969-70
Coordinating Council -----	\$52,595	\$152,164	\$158,000	--
Overseas attaché offices -----	76,941	84,318	98,200	--
Totals -----	\$129,536	\$236,482	\$256,672	--
San Francisco Authority -----	\$69,680	--	--	--
Southern California Authority -----	37,430	--	--	--
New World Trade Division -----	--	--	--	\$112,747
Totals, General Fund Support ----	\$236,646	\$236,482	\$256,672	\$112,747

SRI Study Confirms Ineffectiveness of World Trade Program

For several years we have questioned the effectiveness of the world trade program, and in our last two analyses of the budget we have recommended that the General Fund support for this activity be deleted.

In 1967, the World Trade Coordinating Council contracted with the Stanford Research Institute to study the effectiveness of the state's world trade program. The SRI report was released in May 1968, and it contained the following findings:

1. A large portion of the California business community had never heard of the California World Trade Authorities. A still larger portion is unaware of its specific functions and very few businessmen have been assisted by CWTA.

2. A questionnaire had been sent to 914 California firms interested in foreign trade. Only 7 percent had ever been helped in any way by CWTA. Only 1.5 percent had ever been helped by CWTA trade leads.

This report recommended that the California World Trade Authorities should embark upon new functions such as sponsoring trade ex-

Department of Commerce—Continued

hibits, trade shows and trade missions and cooperate with California businessmen in dealing with foreign governments. The report was silent, however, on how these programs should be conducted, what staffing pattern, and what budgetary support would be required.

Reorganization of the World Trade Program

In December 1968, the Director of the Department of Commerce reorganized the world trade program by taking the following action:

1. The world trade offices in San Francisco and Los Angeles were closed.

2. The overseas attaché offices in Tokyo and Frankfurt are in the process of being closed.

3. The world trade library in San Francisco will continue in operation until it can be taken over by an appropriate public or private organization.

4. The new World Trade Division office will be located in Sacramento.

5. The authorized staff was reduced from 11.3 to 5 positions, including the proposed world trade specialist. Table 3 shows these staff changes.

Table 3
Comparison of World Trade Development Staff
Before and After the Reorganization

Type of position	Before	After	Difference
Commissioner -----	--	1	+1
Deputy commissioner -----	--	1	+1
World trade specialist -----	--	1	+1
Coordinating council director -----	1	--	-1
Deputy director -----	2	--	-2
Librarian -----	1	--	-1
Clerical -----	7.3	2	-5.3
Total -----	11.3	5	-6.3

We Support the Reorganization of the World Trade Program

Historically, the state's role in promoting foreign trade has been extremely limited in comparison with (a) private firms specializing in this field, (b) manufacturers and producers who promote their own foreign trade, (c) financial and transportation companies, and (d) the U.S. government operating through the State Department and the Department of Commerce. The reorganized role of the World Trade Division avoids the probability of duplicating efforts of private businesses already in this field. The new staffing pattern could serve a useful role as a catalyst in the broad area of promoting economic development in California. We approve of the proposed world trade specialist. This position should provide technical support for the program.

We disapprove of the \$5,000 item for research and promotion. The new specialist position should be able to handle the research functions without hiring outside consultants. If these funds are to be used strictly for promotion, they should be so identified, and the agency should submit specific information to justify such an expenditure.

Department of Commerce—Continued
Business and Industrial Development

We recommend disapproval of the new commissioner (\$21,000) for the Economic Development Division, and the proposed senior economist position (\$13,860).

This program is the responsibility of the Division of Economic Development, formerly the Economic Development Agency which was created by Chapter 1911, Statutes of 1959. The agency was formerly headed by a commissioner, appointed by the Governor, subject to Senate confirmation. This position, established at an annual salary of \$20,000, was reclassified and moved to the executive office when the Department of Commerce was organized. The legislation allows the appointment of technical advisory committees to the economic and development function, but there are presently no appointments in effect.

The economic development program originated in the Department of Finance with a research and forecasting function, but later shifted to public relations activities. In 1965 the agency was unable to demonstrate the effectiveness of past programs and as a result the Legislature denied its 1965-66 budget request.

The agency received a new appropriation of \$190,000 for 1966-67 based on a program designed "to help business cut governmental red tape, to assist the growth and expansion of industry and to help assure that new governmental programs do not retard growth and expansion."

This program was never implemented. The commissioner, appointed in October 1966, resigned two months later and the position remained vacant until December 1967. The remaining small EDA staff of three professional and two clerks concentrated their activities on searching for and compiling data to answer requests for information and establishing a library of reference source materials.

The division is presently staffed with the following personnel:

	Positions	Monthly salary range	Total salaries 1969-70
Senior business specialist -----	1	\$1,155-\$1,405	\$16,860
Associate business specialist -----	1	950-1,155	13,860
Associate economist -----	1	950-1,155	13,044
Senior stenographer -----	1	505-614	7,368
Stenographer II -----	1	446-543	6,516

As the program title implies, the division primarily responds to requests from business and industry for site location information and related assistance. During 1967-68, this total program consisted of only 12 new requests for location assistance. This is a very small workload.

A second subprogram, the collection, analysis and dissemination of economic data, involves primarily the housekeeping function of gathering available economic data from other agencies and consolidating the information to meet requirements of a specific request. Both subprograms are small and of questionable contribution in light of the total results achieved. The budget proposes the establishment of a commissioner (\$21,000) to direct the economic development activities and a senior economist (\$13,860) to develop additional statistical data.

Department of Commerce—Continued

We recommend that both of these new positions be denied and that the activities of the division be placed under the general supervision of the Director of Commerce. The site location program is not large enough to justify separate direction by a high salaried commissioner. The new senior economist is not justified on a workload basis. At present, the major workload of the economic data subprogram is in response to internal information requests.

II. Public Education in Science and Industry

Museum of Science and Industry

Due to the serious financial condition of the Museum of Science and Industry, both in the current and budget years, we recommend disapproval of the five new positions (\$39,372) requested for 1969-70. The administration and the Legislature should examine various alternatives other than additional General Fund Support to solve this deficit situation.

This program is limited to those activities performed by the Museum of Science and Industry which represents 277,655 square feet of building space located in Exposition Park in the City of Los Angeles. The museum was created by Chapter 69, Statutes of 1880, as the Sixth District Agricultural Association. The 1962 Legislature approved its present name which describes the facility's actual educational function. A nine-member board of directors, appointed by the Governor, administers the museum as well as 104 acres of state-owned land called Exposition Park, which is held in trust by the museum. In addition to featuring various permanent and temporary exhibits, the museum maintains an educational program consisting of lecture series, math seminars, teacher institutes, science films, and a summer science workshop.

The museum's budget is funded from two sources, the General Fund and the Museum of Science and Industry Fund. Revenue to the latter is derived primarily from parking lot fees and rental proceeds paid by the coliseum commission (representing the state and the city and county of Los Angeles) for the use of the land on which Los Angeles Memorial Coliseum and the Los Angeles Sports Arena are located. However, because these revenues would customarily accrue to the General Fund, the General Fund is, in effect, financing the museum's entire support budget which is now over \$1 million.

Table 4 shows the past, present and proposed revenues, by fund, for the support of the Museum of Science and Industry.

Table 4
Source of Funding for the Museum of Science and Industry

	Actual 1967-68	Estimated 1968-69	Proposed 1969-70
General Fund -----	\$462,400	\$395,195	\$421,355
Museum of Science and Industry Fund -----	484,016	617,566	620,202
Total -----	\$946,422	\$1,012,761	\$1,041,557

Department of Commerce—Continued
Museum Faces a \$250,000 Deficit in the Current Year

The Governor's 1969-70 Budget anticipates that revenues for 1968-69 to the Museum of Science and Industry Fund will increase \$133,550 over those of 1967-68. Instead, revenues during the first half of this fiscal year have actually declined by \$91,543. By projecting these actual midyear collection figures, it is evident that the museum fund faces a deficit of about \$250,000 during the current fiscal year. Table 5 summarizes this revenue shortage.

Table 5
Revenues to the Museum of Science and Industry Fund

	<i>Actual</i> 1967-68	1968-69	
July through December -----	\$329,151	\$237,608	Actual
January to June -----	154,865	125,000	Est.
Total -----	\$484,016	\$362,608	Est.
		\$617,506	Budget Est.
		-\$254,898	Estimated Deficit

It is our understanding that this deficit is mainly attributable to the fall-off in parking lot revenues at the Los Angeles Sports Arena. The opening of the Forum Sports Center in Inglewood has reduced attendance at the sports arena and this situation probably will continue in the future.

Department of Commerce
CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY

Item 74 from the California Museum of Science and Industry Fund

Requested 1969-70 -----	\$1,041,557
Estimated 1968-69 -----	995,349
Actual 1967-68 -----	946,422
Requested increase \$46,208 (4.6 percent)	
Increase to improve level of service \$39,372	
Total recommended reduction -----	\$39,372

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis</i> <i>page</i>
Delete five new positions -----	\$39,372	125
(These positions also appear as a reduction in Item 73)		

ANALYSIS AND RECOMMENDATIONS

This appropriation includes the General Fund support (Item 73) for the Museum of Science and Industry. Our discussion of this program is contained in the analysis of the Department of Commerce, Items 72 and 73.

OFFICE OF CONSUMER COUNSEL

Item 75 from the General Fund

Requested 1969-70	\$37,427
Estimated 1968-69	34,563
Actual 1967-68	32,068
Requested increase \$2,864 (8.3 percent)	
Total recommended reduction	\$37,427

SUMMARY OF RECOMMENDED REDUCTIONS

	Amount	Analysis page
Delete item	\$37,427	--

GENERAL PROGRAM STATEMENT

The Office of Consumer Counsel was created by Chapter 467, Statutes of 1959, and placed in the Governor's office. Pursuant to the Governor's Reorganization Plan No. 1 of 1968, the office is now located in the Agriculture and Services Agency. The stated responsibilities of the office are to (1) advise the Governor on all matters affecting the interests of the people as consumers, and (2) recommend to the Governor and to the Legislature any legislation deemed necessary to protect and promote the interests of consumers.

ANALYSIS AND RECOMMENDATIONS

We recommend the deletion of this item for a General Fund savings of \$37,427.

The budget proposes an expenditure of \$37,427, which is an increase of \$2,864 or 8.3 percent over the estimated current-year expenditure of \$34,563. Of the amount requested, \$29,590 or 79 percent is allocated for the salaries of the 2.1 authorized positions.

Although the stated responsibility of the office is to suggest consumer legislation to the Governor and to the Legislature, the program budget of the agency contains the following statement: "As a constructive alternative to what appears to be a proliferation of consumer legislation, the Consumer Counsel is developing programs and curricula for the public schools, for educational television, volunteer groups and other organizations."

Consumer Protection Services Performed by Department of Justice

The 23-member staff of the consumer fraud unit in the Department of Justice has broad responsibilities for protecting consumers against false or misleading advertising, unfair competition and unlawful business practices, and it is authorized to take legal action to correct such abuses. The work of this unit appears to encompass all of the activities in which the Consumer Counsel now engages. During its 10-year existence, the office of Consumer Counsel has received approximately 1,000 letters of complaint or inquiry from consumers, or an average of 100 such letters per year. In contrast, Table 1 illustrates the number of complaints received by the consumer fraud unit in the Department of Justice over a three-year period.

Office of Consumer Counsel—Continued

Table 1

Number of Complaints Received by Consumer Fraud Unit (1965-68)				
<i>Written complaints</i>	<i>Los Angeles</i>	<i>Sacramento</i>	<i>San Francisco</i>	<i>Total</i>
1965-66	642	194	193	1,029
1966-67	983	286	280	1,549
1967-68	1,908	448	348	2,704
<i>Telephone complaints</i>				
1965-66	1,242	246	1,675	3,163
1966-67	1,804	392	2,103	4,299
1967-68	2,614	528	2,480	5,622

All complaints received by the consumer fraud unit are reviewed and either investigated or referred to local law enforcement agencies for investigation. As a result of these investigations, the consumer fraud unit has identified problem areas and recommended corrective legislation to the Legislature.

In addition to its enforcement activities, the consumer fraud unit conducts an extensive education program for consumers and private industry groups. During the 1967-68 fiscal year, for example, the personnel of the unit made 180 speeches to consumer groups, better business bureaus and other public and private organizations. The unit's staff also maintains liaison with the state service centers and other antipoverty agencies and conducts programs to advise law enforcement agencies and poverty area attorneys on consumer fraud law and methods of protecting the poor from improper business practices.

In addition, the unit has held conferences with representatives of many state industries to discuss advertising practices. Through this program, the unit attempts to reduce the number of formal actions filed by local law enforcement agencies and the consumer fraud unit by seeking voluntary compliance with existing law and improvement in business practices.

For these reasons we see no need for continuation of the Office of Consumer Counsel.

DEPARTMENT OF CORRECTIONS

Items 76 and 77 from the General Fund

Requested 1969-70	\$94,618,600
Estimated 1968-69	90,329,889
Actual 1967-68	81,705,107
Requested increase \$4,289,711 (4.7 percent)	
Increase to improve level of service \$373,835	
Total recommended reduction	\$134,926

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Institutions		
Delete 3 supervisory cook I	\$21,564	140
Delete 9.6 correctional officers	75,700	140
Delete 3.2 medical technical assistants	22,386	141
Abolish 1 business manager II	15,276	141