

LEGISLATIVE CLAIMS—Continued

for denial by the state agency charged with their review, are brought to the attention of the respective subcommittee in each house which hears the Claims Bill. Through this review, the Legislature exercises final judgment on each general claim presented and may reduce, augment or eliminate any claim approved by the Board of Control.

This office will prepare a supplemental report on the 1974-75 claims and present it to the respective subcommittees at the time of the hearing on the Claims Bill.

Table 1 traces the history of preliminary and actual expenditures for the "omnibus claims bill."

Table 1
Proposed and Actual Expenditures for Legislative Claims

	<i>Requested^a</i>	<i>Actual^b</i>
1974-75.....	136,689	—
1973-74.....	103,549	188,860
1972-73.....	114,855	139,960
1971-72.....	95,617	395,924
1970-71.....	166,921	232,785

^a Includes claims approved by the Board of Control between March and November of the calendar year immediately preceding the respective fiscal year.

^b Includes all claims approved by the Board of Control over a 12-month period (March to March) and granted by Legislature.

Budget Bill Items 99 through 110 separate the 1974-75 total request into the General Fund and the 11 special funds from which approved claims will be paid.

Agriculture and Services
DEPARTMENT OF FOOD AND AGRICULTURE

Items 111-113 from the General
Fund, Agriculture Fund and
Fair and Exposition Fund

Budget p. 53 Program p. I-261

Requested 1974-75	\$26,993,296
Estimated 1973-74.....	25,748,264
Actual 1972-73	21,406,746
Requested increase \$1,245,032 (4.8 percent)	
Total recommended reduction	\$66,780

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Regional Coordinators.* Reduce Item 111 by \$66,780. Recommend three regional coordinator positions be eliminated. 238
2. *Pesticide Program.* Recommend pesticide program be revised to secure accurate labels, staggered registration, evaluation before registration and other improvements. 238

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pertaining to cooperation by dairymen in cattle disease test-
ing, and (2) Personnel Board review salaries and classifica-
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Food and Agriculture be reconstituted to include consum-
ers and be given departmental rule-making authority.

GENERAL PROGRAM STATEMENT

Chapter 225, Statutes of 1972, changed the title of the Department of Agriculture to Department of Food and Agriculture in order to emphasize the food and consumer aspects of the department's work.

Under the Agricultural Code the Department of Food and Agriculture has authority to: (1) promote, protect, and further the agricultural industry in the State of California, (2) assure producers, handlers and consumers true weights and measures of commodities and services, and (3) protect the health and welfare of the people of the state.

The department's activities are broad in scope and range from the financial supervision of local fairs through agricultural pest and disease control, to enforcement of quality, quantity and safety standards of certain agricultural and consumer goods.

The financial resources of the department are derived primarily from the General Fund and the Department of Agriculture Fund.

The total proposed budget for the Department of Food and Agriculture in 1974-75 is \$30,231,642. Of this \$17,226,325 will come from the General Fund while the Department of Agriculture Fund will provide \$12,672,477. The Fair and Exposition Fund which is derived from horseracing provides \$332,840 which largely supports the Division of Fairs and Expositions. The items are listed below. Additionally, the Agriculture Fund total above includes \$1,563,000 shown in the local assistance section of the budget, which amount is continuously appropriated. For 1974-75 the Department of Food and Agriculture support expenditure and General Fund local assistance discussed in the analysis are as follows:

1. Item 111, General Fund.....	\$17,050,979
2. Item 112, Agriculture Fund	9,609,477
3. Item 113, Fairs and Exposition Fund	332,840
Total	\$26,993,296

The federal government contributes a substantial amount to the overall budget of the Department of Food and Agriculture in the form of reimbursements or unbudgeted program participation. The major area of support is in the meat inspection program where the federal government will reimburse the department about \$3.5 million in 1974-75. This approximates 53 percent of the expenditures for meat inspection.

The department also collects and expends approximately \$33.8 million under 38 marketing orders or similar programs established at industry request to aid in solving problems related to production, control, and advertising of agricultural products. These marketing order expenditures do not appear in the Governor's Budget because they are handled as special trust fund accounts in the Agriculture Fund.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

In 1973 the Bureau of Weights and Measures gained division status and is now known as the Division of Quantity and Quality Assurance. The new status allows the program direct access to the Director of Food and Agriculture. Its program responsibilities are essentially the same.

ANALYSIS AND RECOMMENDATIONS**REGIONAL COORDINATORS**

We recommend the budget be reduced by \$66,780 plus operating costs to delete three regional coordinator positions.

The Governor's Budget shows an estimated expenditure of \$66,780 plus operating costs for three regional coordinator positions. The three positions are located in Sacramento, Los Angeles and San Francisco. Organizationally the coordinators report to the director's office. They function in a staff capacity and therefore possess no line authority over any of the operating divisions, bureaus or associated field units. Frequently they function in a public relations capacity. In addition they function, at least in part, in a liaison capacity between the department, the agricultural industry, and the county agricultural commissioners within their respective districts.

As we have pointed out in prior analyses, these three positions are in an advantageous position to improve the efficiency of the department's field activities. This occurs because a portion of their time is spent in resolving problems of program coordination and interpretation arising between county commissioners and departmental field personnel. However, because the regional coordinators have no line authority over the department's field activities, they function primarily as day-to-day problem solvers with no responsibility for coordinating and supervising the field personnel whose uncoordinated activities create many of these problems. This lack of overall coordination, which results from carrying a rigid compartmentalization of functions at the bureau level at Sacramento into field activities, is a major weakness of the department's field organization that has needed attention for several years.

Because the regional coordinators are not utilized effectively to coordinate and improve the efficiency of the field activities except on an occasional, problem-solving basis, there is inadequate justification to continue these positions. The department could use these positions as managers in an effort to decentralize departmental management but chooses not to do so. We recommend that they be deleted for a General Fund savings of \$66,780 plus related costs.

PESTICIDE PROGRAM

We recommend that the Department of Food and Agriculture revise the pesticide program to: (1) assure that pesticide labels are technically accurate, grammatically correct and legible to the average person, (2) shift to staggered year-round dates for pesticide registration to reduce the peak workload, (3) implement the law and evaluate pesticides prior to granting registration, and (4) separate pesticide residue testing from quality control of pesticides.

The Legislature and the public have shown an increasing interest in the administration of pesticide control statutes by the Department of Food and Agriculture. This interest has produced substantial changes in statutes which have significantly broadened the scope of present department work in registration and use restriction and increased funding.

The pesticide program of the Department of Food and Agriculture will cost approximately \$2,115,000 in 1974-75 which reflects a minor decrease of \$19,500 from the current year. The budget year program is funded \$700,129 from the General Fund and \$1,376,230 from industry money in the Agricultural Fund. The present program has two major activities: the pesticide evaluation and registration activity, and the quality control and sampling activity. Pesticide registration in 1974-75 is anticipated to account for approximately 54 percent of expenditures while application and residue testing are budgeted at about 13 and 33 percent respectively.

At the present time economic poisons (pesticides) must be registered by the California Department of Food and Agriculture before they can be sold in California. The Director of Food and Agriculture is empowered to place restrictions on the use, the quantity applied, the area and manner of application, etc. In addition the director is charged with conducting a continuous program of evaluation in order to eliminate from use or restrict the use within the state of any economic poison which endangers the agricultural and nonagricultural environment. All previously registered economic poisons for which annual registration renewal is sought are to be reevaluated according to statutory criteria which include consideration of environmentally adverse effects, benefits versus costs of a particular chemical, and alternatives which may be less hazardous.

In 1972 this office published a report entitled *Pesticide Regulation in California, Registration and Use Control*. Since that time we have monitored the problems found in the department's pesticide registration program and made the recommendations stated above.

Pesticide Labels

The department's review of the pesticide label (the instructions which are attached to the container) is deficient. We have found several instances where labels are accepted by the department with severe inaccuracies, dangerous contradictions, or serious omissions, any of which could result in either serious misuse of the product or produce a health hazard.

Under current law, each pesticide container must be properly labeled with directions for use. In addition, the product is considered misbranded if the label bears any false or misleading statement. We believe that a label which does not convey adequate and accurate information to the average user cannot be considered as properly labeled for purposes of registration. It is important that each label undergo a thorough reading for context as well as grammar and that the pesticide should not be registered until the label conveys the proper information in accurate and readable form. Labels should be read carefully by the staff, keeping in mind the limited technical background and education of the typical user.

We find that labels are read by department technicians primarily for

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

technical details. Because of the expertise of these people, many technical omissions may be subconsciously supplied by the technician. A lay person not having the same technical training might find a break or inconsistency in meaning, be unable to fill it, and hence possibly misuse the product because of poor instructions.

Registration

The present registration workload of the department consists of approximately 10,500 products which are annually submitted for registration. The task of applying the previously existing statutory criteria to this large number of formulations is yet to be accomplished. The present program is not able to evaluate effectively each product at the time of annual renewal or to handle the label review. To overcome this, the department now automatically registers most products upon receipt of the proper fee. While the department believes this solves the technical problem of not selling unregistered pesticide products, it results in selling misbranded or unevaluated pesticide products.

Registration prior to evaluation is an illegal procedure. The Food and Agricultural Code specifically requires an evaluation of all economic poisons prior to the renewal of registration (Food and Agricultural Code Sections 12824 and 12825). A Legislative Counsel Opinion No. 22271 on this matter has verified that all economic poisons must be evaluated prior to registration—including evaluation prior to reregistration. The evaluation workload is aggravated by the annual renewal of registration and would be improved by changing the law to permit staggered registration.

Residue Testing and Quality Control

The department indicates that it has reorganized the Bureau of Agricultural Chemicals and Feed so that pesticide quality inspection and the residue testing activity are conducted by the same field staff under common supervision.

Pesticide residue testing is a General Fund activity for the protection of the consumer of agricultural produce while pesticide chemical products quality control testing is an industry-funded program which assures product compliance with various quality standards. We question the wisdom of this consolidation. The department's pesticide program has had serious difficulties maintaining an attitude of public service instead of industry service. This is an inherent problem and arises because the department is being charged with both the responsibility for promoting the private interests of industry while at the same time regulating that industry in the public interest. The recent consolidation heightens the public versus private interest conflict and places the conflict at the level of individual working positions. In the long run the proper approach to this problem lies in shifting the pesticide revenues and fees to the General Fund and converting the entire program to a General Fund activity. Legislation will be required to accomplish such a change. Meanwhile the department can administratively keep the above two functions separate.

ANIMAL HEALTH

We recommend that the Department of Food and Agriculture (1) implement and enforce the provisions in current law to gain increased industry assistance to reduce the backlog in testing of dairy herds and maintaining adequate sanitary conditions and (2) shift to the use of technicians and veterinary paraprofessionals.

We further recommend that the State Personnel Board conduct a survey of classifications and salary levels in the Bureau of Animal Health and authorize the use of technicians and veterinary paraprofessionals.

The Department of Food and Agriculture administers a General Fund program entitled Animal Health. Its purpose is to detect, control and eradicate livestock and poultry diseases in order that the public be protected from diseases which the animals may have. Vaccination, testing, disinfecting and quarantining are used to eliminate diseases and protect the public. This program benefits livestock and poultry producers through the detection, control and eradication of diseases in their animals and protects the consumer from the harmful effects of contaminated and diseased animal products.

The total cost of the program for the budget year is estimated to be \$2,074,102 of which 91 percent of \$1,895,570 is provided by the General Fund. Chapter 356, Statutes of 1973, appropriated \$90,000 from the General Fund to augment indemnity payments to owners for tuberculosis and brucellosis in cattle. This higher level is continued in 1974-75 at \$185,000 compared to actual payments of \$75,000 last year. The remainder of the budget is comprised of \$160,079 in fees for horse-drugging inspections and testing and \$18,453 in reimbursements.

The animal health program has had continuing problems of disease outbreaks, staffing vacancies and deficiencies in program and management. The program is a high priority effort to protect the public but is not adequately fulfilling this need. Sufficient funds are available in the current year and are requested in the budget year. Therefore funding is not a problem.

Personnel Problems

A review of departmental records shows that 9 to 10 vacancies currently exist in the authorized veterinarian positions and substantial numbers of vacancies have existed for many years. In the current year the department is obtaining a substantial portion of its salary savings from the animal health program. In a revised estimate for the current year, the department shows salary savings of \$104,967 (about 2½ times more than the original budget estimate of \$42,133). This points to the department's problem in attracting and holding competent, young and aggressive veterinarians.

Under current law one must pass the state board examination for veterinarians in order to practice veterinary medicine. The department has obtained a variance which allows it to hire veterinarians for one year who have not passed the examination. This allows the department greater flexibility by permitting it to employ veterinarians coming from other states or countries before the examination is taken. Even with the one-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

year variance, the department is unable to meet its authorized staffing for veterinarians. The department recognizes that the majority of duties assigned to staff veterinarians are routine and not professionally challenging. It believes that the lack of job challenge and low pay are the primary factors causing the chronic shortage. We agree.

The department indicates that because it has been unable to fill staff veterinarian positions it is now more than 40 man-years behind in its disease-testing schedule. It attributes part of the workload backlog to the recent outbreak of Newcastle disease in poultry which was given precedence over other programs.

Much of the testing by the department in animal health is of a routine nature capable of being accomplished by technicians and paraprofessionals. The use of these job categories seems indicated. The Personnel Board should be requested by the Legislature to survey the salary levels and classification of the veterinarians in the department and recommend sub-professional classifications in order to permit adequate recruitment and filling vacant positions.

Dairy Cattle Testing

Section 10001 of the Food and Agricultural Code authorizes the department to establish control areas for tuberculosis. Within these control areas the department exercises its statutory powers. For example, Food and Agricultural Code Section 10004 requires the department to examine and give a tuberculin test to all dairy cattle in tuberculosis control areas as often as necessary. However, the department is unable to demonstrate that it has established such control areas and therefore the legal basis for its control effort is uncertain.

The uniform methods for brucellosis or tuberculosis testing of dairy cattle adopted by the state and federal government require a specified number of negative tests within a given time when active disease has been discovered or is suspected in a herd. Some herds have not, according to federal records on this testing which we have checked, received the specified number of negative tuberculosis tests. In some cases several years have passed and these tests are incomplete.

One of the major public health concerns is the tuberculosis-infected dairy herd which produces both meat and milk products for consumption. The number of herds with tuberculosis and other contagious diseases has substantially increased within the last year. Because the greatest number of indemnifiable herds infected with either tuberculosis or brucellosis are dairy herds, proper testing of these herds is vital from a health standpoint. From a fiscal standpoint, any increase in disease incidence is doubly important because the state has increased costs for both testing and indemnity payments.

In the long run, considerable savings to both the state and industry could be gained if the law were more rigorously enforced. More rigorous testing would aid in eliminating disease from infected herds sooner than with the present practices.

This office has made field trips with the department's staff to observe

field conditions and the testing of herds. We have noted during these field inspections and interviews with the department's personnel that greater efficiency could be gained through better cooperation by the industry.

Under current law, milk can be produced only from nonreacting, tuberculin-tested and healthy cows which are properly kept and fed (Food and Agricultural Code Sections 35601 and 35602). Milk produced in unsanitary conditions is statutorily defined as unfit for human consumption (Food and Agricultural Code Section 35603). The department could quarantine and condemn the milk from uncooperative producers until completion of required testing because it is unlawful to sell milk produced under unsanitary conditions.

We have observed testing being conducted without adequate assistance or facilities being supplied by the producers and have observed areas where there were obvious breakdowns in sanitation during disease control but indemnity payments were still being made. Such practices are unlawful. A dairy is statutorily classified as unsanitary if enclosures and yards contain fermenting and decaying manure piles (Food and Agriculture Code Section 33514). We have observed dairies where diseased animals had not been removed and where violations of departmental orders existed. In one instance we observed direct disregard of the department's order to remove the placentas and manure piles from the calving areas (placentas are a common source of brucellosis contamination). The law states that no indemnity or subsequent indemnity shall be made unless the premises are maintained in a sanitary manner (Food and Agricultural Code Sections 10068, 10069, 10406, and 10407).

In order to induce cooperation from the producers during routine testing, the department should consider the merits of sending notice of the test date well in advance with appropriate instructions, thus allowing dairymen adequate time to arrange their schedules and facilitate the testing. Federal veterinarians have commented that this system has facilitated their testing programs.

The department has the discretion to determine the time and place of testing. The law provides that all owners must, upon request, provide necessary facilities and assistance (Food and Agricultural Code Sections 9975, 10006 and 10383). For those dairymen failing to meet these schedules for testing (all tests are conducted at state expense) the department can require completion of a satisfactory test at the owner's expense. If the owner refuses to properly confine cattle subject to testing, the department, after 10 days' written notice, should employ the necessary help and place a lien on the cattle (Food and Agricultural Code Sections 10151, 10152, 10354 and 10355). A more rigorous attitude on the part of the department will make the animal health testing more efficient and better serve all interests.

ADMINISTRATIVE REGULATIONS

We recommend that the rule making authority of the Department of Food and Agriculture be shifted from the director to a reconstituted Board of Food and Agriculture which represents both the agriculture industry and consumers.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

The provisions of the Food and Agricultural Code and the State Administrative Manual are jointly enforced by the Director of Food and Agriculture and the county agricultural commissioners. The man-years expended in enforcement, however, are substantially greater for the counties than the department. Because of the provisions in law that require the counties to carry on the enforcement, there is a large fiscal impact on local government. The record shows that local government spent about \$10.8 million to enforce the Food and Agricultural Code and departmental regulations in fiscal year 1972-73. Local government presently receives \$2.5 million in reimbursements from the department for this enforcement work.

With the enactment of Chapter 1406, Statutes of 1972, (SB 90) the state has been required to offset many mandated costs to local government. The recent Management Memo 73-149 indicates when the state is required to reimburse local government for the cost of enforcing standards or regulations. The Department of General Services calculates that the number of pages in the State Administrative Manual changed by the Department of Food and Agriculture represents about 10 percent of all state government filings. The department averages about 88 changes annually in its regulations. Most of these changes do not have significant direct fiscal affects on local government. Many involve significant indirect costs for retraining staffs and inspectors which are not reimbursed under Chapter 1406.

Fruit, Nut and Vegetable Standardization

As one example, the department administers a program for standardization of fruit, nuts and vegetables through quality control inspections and grading. Enforcement is accomplished jointly by the department and the agricultural commissioners of each county. The program is primarily designed to assure an orderly market grading for certain agricultural products, as well as assuring consumer acceptance of such products. In addition the program provides that minimum acceptable standards are met.

The department's program is estimated to cost \$852,132 in the budget year with a staff of approximately 52. The total General Fund contribution to this program is \$628,545 or 74 percent. The remainder, \$216,281 and \$7,306, comes from the Agriculture Fund and reimbursements respectively.

Fruits and vegetables are perishable commodities. They are subject to deterioration and require continuous inspection to maintain prescribed quality levels in the market. Even though the majority of the department's program is supported by the General Fund, the producers are direct beneficiaries. There are substitutes for many products which can and will be purchased by the consumer if the initial products are of an unacceptable quality. In addition, because a high percentage of products is shipped out of state, many standards are predicated on quality and sales conditions established for markets on the eastern coast. Because these standards may not contribute to the quality of products sold in California, there is some questions of the benefit accruing to the California taxpayer.

Although the standards for many fruits, nuts and vegetables are established in statute, the working interpretations are in the State Administrative Manual. However, the standards can be changed for a specified period through administrative action under emergency conditions. The director, after making certain findings pursuant to the Food and Agricultural Code or the Government Code, may promulgate emergency standards or implement, interpret and make specific corrections, or adopt, amend or repeal regulations.

Industry Petitions

Under provisions of the Food and Agricultural Code, upon the director's own motion or upon petition of any persons having a direct and not a merely consequential interest in the growing or handling of fruits, nuts or vegetables (the consumer is not mentioned), the director may establish emergency standards if he finds an emergency exists. Under these provisions the emergency standard is effective on the date it is published together with notice of hearing, in one or more newspapers, trade papers or industry publications. A hearing must be held not sooner than 10 days but not later than 20 days after the effective date of the emergency standard.

As an example of the questionable value of the hearing, it is possible with modern technology to mechanically harvest large areas in relatively short periods of time. Other than notice through the news media, the Food and Agricultural Code provisions allows for a 10-day period before notice of hearing is required to be mailed to persons requesting such notices. The hearing itself can be as much as 20 days after the effective date of the emergency standard. This is ample time to permit the mechanical harvesting as well as shipment of many commodities across the state line.

There are innumerable sections of the Food and Agriculture Code which grant the director broad authority to issue rules and regulations. The number and complexity of these regulations is so great that as a practical matter it is uncertain who actually makes the decisions on the contents of regulations.

No Consumer Representation

Chapter 225, Statutes of 1972, changed the title of the Department of Agriculture to the Department of Food and Agriculture in order to emphasize the food and consumer aspects of the department's work. However, the consumer is not included in the department's rulemaking, cannot petition for rule changes and may not benefit from emergency regulations.

The present process of changing regulations affecting food does not facilitate public participation. Even the director, who is responsible for the regulation, is absent from many of the decisions. Further, the speed with which these regulations are adopted indicates that the department may be primarily responsive to industry rather than making an independent decision in which the consumer is adequately considered.

We therefore recommend that the State Board of Food and Agriculture be reconstituted to reflect greater public representation, including a balance between consumers and the agricultural industry. The reconstituted

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

board should then act as the hearing body and provide a forum for the public on all regulations or the adoption of emergency standards. Under such a system those wishing a change would submit their request to the program unit which would draft a standard or regulation. When in proper form, the director would submit the proposed regulation or standard to the board for hearing and approval.

Agriculture and Services**SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS**

Item 114 from the General

Fund

Budget p. 17 Program p. I-284

Requested 1974-75	\$174,900
Estimated 1973-74.....	\$173,250
Actual 1972-73	\$171,600
Requested increase \$1,650 (0.01 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item appropriates funds in accordance with Sections 2221-2224 of the Food and Agricultural Code, which provide for cost-sharing agreements on agricultural commissioners' salaries in order to provide adequate and uniform enforcement of applicable Agricultural Code provisions. This appropriation makes available, through agreement between the Director of Agriculture and any county board of supervisors, a sum not to exceed \$3,300 per year or two-thirds of the salary of each commissioner, whichever is less. Fifty-two counties are participating in this program.

Agriculture and Services**ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT**

Item 115 from the General

Fund

Budget p. L-17 Program p. I-284

Requested 1974-75	\$446
Estimated 1973-74.....	446
Actual 1972-73	446
Requested increase none	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The California Land Conservation Act (Chapter 1443, Statutes of 1965) provided that owners of prime agricultural land, and other lands compatible with agricultural uses, may enter into 10-year contracts with cities and counties for the establishment of agricultural preserves to restrict the use of such land to agricultural purposes. The act also provided for an annual payment by the state to counties of \$1 per acre for land under the contract with cities and counties.

In 1969, the act was amended to eliminate the \$1 per acre payment. A previously existing \$1 per acre payment of \$446 for one contract in Fresno County has been funded yearly.

Agriculture and Services**ENGINEERING SUPERVISOR OF FAIR CONSTRUCTION**

Item 116 from the Fair and Exposition Fund

Budget p. L-18 Program p. I-283

Requested 1974-75	\$89,301
Estimated 1973-74.....	87,547
Actual 1972-73	77,333
Requested increase \$1,754 (2.0 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates the sum of \$89,301 from the \$2.25 million continuing statutory appropriation payable from the Fair and Exposition Fund for county and district agricultural fairs or citrus fruit fairs. The money is used for engineering services performed by the Division of Fairs and Expositions of the Department of Food and Agriculture. The services cover construction supervision on local fair projects financed under Business and Professions Code, Section 19630, for (1) permanent improvements, (2) purchase of equipment for fair purposes, and (3) acquisition or purchase of real property, including appraisal and incidental costs.

Agriculture and Services
CAPITAL OUTLAY LOANS

Item 117 from the Fair and Ex-
position Fund

Budget p. L-18 Program p. I-296

Requested 1974-75	\$500,000
Estimated 1973-74.....	1,000,000
Requested decrease \$500,000 (50 percent)	
Total recommended reduction	500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Loans to Fairs. Reduce \$500,000. Recommend deletion of item.* 248

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of the item in the amount of \$500,000.

Under existing law, the sums of \$2.25 million for capital outlay and \$4.68 million for support are continuously appropriated for distribution each year by the Director of Food and Agriculture from the Fair and Exposition Fund to the local fairs. Chapter 276, Statutes of 1973, provided that at the end of each year the unallocated balance of the \$4.68 million is available for capital outlay rather than reverting to the General Fund. In the current year the sum of \$312,500 is estimated to be reallocated in this manner and \$187,500 is projected to be reallocated in the budget year. Additionally, Item 337 of the 1973 Budget Act appropriated \$3 million for capital outlay to local fairs, \$1 million of which was used for fire, public health and safety projects.

Item 91 of the Budget Act of 1973 appropriated an additional \$1 million to be used for capital outlay loans to the larger local fairs. Thus in 1973 approximately \$6.5 million was made available in a variety of ways for capital outlay. The 1974-75 budget in Item 117 contains \$500,000 rather than \$1 million appropriated in 1973-74 for capital outlay loans.

Last year the state had a General Fund surplus and provided considerable additional assistance to the local fairs. This year the General Fund has very limited cash available and we, therefore, recommend against any further extra financial assistance. (Fair and Exposition Fund expenditures are the equivalent of General Fund expenditures).

Agriculture and Services**1A DISTRICT AGRICULTURAL ASSOCIATION (Cow Palace)**Item 118 from the General
Fund

Budget p. L-18 Program p. I-296

Requested 1974-75	\$648,000
Estimated 1973-74.....	—
Actual 1972-73	—
Total recommended reduction	Deferred

ANALYSIS AND RECOMMENDATIONS*We defer recommendation.*

The 1A District Agricultural Association (Cow Palace) has requested a direct appropriation of \$648,000 for improvements and repairs.

As of the time of writing this analysis, the Office of Architecture and Construction, which will supervise the work, has not specified the work to be done and has made no estimate of costs. Additionally, recent work done by a contractor at the Cow Palace, which may relate to this request, is unsatisfactory and some further action on it is pending. It is probable that the needed funds should be a loan. We defer any recommendations until the Office of Architecture and Construction can submit the customary documentation.

Agriculture and Services**SUPPORT ASSISTANCE TO LOCAL FAIRS**Item 119 from the Fair and Ex-
position Fund

Budget p. L-18 Program p. I-296

Requested 1974-75	\$250,000
Estimated 1973-74.....	—
Actual 1972-73	—
Total recommended reduction	\$250,000

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1. *Support Assistance. Reduce \$250,000. Recommend deletion of item.* 249

ANALYSIS AND RECOMMENDATIONS*We recommend deletion of the item in the amount of \$250,000.*

This item would appropriate \$250,000 for allocation by the Director of Finance rather than the Director of Food and Agriculture for supplemental support for local fairs. The money would be in addition to the continuing appropriation of \$4.68 million for support to local fairs which the Director of Food and Agriculture allocates up to a maximum of \$65,000 per

SUPPORT ASSISTANCE TO LOCAL FAIRS—Continued

fair.

Chapter 276, Statutes of 1973, provided that any unallocated portion of the support moneys be converted to capital outlay for the local fairs rather than reverting to the General Fund. Therefore, in a revised estimate for the current year, \$312,000 of the continuing appropriation of \$4.68 million is reallocated from support to capital outlay. The budget year estimate for such reallocation from support is \$187,000. Thus at the same time that unexpended support money is being allocated to capital outlay, more support money is being requested.

It is not known how the Director of Finance would use his complete freedom to allocate this \$250,000. Presently, the allocation of the \$4.68 million of support money is based on "need." However, many fairs are not attempting to obtain self-sufficiency through gate charges or meaningful exhibitors' fees. Fairs are induced to manipulate budgets to present the best possible case for state assistance. Additionally, the Division of Fairs and Expositions has generally been unable to make any accurate determination of need.

Last year, the state had a General Fund surplus and provided considerable additional assistance to local fairs. This year the General Fund has limited cash available and we recommend deleting this item.

Agriculture and Services**CAPITAL OUTLAY ASSISTANCE TO LOCAL FAIRS**

Item 120 from the Fair and Exposition Fund

Budget p. L-18 Program p. I-296

Requested 1974-75	\$1,000,000
Equivalent available in 1973-74	1,000,000
Actual 1972-73	—
Total recommended reduction	\$1,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Capital Outlay Assistance. Reduce \$1,000,000. Recommend deletion of item.* 250

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of the item in the amount of \$1 million.

In the 1973 Budget Act, \$3 million was appropriated from the Fair and Exposition Fund for capital outlay projects at local fairs of which \$1 million was limited to high priority projects for fire, public health and safety as discussed under Item 117 of this analysis. Item 120 would provide an additional \$1 million of capital outlay money for the same high priority fire, public health and safety programs.

As discussed under Item 117, it is unfortunate that through technical errors the high priority work was not taken care of by the \$3 million at a

time that the state had a surplus in the General Fund. (Fair and Exposition money is equivalent to General Fund money.) Because of the shortage of General Fund cash in 1974-75, we recommend disapproval.

Office of Emergency Services

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS

Item 121 from the General
Fund

Budget p. L-19 Program p. I-449

Requested 1974-75	\$100,000
Estimated 1973-74.....	76,800
Actual 1972-73	^a 143,440
Requested increase \$23,200 (30.2 percent)	
Total recommended augmentation	\$45,200

^a The Governor's Budget reports a figure of \$105,257, which does not reflect a claim of \$38,183 which was processed very late in the 1972-73 fiscal year and did not reach the State Controller until July 6, 1973.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Disaster Service Workers.* Augment \$45,200. Recommend increase to reflect more accurately fiscal requirements of the program. 251

GENERAL PROGRAM STATEMENT

Community disaster services are usually performed by volunteer personnel who do not receive regular compensation. In recognition of the risks and hazards of such work, the state first accepted responsibility in 1943 to compensate such workers for injuries or deaths occurring in the line of duty. This is covered under the Labor Code.

The state appropriates annually for injury and death compensations based on estimates made by the State Compensation Insurance Fund which handles the service. The amount fluctuates in accordance with the volume of services and activities, which usually reflect both exercises and actual emergencies such as fire and flood incidents or earthquakes. Past experience indicates that the cost estimates prepared by the State Compensation Insurance Fund have been very realistic.

ANALYSIS AND RECOMMENDATIONS

We recommend a General Fund augmentation of \$45,200 to reflect more accurately the needs of the program and to avoid the practice of budgeting for an allocation of moneys from the Emergency Fund to support the program.

Each year since at least 1969, the administration has requested amounts less than the requirements estimated by the State Compensation Insurance Fund. As shown in Table 1, this has resulted in the need for allocations from the Emergency Fund each year since 1969-70, and the State Compensation Insurance Fund reports that an Emergency Fund alloca-

WORKMEN'S COMPENSATION FOR DISASTER SERVICE WORKERS—Continued

tion of at least \$36,000 will be needed in the current year. It has also caused unnecessary paperwork to facilitate the transfer of money from the Emergency Fund and, in some cases, delays and disruptions in the flow of those funds to needy recipients. We believe that the practice of underbudgeting for this program should be discontinued. We, therefore, conclude that the higher amount of \$145,200 shown in Table 1, as estimated by the State Compensation Insurance Fund, is correct and that the appropriation should be augmented by \$45,200.

Table 1
Disaster Service Workers Cost Data

<i>Fiscal year</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Benefits	\$88,747	\$88,204	\$116,533	\$127,023	\$68,200	\$129,100
Service charges	11,360	11,147	14,651	16,417	8,600	16,100
Total costs	<u>\$100,107</u>	<u>\$99,351</u>	<u>\$131,184</u>	<u>\$143,440</u>	<u>\$76,800</u>	<u>\$145,200</u>
Budget Act appropriations	\$51,000	\$56,000	\$110,000	\$88,600	\$76,800	\$145,200
Allocations from Emergency Fund	51,000	50,000	32,500	60,000	—	—
Total available funding	<u>\$102,000</u>	<u>\$106,000</u>	<u>\$142,500</u>	<u>\$148,600</u>	<u>\$76,800</u>	<u>\$145,200</u>

DEPARTMENT OF COMMERCE

Items 122, 123 from the General Fund

Budget p. 56 Program p. I 299

Requested 1974-75	\$2,205,373
Estimated 1973-74	2,100,579
Actual 1972-73	1,696,444
Requested increase \$104,794 (5.0 percent)	
Total recommended reduction	\$823,091

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Promotion of Business, Industry, Tourism and World Trade; Commission for Economic Development; Council of Product Design and Marketing. Reduce Item 122 by \$823,091.* Recommend deletion of General Fund support for the Commission for Economic Development (\$84,965), Council of Product Design and Marketing (\$84,235), and 8.5 positions and related promotional activities (\$540,840) in business, industry, tourism and world trade development for a net reduction of \$710,040. Further recommend transfer of the remaining 7 Department of Commerce positions with budget support (\$113,051) to Item 64, the Department of Finance. 261
2. Museum of Science. Recommend the Museum of Science and Industry be statutorily separated from the Department of Commerce. 265

GENERAL PROGRAM STATEMENT

The Department of Commerce was created by the Governor's Reorganization Plan Number 1 of 1968 and was assigned to the Agriculture and Services Agency. In January 1971, by executive order, the department was transferred to the office of the Lieutenant Governor. Starting with the 1972-73 fiscal year, the department was transferred back to the Agriculture and Services Agency in keeping with existing statutes.

Its responsibilities, consolidated from a number of separate agencies and organizations, include:

1. The promotion of business and industrial growth.
2. The expansion of California's export trade.
3. The promotion of tourism.
4. The encouragement of public education in science and industry.

The first three of these functions are assigned to the department's business, industry, world trade and tourism development section, located in Sacramento. The fourth is provided by the California Museum of Science and Industry, located in Exposition Park in Los Angeles.

In addition, the Economic Development Commission and the Council of Product Design and Marketing are to provide policy guidance to the department in areas related to business, industry, world trade, tourism, as well as general marketing promotion. Although created by separate legislation, these bodies are included under the department's budget, because of their intended advisory relationship with the department. Table 1 summarizes the department's staff and expenditures.

ANALYSIS AND RECOMMENDATIONS

A merit salary increase under personnel services, a 37.1 percent increase for in-state travel and a 9.4 percent increase in consultant and professional services, account for most of the proposed \$104,794 (5.0 percent) total increase in General Fund support for the budget year. The federal reimbursement for 1972-73 represents matching fund support for production of a state tourism movie. The other reimbursement figures represent actual and projected parking lot revenues for the Museum of Science and Industry. These revenues supplement General Fund support for the museum.

BUSINESS, INDUSTRY, TOURISM AND INTERNATIONAL TRADE DEVELOPMENT

General Background Review

1. *Basic Housekeeping and Correspondence Function.* Overall expansion of the state's economy through selective promotion in business, industry, tourism and export trade is the basic goal of this program. Following an executive reorganization in 1968 and subsequent budgetary cuts by the Legislature, activities in these areas were significantly curtailed. At the beginning of fiscal year 1971-72 the department had a staff of six and a budget of about \$135,000. During this period the department's activities

DEPARTMENT OF COMMERCE—Continued

Table 1
Personnel and Expenditures of the Department of Commerce

<i>Elements</i>	<i>Personnel Man-years</i>			<i>Expenditures</i>		
	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Administration	—	2.0	2.0	—	\$67,422	\$67,351
Division of Business and Industry	5.4	3.0	3.0	\$169,427	95,404	109,368
Division of Tourism Development	4.5	7.5	7.5	319,930	281,018	303,021
International Trade Development	2.0	3.0	3.0	87,535	170,431	174,151
Economic Development Commission	3.0	3.0	3.0	48,344	82,002	84,965
Council of Product Design and Marketing....	1.8	4.0	4.0	73,732	78,398	84,235
Subtotal	16.7	22.5	22.5	\$698,968	\$774,675	\$823,091
Museum of Science and Industry	105.0	122.0	126.2	1,307,021	1,725,904	1,782,282
Totals	121.7	144.5	148.7	\$2,005,989	\$2,500,579	\$2,605,373
Reimbursements						
Federal				—24,480		
Other				—285,065	—400,000	—400,000
General Fund cost.....				\$1,696,444	\$2,100,579	\$2,205,373

consisted of limited correspondence and basic housekeeping functions.

2. *Substantial Budget Augmentation.* In 1972-73, the department received a \$499,000 budget augmentation sponsored by the California Chamber of Commerce. This augmentation was intended to provide basic technical assistance and research functions for the statewide development of business, tourism and international trade. To achieve this objective, the chamber proposed a list of specific activities, projects and staff requirements. The proposed activities and projects were technical and research-oriented and were selected so as to supplement, rather than duplicate, existing private sector and other governmental activities in these fields. The proposed staff consisted of specified professional and technical positions and secretarial support.

3. *Department Takes Different Approach.* In implementing the augmentation, the department developed a staff significantly different from that proposed by the chamber and approved by the Legislature. It created and filled several exempt managerial positions; but left vacant most of the authorized technical positions necessary for successful implementation of program objectives. Several of these technical, civil service positions were reclassified to exempt managerial positions.

In the 1973-74 Analysis we criticized the department for taking this approach. We pointed out that the managerial staff was ill-suited to carry out the intended objectives of the augmentation. Our criticism was substantiated by the fact that the initial, limited progress in program implementation during the first half of 1972-73 was achieved with substantial help from outside consultants. These activities could have been performed by the department's professional staff, if all of the authorized positions had been filled. Consequently, we recommended that the department realign its personnel to conform to the staffing authorized by the 1972-73 budget. This meant abolishing three deputy director and other managerial positions and filling the vacant professional positions. This staff realignment, in our opinion, would have allowed the department to make better progress toward achieving its program objectives.

4. *Staff Realignment Mandated for 1973-74.* The 1973 Legislature approved our recommendations, and control language in the department's 1973-74 budget mandated the necessary staff realignment. The department was authorized to retain one deputy director position to help with general administrative functions.

5. *Slow Progress in Staff Realignment.* In reply to this mandate, in July 1973 the department submitted a staff reorganization proposal that, with the exception of a proposed public information officer position, substantially accomplished the changes. It suggested replacement of the two exempt deputy and one senior economist promotional-type positions with civil service professional program manager positions and also provided for filling the lower echelon professional positions.

A recent review indicates that the department has yet to implement fully the plan it proposed. The deputies for tourism and international trade continue to occupy their respective positions on a temporary appointment basis, pending civil service examinations. The State Personnel

DEPARTMENT OF COMMERCE—Continued

Board informs us that these examinations will be administered during January 1974, and the positions will be filled by March 1974.

The associate economist position was continued as exempt until October 1973, when it was vacated by the incumbent's resignation. It remains vacant as of this writing.

In addition, of the three authorized lower echelon technical assistance and research positions, only one, the analyst for international trade, has been properly filled. The other two positions, assistant economic analyst for business and industry development, and administrative assistant for tourism development, have remained vacant since their establishment nearly two years ago.

6. *Reliance on Outside Consultants Continues.* In the 1973-74 Analysis we criticized the department for not filling authorized professional positions and, subsequently, contracting with outside consultants for services which could have been performed by the authorized professional staff. This situation still exists today. In the first six months of 1973-74, the department's Sacramento office has expended \$74,775 (70 percent) from the total of \$106,800 budgeted for consultant services for the entire year. Meanwhile, two of the three positions authorized for technical and research assistance remain vacant.

Mixed Results in Implementation of Program Objectives

Increasing emphasis on promotional activities rather than technical and research efforts is, to a large extent, responsible for the limited progress shown by the department in meeting its projected program objectives in business, tourism and world trade development.

1. *No Measurable Results in Business and Industry Development.*

The expansion of existing California businesses and the attraction of new, out-of-state firms is the stated objective of this program. The activities through which this objective is to be achieved include providing administrative and research assistance to businesses wishing to locate new or to expand existing facilities in the state, assisting California firms in obtaining federal contracts, identifying types of industries with greatest growth potential and developing statewide strategy for industry location, based on regional resources and needs.

During 1973, the department compiled, from available data, several business-development-related information pamphlets, coordinated a number of regional informational seminars and initiated a limited advertising program. However, no attempts have been made to obtain feedback from these projects which could be used to indicate their contribution and measure their effectiveness. As originally funded, this program envisioned a small, professional staff with industrial development and supportive economic research expertise which would be able to supplement technical and research assistance already available from local economic development agencies, as well as from banks, transportation, and utility companies. In contrast, since the resignation of the associate economist in October 1973, the department appears to have concentrated on highly visible promotional and public relations activities such as meetings for

describing the department's activities and media advertising. The results and statewide benefits of these activities are difficult if not impossible to assess.

Using federal and state matching funds, the department recently contracted with an outside consultant to appraise the economic impact of defense installation cutbacks on the affected California communities. His task is to develop information for the Governor's task force appointed to assess this economic impact. This is the same consultant who was retained by the department during 1972 to assist in the space-shuttle effort. His contribution to that effort has never been identified and documented.

More recently, we understand, the department has been designated by the Lieutenant Governor as the agency responsible for assessing the statewide implications of the energy crisis. In response, the department has prepared and published a preliminary estimate of the potential impact of the energy crisis on California's economy. Assembled rather hurriedly by the department's staff, this estimate differs significantly from the estimate provided by the Department of Finance. Also, the department prepared an outline of a program proposal for dealing with the energy crisis.

In our judgment, the department's existing staff lacks the economic research and analytical capability necessary for a professional assessment of the statewide economic implications of the energy crisis. A project of this magnitude and difficulty requires expertise of the highest quality to achieve meaningful results.

2. *Slow Progress in International Trade Development.* Expansion of the state's economy through promotion of exports is the general objective of this program. The activities to accomplish this objective, outlined in September 1972, were to include publication of an exporter's services guide, an export directory, compilation of export statistics, as well as reference and correspondence function in processing trade leads. The department informs us that the services guide, compiled with outside consultant help, is expected to be published in January 1973 and the export directory is being prepared by the Center for International Business of Occidental College. During 1973, the department helped regional world trade organizations stage several well-attended international trade promotion seminars. Results of these seminars, however, have not been assessed, and the benefits, if any, cannot be identified. The department also receives and processes an average of 15 export trade leads per month. However, because it failed to request and, consequently, is not receiving any feedback from the recipients of these leads, the value of its contribution cannot be measured. No progress has been made in compiling California export statistics.

3. *Progress in Tourism Promotion.* Maximizing California's potential as a tourist attraction is the stated objective of this program. The department wishes to achieve this objective through activities such as (1) development, publication and distribution of various promotional literature and audio-visual materials; (2) tourism research to facilitate decisionmaking; (3) development of programs to improve management, training and employment opportunities in the tourism industry; (4) information programs to increase public understanding of the economic impact of tourism; and

DEPARTMENT OF COMMERCE—Continued

(5) organization of tourism conferences to encourage private sector support.

To implement its objective, the department has produced a state tourism map, assorted promotional literature, and a tourism movie. In addition it has helped to organize a statewide tourism conference. It continuously responds to requests for tourism materials and performs various liaison and coordinating activities with other governmental and private sector groups involved in tourism promotion. It plans to contract with private consultants for a tourism research project that is intended to provide statewide market information, as well as other economic data for use in the determination of the future scope and direction of tourism development. Activities such as selective production and distribution of tourism literature, development of statewide tourism research information, technical assistance to regional tourism organizations and coordination of tourism development efforts among local governmental and private sector groups are, we believe, useful and justifiable state activities. However, activities such as the organization of tourism conferences, programs to improve management and training in the tourist industry and increase public awareness of the importance of tourism and other similar public-relations-type promotional activities could be considered responsibilities of the private sector, not of the state. They are costly, without material results and measurable statewide benefits.

To date, the department also failed to utilize fully its authorized tourism staff. As pointed out above, the administrative assistant position, created for the purpose of research and general technical assistance in program implementation, has never been filled. It is now being reclassified to an information officer position.

We believe that this information officer position is unwarranted, because, in this case, we do not consider preparation of press releases and other media-related promotional functions as significantly useful and justifiable state activities.

COMMISSION FOR ECONOMIC DEVELOPMENT

This body, composed of legislative and private sector representatives and chaired by the Lieutenant Governor, was created for the purpose of providing leadership in the overall economic development of the state. Its responsibilities include providing policy guidance to the Department of Commerce, considering programs for statewide economic development, making recommendations for pertinent legislation and annually reporting its activities, findings and recommendations to the Legislature and to the Governor. The commission became operative in March 1972, and four committees: (1) tourism, (2) international trade, (3) business and industry development, and (4) goals and objectives were organized. Seven full commission meetings and numerous committee meetings have been held. The commission has heard and approved the programs prepared by the staff of the Department of Commerce and outside consultants for tourism, world trade and business-industry promotion.

Since its creation, we have recommended that the commission give

primary consideration to the need for a statewide long-range economic development plan or strategy.

Disappointing Record

The commission's record, after nearly two years of operation, is disappointing.

1. *Responsibilities Not Fulfilled.* So far, the commission has failed to demonstrate the leadership and policy guidance in economic development that it was mandated to provide by the enabling legislation. It has not effectively assessed the state's existing and potential economic problems and, to date, has not recommended any strategy or legislation for the solution or prevention of these problems.

Its 1972 annual report was submitted 10 months late and reported no substantive accomplishments and contained no recommendations. Although apparently acknowledging the need for long-range economic planning, the commission has accomplished nothing in this area to date. Recently, it announced plans for a series of regional factfinding public hearings on obstacles and incentives to economic development. So far, two hearings have been held, both in southern California. We are told that information from these hearings will be used to recommend regional economic development strategy. However, the nature of this project is too indefinite and is without the specific objectives necessary to assess its potential statewide economic value.

2. *Disappointing Membership Participation.* Membership attendance at commission meetings has been poor. On a number of occasions, business has been transacted without a quorum. There has been little discussion or debate.

3. *Inadequate Staff and Research Support.* Contributing significantly to the reason for the commission's disappointing record is the lack of competent professional staff and research support. Development of statewide economic strategy calls for professional economic research and analysis capability. The commission's current staff is not capable of providing that support. To date, its authorized research assistant position has not been properly filled.

4. *Consulting Funds Wasted.* Instead of providing in-house research capability, the commission staff continued to rely on private consulting services of questionable value. For instance, it spent its entire 1973-74 consulting services budget contracting with a consultant for "an analysis of the feasibility of developing a long-range economic strategy for the state." By the commission staff's own admission, this consultant failed to provide any useful input on the subject. To date, this contract has not been rescinded. The staff is also considering contracting with a private economic research group for economic forecasting services. A forecasting service is already available from the state university system and is used quite extensively by the Department of Finance in its fiscal projections.

In summary, due to the lack of active membership participation and adequate research and analysis capability, the commission's activities have been limited to approving and monitoring short-term projects, developed and proposed by the department with private consultant help.

DEPARTMENT OF COMMERCE—Continued**COUNCIL OF PRODUCT DESIGN AND MARKETING**

This body, created by 1971 legislation (Chapter 1579) became funded and operative on July 1, 1972. Its general goal is to assist the Department of Commerce in encouraging design excellence for California products, so that they may be better marketed statewide, nationally and internationally. Specifically, its objectives include: (1) advising California businessmen on the marketing advantages of good product design and quality of workmanship, (2) indicating the importance of design in the marketing function, (3) promoting worldwide demand for California products, and (4) encouraging design curricula at educational institutions. Its 15 members, appointed by the Governor, represent various business and industrial sectors, particularly the furniture and fashion industries.

Program Goals and Accomplishments

To achieve these objectives, the council proposed a series of programs which included establishment of design centers, a statewide register of professional designers, creation of a "California image," establishment of a "made in California," decal as well as other promotional and research projects. Details for these programs were to be worked out by several task groups. Projects completed as of the end of 1973 include a series of statewide luncheons to announce the council's activities, a football game half-time pageant featuring California products before a national television audience, research of foreign design council activities, a design-oriented slide show presentation, participation in various trade conferences and other similar promotional and public relations activities. Additional projects under way include development of a "design excellence" program and a California promotion catalog. A private, nonprofit foundation was created for the purpose of soliciting funds from the private sector for financing some of these projects. Although established in August 1973, the council staff informs us that, to date, the foundation has not received any private sector donations. Consequently, implementation of several programs, including establishment of a California Design Center, has been postponed.

SUMMARY AND RECOMMENDATIONS**Promotional Activities Should Be Discontinued**

As set forth in the program statement, the objective of the Department of Commerce is the creation of jobs through promoting expansion and growth of the state's economy. The Commission for Economic Development and the Council of Product Design and Marketing are also guided by the same general objective. In our opinion, the promotional type of activities now being conducted by the Department of Commerce, the Commission for Economic Development and the Council of Product Design and Marketing are marginal and should be discontinued.

We fully recognize that California has had a chronic problem of unemployment, as evidenced by an unemployment rate that has consistently been higher than that of the rest of the nation. We also recognize that California has its share of many other critical problems which face the

nation's economy. These problems include the need for conservation of energy and other resources, the preservation of open space, and the control of water and air pollution. We believe that in the face of these serious problems any efforts to promote economic development should be carried out only on a highly selective basis and within the framework of a definitive and carefully formulated plan for long-range development. As pointed out earlier, we have recommended in past years the development of such a plan by the Commission for Economic Development, but there is as yet no evidence that any significant progress has been made toward this end. Until such time as viable state policies and goals are developed in such areas as pollution control, transportation, land use planning, and resource conservation and these policies are fully incorporated into a comprehensive development plan, we believe no satisfactory framework exists for a program of general economic development nor any guidelines for the promotion of economic expansion.

Deletion of and Transfer of Certain Activities

We recommend deletion of General Fund support for the Commission for Economic Development, for the Council of Product Design and Marketing, their respective staffs, and for 8.5 positions in Department of Commerce, now primarily engaged in promotional activities.

We further recommend that the remaining seven technical and clerical positions be transferred to the Financial and Economic Research Section of the Department of Finance. To accomplish these budgetary changes, we recommend a reduction in Item 122 of \$823,091 composed of a deletion of support for the promotional activities (\$710,040), and a transfer of \$113,051 to Item 64, as detailed in Table 2.

There is a definite role for state government in California to encourage economic development in a *selective* way that will serve to alleviate the problems of structural unemployment and minimize the problems of environmental abuse. We believe, however, that all general promotional activities by the department, commission and council should be terminated. We also believe efforts should be concentrated on research and analysis of the economic, demographic and sociological factors which are involved in these problem areas. These research efforts should be directed toward providing the necessary information for the formulation of an economic development strategy. We further conclude that neither the Commission for Economic Development nor the management of the Department of Commerce is properly structured or has demonstrated the ability to direct this type of research. We believe that the basic economic analysis should be conducted for the administration by the Financial and Economic Research Section of the State Department of Finance. This group has demonstrated competence in the areas of demographic research, economic analysis, and economic forecasting. They have developed highly productive working relationships with members of both the business and academic communities through semiannual economic outlook conferences and other frequent contacts and cooperative activities involving analysis of economic conditions.

This organizational unit is also the logical group to develop, compile and

DEPARTMENT OF COMMERCE—Continued

maintain the statistical data necessary to respond to inquiries regarding the business environment in California. The section currently publishes the bimonthly California Economic Indicators and the annual Statistical Abstract. The transfer of seven technical and clerical positions to this section would provide adequate staff to compile and disseminate any additional publications considered necessary to be responsive to inquiries from business firms. In addition, the research and correspondence functions related to the tourism program could be continued by this group.

We further suggest that specific steps be taken to develop additional cooperative research projects with the University of California and that proper utilization of the research effort conducted by the university could contribute significantly to solutions to the state's problems.

Table 2 sets forth the number of positions and amounts recommended for deletion, and details the amount recommended for transfer to the Department of Finance.

Table 2
Details of the Recommended Reduction in
Department of Commerce Activities

	<i>Number of positions</i>	<i>Budget support</i>
Proposed 1974-75 expenditures for business, international trade and tourism development.....	15.5	\$653,891
Recommended expenditures transferred to Department of Finance (see below)	-7.0	-113,051
Amount recommended for deletion	8.5	\$540,840
Proposed 1974-75 expenditures for Commission for Economic Development	3.0	84,965
Proposed 1974-75 expenditures for Council of Product Design and Marketing	4.0	84,235
Total amount recommended for reduction	15.5	\$710,040
Positions and amounts to be transferred to Department of Finance		
1. Business and Industry Development		
Assistant economic analyst	1	\$14,352
Clerk-typist II	1	6,474
Subtotal	2	\$20,826
2. International Trade Development		
Administrative assistant	1	\$14,352
Clerk-typist II	1	6,474
Subtotal	2	\$20,826
3. Tourism Development		
Administrative assistant	1	\$14,352
Senior steno	1	7,744
Clerk-typist II	1	6,472
Subtotal	3	\$28,568
Total salaries and wages	—	\$70,220
Staff benefits	—	9,126
Total personal services	7	\$79,346
Operating expenses and equipment		33,705
Total to be transferred to Department of Finance		\$113,051

PUBLIC EDUCATION IN SCIENCE AND INDUSTRY

The program performed by the Museum of Science and Industry exhibits man's scientific progress and informs Californians and visitors of the state's scientific capabilities and accomplishments. The director and his staff, in cooperation with the nine-member board of directors, administers the museum and has responsibility for the security of the museum buildings and Exposition Park.

Education Program

The primary purpose of this program is to create and stimulate the interest of Californians in the field of science. It is particularly geared to reach the largest possible number of the state's young, with the anticipation that some will pursue scientific careers and thereby provide California with needed talent in this field. The program consists—in addition to permanent and temporary exhibits—of lectures, seminars, summer science workshops and teaching institutes led by eminent scientists from all over the country. A major portion of these latter activities is financed by the Museum Foundation Fund which is supported by private contributions.

Admission to most of the museum's exhibits is free, and attendance records underscore continued public interest in it.

Administration

This function assures the proper operation and maintenance of all plants and facilities. It includes operation and security of museum buildings, as well as providing security within Exposition Park, which includes portions of land leased to the Coliseum Commission and to the County of Los Angeles. The museum also operates 26 acres of public parking, catering to patrons of the museum, the coliseum, the sports arena and swimming stadium. Parking fees for special events at these facilities were raised by the museum in 1971, to bring them more in line with private parking rates in the surrounding area.

Table 3 summarizes the past, present and proposed staffing and expenditures of the museum.

Table 3
Staff and Expenditures of the Museum of Science and Industry

	<i>Man-years</i>			<i>Expenditures</i>		
	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>	<i>Actual</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
Education	66.9	76	80.2	\$784,212	\$1,048,484	\$1,084,155
Administration	38.1	46	46	522,809	677,420	698,127
Total program costs	105	122	126.2	\$1,307,021	\$1,725,904	\$1,782,282
Reimbursements				-285,065	400,000	400,000
General Fund costs				\$1,021,952	\$1,325,904	\$1,382,282

The reimbursement figures represent actual and projected revenues from the museum's parking lots.

DEPARTMENT OF COMMERCE—Continued**Parking Revenue Projections May Be Too Optimistic**

Parking lot revenues for 1973-74 are estimated at \$400,000 and the same amount is projected for the budget year. Halfway through the current year, parking revenues amounted to \$295,419, or about \$50,000 above the estimated amount. However, the energy crisis may cause a significant enough drop in the January-June 1974 parking revenues to reduce actual revenues below the \$400,000 projection for 1973-74. In the event of a long-term energy crisis, the 1974-75 reimbursement projection of \$400,000 may also be too optimistic. If these reimbursement amounts fall short of projections, the museum will be required to reduce proposed expenditures or request an Emergency Fund appropriation.

Capital Outlay Proposed

We recommend approval of the proposed \$100,00 for capital outlay. The museum originally requested \$178,669 as capital outlay for necessary repairs of its physical facilities, as well as for maintenance and repair of its parking lots for the budget year. Some of the more urgent items scheduled to be repaired from budget-year funds, including repairs required by the Fire Marshal, will have to be repaired using the current year's appropriation. The 1974-75 budget allocates \$100,000 for capital outlay. While the total amount requested by the museum appears to be legitimate, the proposed amount should be adequate to cover projects in immediate need of repair. The museum can meet its capital requirements by postponing parking lot repair projects. The need for these repairs may be reduced, because of possible lighter usage of the parking lots during the energy crisis.

Museum Needs Personnel Assistant

We recommend establishment of a personnel assistant I position in the museum's business office to handle payroll-related workload.

In past years, the museum's business office has been plagued by continuous accounting and administrative problems. This was partly due to administrative inefficiency, but also to lack of adequate staffing. Last year efficiency was improved by hiring qualified accounting personnel. There continues to be a need for a qualified personnel clerk. As a result, the accounting personnel, who should devote full time to accounting functions, must spend a substantial amount of their time processing payroll-related documents. For example, the accounting administrator currently spends 80 percent of his time on personnel and payroll-related work. The museum handles payroll documents for 122 full-time and approximately 100 part-time employees. Other state agencies with comparable number of employees normally have a personnel clerk assigned to this function. The State Personnel Board has surveyed the museum's payroll and personnel-related workload and found the need for a personnel-clerk position justified. Consequently, we recommend the addition of a personnel assistant I position to the museum's staff. This will allow the museum's accounting staff to devote full time to accounting-related work and complete the improvement of accounting procedures necessary for the efficient opera-

tion of the museum.

This new position could be funded from the amount allocated to salary savings in the museum's current and proposed budgets, so no additional state funds will be required.

Museum Should Be Independent Entity

We recommend that, starting with 1974-75, the Museum of Science and Industry be statutorily separated from the Department of Commerce and established as an independent entity and separate budget item under the Agriculture and Services Agency.

Responsibility for the museum was assigned to the department as a result of the Governor's Reorganization Plan of 1968, because its objective of encouraging education in science and industry was believed to be compatible with the general objectives of the department. However, currently we find very little connection between the two functions. Not only are they physically separated (the museum is located in Los Angeles, the balance of the department in Sacramento), there is no direct relationship between their objectives and activities. In practice, the museum already functions as a separate entity, without significant administrative or supervisory input from the department's Sacramento staff. Since 1972, the two offices also have separate budget accounting. As a statutory part of the department, however, the museum must submit its budget request through the department and the two entities are budgeted by the Department of Finance as a single item.

Need for Continued Independent Budget Review. Last year the Legislature chose to review the department's Sacramento office and the museum as separate budget items and the 1973-74 Budget Act listed them as separate appropriation items. This method allowed a clearer, more thorough fiscal review of both entities. We believe this approach should be expanded to the budget formulation process. To achieve this, the museum must be statutorily established as a separate entity, independent of the department. This will require appropriate amendment of Sections 14980 and 14988 of the Government Code and Section 4101 of the Food and Agricultural Code.

Agriculture and Services Agency
DEPARTMENT OF CONSUMER AFFAIRS

Item 124-162 from Various

Funds

Budget p. 57 Program p. I-307

Requested 1974-75	\$20,504,725
Estimated 1973-74.....	20,237,437
Actual 1972-73	16,402,205
Requested increase \$267,288 (1.3 percent)	
Total recommended reduction.....	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

- | | |
|---|-----|
| 1. Dealer Warranties. Recommend legislation be enacted to extend jurisdiction of Bureau of Automotive Repair over repairs and services performed under dealer warranties. | 284 |
| 2. Board Transfer. Recommend State Board of Guide Dogs for the Blind be transferred to Department of Health. | 284 |
| 3. New Classification. Recommend establishment by State Personnel Board of consumer services representative trainee class. | 284 |
| 4. Disciplinary Action News Releases. Recommend public information office condense and combine releases regarding disciplinary actions of boards. | 285 |

GENERAL PROGRAM STATEMENT

The former Department of Professional and Vocational Standards was renamed the Department of Consumer Affairs by the Governor's Reorganization Plan No. 2 of 1970. The Consumer Affairs Act (Chapter 1394, Statutes of 1970, operative July 1, 1971) defined objectives and authorized activities which significantly broadened the department's responsibility and functions in the field of consumer affairs. Chapter 1041, Statutes of 1972, further defined the department's responsibility to consumers by requiring boards and bureaus to investigate all complaints and inform the complainant of action taken.

Chapter 1399, Statutes of 1970, created within the department a Division of Consumer Services, which replaced the former Division of Consumer Affairs. This division was designated as the administrative unit responsible for receiving, reviewing and acting upon consumer complaints not assignable to a specific departmental regulatory agency. Since its inception, the Division of Consumer Services has assumed a major portion of the department's consumer protection responsibilities, including the processing of consumer complaints and requests for information, compiling data and statistics, furnishing reports, and coordinating consumer protection activities with other consumer agencies. The division also prepares consumer resource materials; establishes resource contacts with business, trade and consumer organizations; and develops consumer protection and counseling programs in disadvantaged areas.

Chapter 870, Statutes of 1973, established the Bureau of Tax Preparers within the department. Chapter 1145, Statutes of 1973, established the Board of Registered Construction Inspectors. Each agency became operational on January 1, 1974.

Departmental Organization

The department is headed by a director appointed by the Governor. Subject to such authority as is conferred upon the director by specific statute, each of the 34 constituent agencies within the department conducts its own statutory program. For purposes of administrative and budgeting convenience, the department has grouped its constituent agencies into the following functionally related program groups:

1. Healing arts
2. Fiduciary
3. Design and construction
4. Business and sanitation

In addition to these programs, there is an administrative program (Divisions of Administration, Investigation and Consumer Services and building operation and maintenance) the cost of which is largely distributed pro rata to each constituent agency. Undistributed costs are paid from the Consumer Affairs Fund which was established pursuant to Sections 203 and 405 of the Business and Professions Code to facilitate the paying of administrative expenses. The Consumer Affairs Fund was established by retaining in one revolving fund the funds collected from the boards and bureaus. The Division of Administration estimates that undistributed costs will total \$1,964,045. However, because \$679,563 will be recovered as reimbursements for building rental or prorated charges assessed against other state agencies, the Consumer Affairs Fund will pay only \$1,284,482 of the amount characterized as undistributed costs. While each agency maintains a semi-independent status, the Division of Administration provides centralized services such as accounting, budgeting, personnel management, internal auditing, and legal assistance. The department's Division of Investigation provides investigative and inspection services for most constituent agencies. A few boards and bureaus have their own inspectors and investigators. Electronic data processing services are secured under contract from the Board of Equalization. Headquarters is located in Sacramento and the department maintains offices in San Francisco and Los Angeles.

Each board and bureau has the statutory objective of regulating an occupational group in order to protect the general public against incompetency or fraudulent practices. Each seeks to accomplish its objective through two types of activity—licensing and enforcement of laws, rules, and regulations. Licensing may involve activities such as the establishment of curricula, school accreditation, and required experience periods; examination, issuance and renewal of licenses or certificates; or a registration procedure. Law enforcement or compliance consists of procedures to insure that licensees obey laws, rules and regulations governing business or professional conduct. Compliance activity involves inspections, investigations, administrative hearings (before an officer of the Of-

DEPARTMENT OF CONSUMER AFFAIRS—Continued

fice of Administrative Hearings) or court proceedings where the act being enforced so provides.

Departmental Funding

Two departmental agencies, the Athletic Commission and the Board of Guide Dogs for the Blind, are wholly supported by the General Fund, but each of the remaining agencies is supported by one or more special funds. As previously stated, the costs of the Divisions of Administration and Consumer Services are distributed pro rata to each constituent agency in the department. However, the costs of the Division of Investigation are distributed only to those boards and bureaus using its services.

Healing Arts Group Transfer Delayed

The Governor's Reorganization Plan No. 1 of 1970, whose effective date was rescheduled by Chapter 1217, Statutes of 1971, for July 1, 1973, provided for the establishment of a State Department of Health in order to consolidate the health care services administered by the Departments of Mental Hygiene, Public Health, Health Care Services, Social Welfare, and Rehabilitation. One provision of the plan provided for transfer of 11 of the 12 healing arts boards from the Department of Consumer Affairs to the State Department of Health. Chapter 122, Statutes of 1973, which became effective June 29, 1973, delayed the transfer until July 1, 1977.

Continuing Education for Registered and Vocational Nurses

Chapter 1516, Statutes of 1971, requires proof of continuing professional education as a condition for the renewal of licenses for registered nurses and vocational nurses. After January 1, 1975, the Board of Nursing Education and Nurse Registration and the Board of Vocational Nurses and Psychiatric Technician Examiners must require licensees who have been out of school more than two years to submit proof that they have kept abreast of developments in their field of practice by taking education courses or an examination given by their licensing board.

Chapter 1516, created the Council on Continuing Education for the Health Occupations to establish appropriate continuing education standards by surveying academic studies, in-service education, lectures, seminars, conferences and home-study programs. Funding for operation of the council is shared equally by the Board of Nursing Education and Nurse Registration and the Board of Vocational Nurse and Psychiatric Technician Examiners. Budget-year costs are estimated at \$46,620 or \$23,310 for each board.

Pursuant to Chapter 1516, the Approved Control-Continuing Education Services Section (ACCESS) will become operational within the Department of Consumer Affairs in the budget year. The ACCESS is required to provide application forms and procedures to persons or institutions offering courses or programs of continuing education. The section must evaluate and accredit such courses and programs and certify that they meet the standards of continuing education established by the Council on Continuing Education for the Health Occupations. The funding arrangement for the section is identical to that for the council, and we estimate the budget

year costs at \$102,324 or \$59,162 for each board.

All budget year costs for operating the Council on Continuing Education for the Health Occupations and the ACCESS are properly included in Items 151, 161, and 162 which support the two nursing boards.

ANALYSIS AND RECOMMENDATIONS

With the exception of the Bureau of Automotive Repair we recommend approval of the departmental administration and constituent agency budget requests.

The net budget request for the department is \$20,504,725 which is \$267,-288 or 1.3 percent below estimated net expenditures for the current year. Reimbursements of \$57,743 to the Automotive Repair Fund from the Air Resources Board and undistributed administrative costs estimated at \$1,-964,045 (Consumer Affairs Fund) produce a total expenditure program of \$22,526,513.

The department's administrative expenditures reflect the addition of 10.8 positions in the budget year. The Division of Consumer Services is proposing 3.5 man-years of temporary help to assist with new consumer education programs and 1.5 clerk II positions to assist in absorbing a complaint workload that has increased to 650 complaints per month. The division is currently three to four weeks behind in complaint processing. The Division of Administration proposes the addition of two assistant management analyst positions and two clerical positions to absorb increased workload in the budget year. The Division of Investigation is requesting an increase of 1.8 man-years of temporary help to assist in processing investigation reports.

We were critical of the Department of Consumer Affairs last year in budget hearings for defraying administrative costs by funding staff positions from other than the appropriate support fund. The department made a commitment to the Legislature that this improper budgetary practice would be terminated. This year the department has prepared the budget in order to properly reflect actual staffing and funding by transferring the funding of approximately 16 positions to the appropriate fund. Further, permanent positions which were actually funded from temporary help funds (and represented as temporary help positions) are now properly funded and reflected as permanent positions.

Table 1 displays the Department of Consumer Affairs budget items, amounts budgeted and funds involved.

Table 2 reflects selected workload statistics and summaries of funding requests (excluding reimbursements) of the department's various boards, commissions and bureaus in budget item sequence. In a number of instances, we comment on recent legislation which affects agency programs or operating procedures.

Table 1
DEPARTMENT OF CONSUMER AFFAIRS BUDGET ITEMS

<i>Analysis Page</i>	<i>Item No.</i>	<i>Description</i>	<i>Amount</i>	<i>Fund</i>
271	124	Board of Accountancy	\$623,425	Accountancy
271	125	Board of Architectural Examiners	257,711	Calif. State Board of Architectural Examiners

DEPARTMENT OF CONSUMER AFFAIRS—Continued

271	126	State Athletic Commission	259,824	General
272	127	Bureau of Automotive Repair	1,691,877	Automotive Repair
273	128	Board of Barber Examiners	487,860	State Board of Barber Examiners
273	129	Board of Behavioral Science Examiners	173,290	Board of Behavioral Science Examiners
273	130	Cemetery Board	95,907	Cemetery Fund
273	131	Board of Chiropractic Examiners	148,884	State Board of Chiropractic Examiners
274	132	Bureau of Collection and	259,207	Collection Agency
274	133	Investigative Services	309,093	Private Investigator and Adjusters
274	134	Board of Registered Construction Inspectors	211,042	Construction Inspectors
275	135	Contractor's State License Board	4,502,778	Registration Board
275	136	Board of Cosmetology	1,123,201	Contractor's License
275	137	Board of Dental Examiners	611,881	Board of Cosmetology Contingent
276	138	Board of Fabric Care	470,580	State Dentistry
276	139	Bureau of Employment Agencies	320,177	Fabric Care
277	140	Board of Funeral Directors and Embalmers	169,824	Bureau of Employment
277	141	Board of Registration for Geologists and Geophysicists	68,656	Funeral Directors and Embalmers
277	142	State Board of Guide Dogs for the Blind	10,530	Geology and Geophysics
278	143	Bureau of Home Furnishings	613,741	General
278	144	Board of Landscape Architects	50,431	Bureau of Home Furnishings
278	145	Board of Medical Examiners	502,910	State Board of Landscape Architects
279	146	26,118	Board of Medical Examiners Contingent
279	147	14,058	Physical Therapy
279	148	38,469	Hearing Aid Dispensers
280	149	Nurses' Registry	11,366	Speech Pathology and Audiology
280	150	Board of Examiners of Nursing Home Administrators	128,172	Examining Committee
280	151	Board of Nursing Education and Nurse Registration	1,078,701	Nurses Registry
281	152	Board of Optometry	147,466	Board of Examiners of Nursing Home Administrators
281	153	Board of Osteopathic Examiners	15,813	Nursing Education and Nurse Registration
281	154	Board of Pharmacy	758,230	State Optometry
281	155	Board of Registration for Professional Engineers	955,204	Contingent Fund of the Board of Osteopathic Examiners
282	156	Bureau of Repair Services	481,516	Pharmacy Board Contingent
282	157	Certified Shorthand Reporters Board	72,826	Professional Engineers
282	158	Structural Pest Control Board	700,673	Repair Services
283	159	Bureau of Tax Preparers	198,986	Certified Shorthand Reporters
283	160	Board of Examiners in Veterinary Medicine	138,631	Structural Pest Control
283	161	Board of Vocational Nurse and	714,318	Tax Preparers
283	162	Psychiatric Technician Examiners	148,407	Veterinary Examiners Contingent
				Vocational Nurse and
				Psychiatric Technician Examiners

Table 2
SUMMARY OF FUNDING REQUESTS

Board of Accountancy**Item 124 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	28,789	29,600	32,000
Applications	12,098	12,400	12,900
Complaints	428	450	450
Examinations	6,641	7,100	7,300
Investigations	316	350	750
Man-years	13.7	16.3	18.7
Cost	\$459,041	\$578,646	\$623,425

The proposed budget reflects the addition of two clerk-typist II positions (pursuant to Chapter 716, Statutes of 1972) to assist in the continuing education program for licensees. The board is also requesting one stenographer II position and temporary help (0.9 position—\$3,800) to handle a workload generated by increased applications, examinations and investigations. The board's proposed clerical positions will enable the board to conduct examinations in the Fresno area.

Board of Architectural Examiners**Item 125 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses:			
Architects.....	7,109	7,482	7,757
Building designers.....	1,000	975	950
Applications (architects)	2,321	1,800	1,800
Complaints	164	150	175
Examinations	4,970	2,984	3,000
Investigations	28	35	40
Man-years	5.7	7.4	7.4
Cost	\$151,493	\$214,512	\$257,711

The board is requesting one assistant executive secretary position to assist in resolving complaints and expediting the more complex investigations.

Athletic Commission**Item 126 (General Fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	3,965	4,400	4,600
Applications	1,887	2,000	2,200
Complaints	890	800	800
Examinations	136	150	150
Inspections/investigations	7,349	8,000	8,000
Man-years	11.6	14.4	18.4
Cost	\$207,058	\$227,644	\$259,824

The commission is requesting one clerk-typist II position to help absorb an increased clerical workload generated by Chapter 982, Statutes of 1972, (boxers' pension and disability program) Chapter 1050, Statutes of 1972,

DEPARTMENT OF CONSUMER AFFAIRS—Continued

(regulation of professional boxing purse and expenses) and Chapter 1291, Statutes of 1972 (regulation of kickboxing). The budget request reflects the addition of three athletic inspectors (intermittent) to observe the computation of the number of tickets issued or sold and the determination of gross receipts at boxing matches and wrestling exhibitions as required by Chapter 1233, Statutes of 1971.

Bureau of Automotive Repair**Item 127 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	63,000	65,000	70,000
Applications	23,291	43,500	55,000
Complaints	27,668	38,000	35,000
Man-years	65.7	77	130.7
Cost	\$2,434,822	\$3,161,214	\$1,671,877

Chapter 1154, Statutes of 1973, enacted a pilot program of periodic mandatory vehicle emission inspection for all light duty vehicles registered in Los Angeles, Orange, Riverside, San Bernardino, Santa Barbara, and Ventura Counties. The inspection program is to be implemented by the Bureau of Automotive Repair during 1974 and 1975 with refinement of the inspection procedures after a trial is completed on December 31, 1975. Chapter 1154 (operative January 1, 1974) appropriated \$400,000 from the Motor Vehicle Account in the State Transportation Fund for fiscal year 1973-74 to enable the Bureau of Automotive Repair to plan the program, and \$100,000 to the Air Resources Board (ARB) to cover its added costs for setting emission standards.

Our discussion of this program together with a recommendation for additional funding is discussed in the Analysis under the Air Resources Board (Item 245). The Governor's cabinet has determined that the ARB will assume administrative responsibility for state smog control programs.

Further discussion on vehicle inspection programs can be found under Item 225 of the Analysis where we recommend that the Department of Motor Vehicles begin planning for a permanent vehicle inspection program for all vehicles registered in the State of California.

The bureau's net budget request is \$1,671,877. However, the bureau's total expenditure program includes \$57,743 (the balance of the \$400,000 that was appropriated by Chapter 1154 and not expended in the current year) and \$1,288,643 which the Governor's Budget treats as a reimbursement from the Air Resources Board (Item 245). The \$1,288,643 is for support of the bureau's official smog control station inspection program. These funds are shown as a reimbursement from the ARB because the cabinet has determined also that moneys for state smog control programs should be centralized in the ARB's budget rather than reflected in the various departmental budgets.

The bureau's budget request reflects the transfer of 47 inspector positions from the Division of Investigation to the bureau. These positions are now being used exclusively for the work of the bureau and the director has determined that they should be transferred to provide better supervision and utilization.

Board of Barber Examiners**Item 128 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	36,173	36,000	36,000
Applications	3,560	4,300	4,000
Complaints	185	250	200
Examinations	1,434	1,600	1,500
Investigations	405	400	400
Inspections	15,580	19,600	19,600
Suspensions/revocations	234	295	295
Administrative hearings	244	310	310
Man-years	11.1	11.8	11.7
Cost	\$412,087	\$467,006	\$487,860

The board is proposing the reduction of 0.1 man-year of temporary help because 1974 is not a license renewal year.

Board of Behavioral Science Examiners**Item 129 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	10,551	10,780	11,075
Applications	1,247	2,000	2,000
Complaints	21	60	50
Examinations	663	675	685
Investigations	4	12	15
Man-years	6.7	7.9	7.8
Cost	\$187,637	\$167,169	\$173,290

Cemetery Board**Item 130 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	1,715	1,800	1,815
Applications	2,735	2,800	2,825
Complaints	159	160	160
Examinations	418	425	450
Reports and audits received	348	352	357
Investigations/inspections	452	454	458
Man-years	4.7	4.4	4.4
Cost	\$100,708	\$93,543	\$95,907

Board of Chiropractic Examiners**Item 131 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	4,089	4,100	4,150
Applications	142	172	173
Examinations	160	165	165
Investigations	104	172	180
Hearings	33	36	40
Suspensions/revocations	19	21	22
Criminal prosecutions	2	3	3
Man-years	3.9	3.6	3.2
Cost	\$131,348	\$145,111	\$148,884

DEPARTMENT OF CONSUMER AFFAIRS—Continued

The proposed budget reflects the reduction of one senior clerical position (0.4 man-year) due to retirement.

Bureau of Collection and Investigative Services**Items 132 and 133 (two special funds)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Collection Agency Program			
Licenses	636	640	640
Applications for license	163	150	150
Applications for examination	279	280	300
Complaints	1,172	1,300	1,400
Audits	330	360	360
Suspensions/revocations	18	20	22
Man-years	11	11.1	11.1
Cost	\$222,938	\$254,200	\$259,207
Private Investigator and Adjuster Program			
Licenses	2,728	2,280	3,000
Applications	679	720	750
Private patrol employee applications	23,550	30,000	30,000
Complaints	340	400	400
Examinations	862	900	940
Investigations	75	200	200
Man-years	5	7.7	7.7
Cost	\$210,650	\$319,861	\$309,093

The budget reflects the continuation in the budget year of two clerk-typist II positions and 0.5 man-year of temporary help that were established in the current year to implement Chapter 1282, Statutes of 1972. Chapter 1282 requires private patrol employees to register with the bureau.

Board of Registered Construction Inspectors**Item 134 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Registrations	—	14,000	14,000
Applications	—	15,000	750
Complaints	—	—	1,500
Examinations	—	15,000	750
Investigations	—	—	750
Man-years	—	6.5	6.5
Cost	—	\$100,021	\$211,042

Chapter 1145, Statutes of 1973, created the State Board of Registered Construction Inspectors (operative January 1, 1974) within the Department of Consumer Affairs. The board is required to register construction inspectors and receive and investigate complaints against construction inspectors. On or after January 1, 1976, persons employed to inspect the construction, reconstruction or alteration of school buildings must be registered by the board.

In our Analysis last year we recommended withholding approval of 12 of the board's requested clerical positions until a management study by a

Contractors' State License Board**Item 135 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licensees	94,469	98,000	104,000
Applications	14,802	21,000	15,000
Complaints	26,761	27,965	30,000
Examinations	6,653	7,747	8,800
Investigations/inspections	19,520	25,000	29,000
Cases settled (licensees)	7,417	8,000	9,000
Cases referred to disciplinary action	657	680	720
Dismissed and other disposition	5,973	6,000	7,000
Man-years	167.2	226.5	226.5
Cost	\$3,059,429	\$4,314,837	\$4,502,778

private consulting firm was completed on June 1, 1973. The study recommended and the Legislature approved the addition of 23 clerical positions and 31 deputy registrar positions to reduce the board's backlog of 10,000 unresolved complaints within 12 months. The board has filled 20 of the 23 clerical positions and 16 of the 31 deputy registrar positions and is now waiting for medical reports from 10 applicants for deputy registrar positions. The board's complaint backlog has now increased to 14,000 unsolved complaints and the board estimates that it will be at least March 1974 before the new positions will be sufficiently trained to be able to commence reducing the backlog. We recommend that the board be prepared to give an assessment of this situation at the time of the budget hearings in order to determine if additional legislative action is required.

Board of Cosmetology**Item 136 (special fund)**

<i>Detail</i>	<i>Actual 1971-72</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licensees	166,607	185,000	195,000
Establishments	15,833	17,000	17,000
Schools	269	265	265
Applications	12,592	14,000	14,000
Complaints	1,053	1,400	1,600
Examinations	8,705	10,000	10,000
Inspections	21,070	28,000	28,000
Investigations	1,430	1,500	1,500
Man-years	30.2	27.3	28.6
Cost	\$974,403	\$1,004,774	\$1,123,201

Board of Dental Examiners**Item 137 (General Fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licensees (all classes)	61,035	72,333	84,033
Applications (all classes)	12,758	16,066	16,601
Complaints	864	695	820
Examinations	11,426	13,623	13,913
Investigations	296	270	285
Man-years	12.8	12.4	15.7
Cost	\$464,722	\$501,415	\$611,881

DEPARTMENT OF CONSUMER AFFAIRS—Continued

The board requests the addition of one consumer services representative position to assist in answering complaints against licensees from the public, and temporary help (1.3 man-years) to meet increased workload generated by license renewal activity. The budget reflects the deletion of one examiner position pursuant to Section 20, Budget Act 1973.

The board requests one administrative assistant position and one stenographic position to assist in the continuing education program for businesses which was established by Chapter 1011, Statutes of 1971. One clerk-typist position and one 0.5 man-year of temporary help (an increase of 0.3 man-year over current year) are requested to absorb an increased examination workload generated by graduates of foreign dental schools.

Board of Fabric Care**Item 138 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licensees	14,868	17,000	18,000
Applications	611	800	900
Complaints	2,119	2,200	2,400
Examinations	567	700	800
Inspections	11,521	17,500	19,500
Investigations	400	500	500
Suspensions/revocations	31	32	35
Man-years	9.8	9.7	10.1
Cost	\$400,068	\$446,006	\$470,580

The budget reflects the addition of 0.4 man-year of temporary help to meet increased workload generated by license renewal activity.

Chapter 991, Statutes of 1972, made an annual appropriation of \$75,000 from the board's fund to conduct consumer information and education programs and industry continuing education and research programs. Chapter 863, Statutes of 1973, changed the name of the State Board of Dry Cleaners to the State Board of Fabric Care and authorized the board to allocate up to \$25,000 annually for dissemination of information concerning the effect of drycleaning processes and operations on the environment. The appropriation is only available for the 1973-74 and 1974-75 fiscal years. The budget reflects an expenditure of \$75,000 (pursuant to Chapter 991). However, the \$25,000 to implement Chapter 863 is not discussed in the budget because according to the board, a decision has not been made on how to best utilize the appropriation.

Bureau of Employment Agencies**Item 139 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licensees	1,521	1,540	1,585
Applications	480	495	515
Branch applications	102	104	106
Counselor registration applications	10,000	10,000	10,000
Complaints	1,532	1,600	1,650
Examinations	452	600	650
Inspections/investigations	1,322	1,400	1,450
Man-years	7.4	8	9
Cost	\$226,487	\$300,412	\$320,177

The board requests one clerk-typist II position to absorb increased clerical workload generated by Section 9965.5 of the Business and Professions Code which requires employment counselors to notify the board when employment is changed. The board regulates approximately 5,000 employment counselors. According to the board, this requested position is also needed to assist in answering the 350 telephone calls the board receives each week.

Board of Funeral Directors and Embalmers

Item 140 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	4,728	4,900	5,000
Applications	1,378	1,428	1,900
Complaints	135	135	140
Inspections/investigations	3,175	4,000	4,100
Man-years	6.1	6.5	7.5
Cost	\$136,515	\$160,702	\$169,824

The board requests the addition of one field representative position to assist in meeting an increased inspection and investigation workload generated by Chapter 1027, Statutes of 1971, which requires casket prices to be posted. The board now has two field representatives to cover the entire state.

Board of Registration for Geologists and Geophysicists

Item 141 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	3,765	4,000	4,200
Applications	101	300	100
Complaints	10	15	20
Investigations	10	12	15
Man-years	1.6	2.2	2.3
Cost	\$47,558	\$62,804	\$68,656

Chapter 1396, Statutes of 1972, included geophysicists within the provisions for registration of geologists, and changed the name of the State Board of Registration for Geologists to the State Board of Registration for Geologists and Geophysicists.

The board requests that the half-time executive secretary position be made a full-time position due to new responsibilities. Temporary help (0.1 man-year) is requested to assist in the initial registration of geophysicists.

State Board of Guide Dogs for the Blind

Item 142 (General Fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	22	23	24
Applications	1	1	1
Man-years	0.1	0.2	0.2
Cost	\$4,584	\$10,160	\$10,530

We make a recommendation with regard to this board in a latter section of our analysis of the Department of Consumer Affairs under "policy recommendations."

DEPARTMENT OF CONSUMER AFFAIRS—Continued**Bureau of Home Furnishings****Item 143 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	21,477	22,447	21,000
Complaints	3,980	4,500	5,000
Inspections/investigations	18,749	19,000	19,000
Samples analyzed	1,976	2,000	2,200
Action taken as a result of sample analysis:			
Articles destroyed	662	625	630
Articles relabeled	23,965	23,970	23,975
Articles returned to manufacturer	242	250	260
Bulk materials:			
Relabeled/returned to manufacturer (pounds)	10,675	10,680	10,700
Man-years	16.4	17.2	17.4
Cost	\$523,043	\$576,994	\$613,741

The bureau requests the continuation of one clerk-typist position which was administratively created in the current year in order to absorb an increased workload generated by Chapter 749, Statutes of 1972 (furniture flammability inspection). Temporary help (0.2 man-year) is requested to help meet increased workload generated by license renewal activity.

Board of Landscape Architects**Item 144 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	881	910	925
Applications	248	280	200
Complaints	27	30	40
Investigations	14	20	30
Man-years	1.4	1.6	1.6
Cost	\$49,443	\$48,483	\$50,431

Board of Medical Examiners**Item 145 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses:			
Medical Practice Act	72,835	75,913	78,108
Psychology Certification Act	3,305	3,600	3,600
Corporations	5,136	6,095	6,610
Physicians' assistants	14	100	100
Psychology assistants	490	700	750
Applications:			
Medical Practice Act	4,863	6,005	6,480
Psychology Certification Act	242	300	350
Corporations	1,143	1,526	1,787
Physicians' assistants	24	116	170
Psychology assistants	350	400	450
Complaints	1,405	1,640	1,910
Man-years	34.8	44.9	41.9
Cost	\$334,142	\$516,234	\$502,910

The budget for this program reflects the deletion of four positions which comprise the Speech Pathology and Audiology Examining Committee. The committee's positions and funds were inadvertently included in the Board of Medical Examiners Contingent Fund for the current year. In the budget year the four positions are correctly reflected in Item 148 for support of the Speech Pathology and Audiology Examining Committee.

The Board of Medical Examiners budget also proposes the addition of one clerk-typist II position to process applications from graduates of foreign medical schools and to help transcribe minutes from the 102 board meetings scheduled in the budget year.

**Board of Medical Examiners
Licensed Physical Therapy Examining Committee**

Item 146 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	4,658	5,200	7,750
Applications	424	800	1,200
Complaints	41	50	65
Man-years	0.8	1.6	1.6
Cost	\$12,331	\$23,896	\$26,118

**Board of Medical Examiners
Hearing Aid Dispensers Examining Committee**

Item 147 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	457	1,000	1,500
Applications	602	1,125	1,550
Complaints	94	110	125
Man-years	—	0.5	0.5
Cost	\$4,521	\$14,058	\$14,058

**Board of Medical Examiners
Speech Pathology and Audiology Examining Committee**

Item 148 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	—	—	—
Applications	—	—	—
Complaints	—	—	—
Man-years	—	—	3.2
Cost	—	—	\$38,469

Chapter 1355, Statutes of 1972, created a nine-member Speech Pathology and Audiology Examining Committee to license and regulate speech pathologists and audiologists after July 1, 1973.

The budget proposes a reduction in temporary help (0.8) for the speech pathology and audiology program because Chapter 159, Statutes of 1973, delayed the date by which speech pathologists and audiologists must be licensed from July 1, 1973, to July 1, 1974.

DEPARTMENT OF CONSUMER AFFAIRS—Continued

No expenditures are shown for the current year because the funds and positions were inadvertently combined with those of the Board of Medical Examiners.

Nurses' Registry**Item 149 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	103	110	115
Applications	5	7	15
Complaints	40	50	60
Investigations	40	30	40
Man-years	0.2	0.5	0.5
Cost	\$8,157	\$9,924	\$11,366

Chapter 808, Statutes of 1972, transferred the operation of the Nurses' Registry from the Division of Consumer Services to the Bureau of Employment Agencies.

State Board of Examiners of Nursing Home Administrators**Item 150 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	2,121	2,500	2,725
Applications	785	250	300
Complaints	65	125	150
Examinations	690	200	250
Investigations	65	120	175
Man-years	3.8	3.1	4.2
Cost	\$109,058	\$101,643	\$128,172

The board's proposed budget reflects the addition of one nursing education consultant position (0.5 man-year) and temporary help (0.6 man-year) to assist in the continuing education program for licensees established by Chapter 1137, Statutes of 1970.

Board of Nursing Education and Nurse Registration**Item 151 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Schools of nursing	87	90	92
Licenses	155,485	158,000	160,000
Applications	11,486	12,000	13,400
Examinations	6,407	7,700	8,000
Investigations	165	180	250
Hearings	41	70	50
Prosecutions	13	22	20
Man-years	25	27.8	27.8
Cost	\$872,569	\$930,400	\$1,078,701

The budget reflects the deletion of one nursing education consultant position and one stenographic position pursuant to Section 20, Budget Act of 1973. The board proposes an addition of two nursing education consultant positions to assist in accrediting new nursing schools, inspecting existing nursing schools and investigating complaints regarding nursing practice.

Board of Optometry

Item 152 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	3,220	3,505	3,750
Applications	200	245	300
Complaints	315	550	700
Investigations	450	475	575
Man-years	2.9	4	4
Cost	\$104,502	\$118,554	\$147,466

Board of Osteopathic Examiners

Item 153 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses (all classes)	246	250	250
Hearings	—	1	1
Man-years	—	—	—
Cost	\$14,213	\$14,814	\$15,813

Board of Pharmacy

Item 154 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	22,333	23,900	23,500
Applications	2,694	1,500	2,500
Complaints	280	450	320
Inspections/investigations	7,920	7,700	7,700
Disciplinary actions	243	330	300
Man-years	27.5	26.7	26.7
Cost	\$672,266	\$730,806	\$758,230

Board of Registration for Professional Engineers

Item 155 (special fund)

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenseses	67,000	69,000	86,000
Applications	8,700	8,100	25,700
Complaints	500	500	540
Examinations	8,500	9,000	8,700
Investigations	500	500	600
Man-years	34	40.7	41.7
Cost	\$662,869	\$833,864	\$955,204

DEPARTMENT OF CONSUMER AFFAIRS—Continued

Chapter 883, Statutes of 1973 (operative January 1, 1974) requires pharmacies to post a retail price list containing the 100 prescription drugs most frequently sold in California, as determined by the Board of Pharmacy. Funds for implementing Chapter 883 are included in the board's proposed budget.

The budget reflects the deletion of one examiner position and the addition of two man-years of temporary help to assist in absorbing a clerical workload generated by Chapter 323, Statutes of 1971. Chapter 323 authorizes the board to establish new engineering classes. The board anticipates approximately 17,000 new licensees in the budget year.

Bureau of Repair Services**Item 156 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	6,669	9,100	10,000
Applications	1,056	2,000	2,500
Complaints	2,919	4,200	4,500
Inspections/investigations	3,659	3,800	3,800
Man-years	11.5	16.5	16.5
Cost	\$337,109	\$474,364	\$481,516

Certified Shorthand Reporters Board**Item 157 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	2,131	2,330	2,405
Applications	625	650	650
Complaints	44	50	60
Examinations	2	2	2
Investigations	—	3	3
Man-years	2	3.3	3.3
Cost	\$63,400	\$71,309	\$72,826

Structural Pest Control Board**Item 158 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	5,276	5,800	6,000
Applications	1,753	1,900	2,100
Examinations	1,568	1,700	1,800
Inspection reports filed	483,705	500,000	525,000
Completion notices filed	224,880	247,400	250,100
Complaints received	1,649	1,800	2,000
Inspections/investigations	1,700	1,800	1,800
Personnel man-years	20.1	21.7	22.7
Cost	\$556,182	\$656,940	\$700,673

The board is requesting one clerk-typist II position for the Los Angeles office. The position will be used to answer telephone inquiries and process complaints against licensees.

Bureau of Tax Preparers**Item 159 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Registrations	—	9,000	9,000
Applications	—	9,000	500
Complaints	—	—	1,000
Inspections	—	—	200
Investigations	—	—	500
Man-years	—	4.5	4.5
Cost	—	\$63,943	\$198,986

Chapter 870, Statutes of 1973 (operative July 1, 1973) requires persons who prepare federal, state or local government tax returns for compensation to register with the Department of Consumer Affairs. Administration of the Tax Preparers Registration Act is provided by the Division of Consumer Services until a separate bureau is established.

Board of Examiners in Veterinary Medicine**Item 160 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Licenses	3,554	3,750	3,950
Applications	290	260	270
Complaints	733	700	600
Investigations	840	750	750
Man-years	2.6	3.5	3.6
Cost	\$125,517	\$132,294	\$138,631

The board proposes an increase in temporary help (0.1 man-year) to absorb workload generated by regulation of animal health technicians.

Board of Vocational Nurse and Psychiatric Technician Examiners**Items 161 and 162 (special fund)**

<i>Detail</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Vocational nurse program			
Licenses	45,689	48,500	52,500
Applications	6,248	6,500	7,250
Examinations	4,919	6,200	7,150
Complaints	854	900	1,000
Annual/special visits to schools	402	600	625
Psychiatric technician program			
Licenses	11,838	14,000	15,500
Applications	863	1,200	2,000
Examinations	608	1,050	1,200
Complaints	96	175	225
Annual/special visits to schools	92	139	149
Total man-years	17.6	19.5	19.6
Total cost	\$614,955	\$741,281	\$862,725

The proposed budget reflects an increase in temporary help (0.6 man-year) for the vocational nurse program. An increase in temporary help

DEPARTMENT OF CONSUMER AFFAIRS—Continued

(0.1 man-year) is requested for the psychiatric technician program to absorb increased clerical workload generated by an increase in licensing activity.

POLICY RECOMMENDATIONS**Dealer Warranties**

We recommend that legislation be enacted to extend the jurisdiction of the Bureau of Automotive Repair over the conduct of repairs performed and services provided under dealer warranties.

Chapter 1578, Statutes of 1971, established the Bureau of Automotive Repair in the Department of Consumer Affairs and transferred jurisdiction over motor vehicle repairs and services from the Department of Motor Vehicles to the bureau. The Department of Motor Vehicles terminated its motor vehicle service and repair surveillance program upon enactment of Chapter 1578. The bureau has jurisdiction over automotive repair complaints. However, according to the Department of Consumer Affairs legal staff, the bureau lacks jurisdiction over automotive repairs performed under warranty or over complaints which concern a new car dealer's refusal to perform repairs under warranty. We believe that handling complaints involving dealer warranties and repair work performed under dealer warranties falls within the consumer protection responsibilities of the Department of Consumer Affairs. Extending the bureau's jurisdiction over such complaints would consolidate automotive complaint handling within one state agency.

Guide Dogs Board

We recommend that the State Board of Guide Dogs for the Blind be transferred from the Department of Consumer Affairs to the Department of Health.

We believe that the State Board of Guide Dogs for the Blind is not properly placed in the Department of Consumer Affairs. The activities of the board could readily be transferred to the Department of Health because the board's executive secretary is housed currently in one of the Department of Health buildings and receives staff support from the department. Transferring the board would also terminate the board's pro rata assessment for operation of the Division of Consumer Services in the Department of Consumer Affairs.

New Personnel Class

We recommend that the State Personnel Board work with the Department of Consumer Affairs to establish a consumer services representative trainee class and that four clerks who are now working out of class by performing the duties of consumer services representatives be placed in this classification.

According to State Personnel Board job specifications, consumer services representatives receive and resolve complaints filed by consumers by telephoning, visiting or corresponding with the consumer and the manufacturer or distributor of the product or service involved. The department currently has one consumer services representative (salary range \$874-

\$1,064) in the Division of Consumer Services. However, two clerk-typist II's (salary range \$484-\$683) and two stenographer II's (salary range \$552-\$666) are currently working "out of class" by performing the duties of a consumer services representative.

We are recommending that a consumer services representative trainee class be established by the State Personnel Board in order to provide a vehicle for training consumer services representatives. The establishment of a trainee class would also narrow the salary gap that now exists between the consumer services representative position and most clerical positions. The department should reclassify the above four clerks (as trainees) in order to take advantage of their complaint handling experience and to compensate them properly for the work they actually perform.

Reduction in News Releases

We recommend that the public information office condense and combine its news releases regarding disciplinary actions taken by the department into one monthly release in order to reduce clerical workload, conserve paper, and reduce mailing expenses.

The Public Information Office in the Department of Consumer Affairs mails news releases detailing disciplinary actions (denials, suspension, revocations) taken against licensees to individuals and institutions on its mailing list. There are currently 764 recipients of the above news releases. A recipient may receive from one to five or more mailings in one week and each mailing may contain from one to four news releases.

We believe that the department could continue to inform the public of its activities and at the same time reduce clerical workload by condensing releases and reducing mailings to once each month. The clerical staff which is used to type and process these releases could be better utilized in assisting the department's staff analysts and complaint handling unit with related clerical work.

BOARD OF CONTROL

Item 163 from the General
Fund

Budget p. 59 Program p. I-378

Requested 1974-75	\$278,931
Estimated 1973-74.....	179,174
Actual 1972-73	150,549
Requested increase \$99,757 (55.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

The Board of Control handles all claims against the state, reviews numerous state fiscal transactions, establishes some administrative rules and administers the employee suggestion program. The board has an executive secretary and staff of 10.

BOARD OF CONTROL—Continued**Dramatic Increase in Victim Claims**

We recommend approval of three new positions to handle the anticipated increase in victim of violent crime claims.

Three positions are needed to (1) reduce the backlog of victim claims, (2) handle the normal growth in victim claims, and (3) handle new claims resulting from Chapter 1144, Statutes of 1973. The backlog increased from 264 on June 30, 1971 to 854 as of November 30, 1973. This backlog has been caused by growth in claims which averaged 52 percent per year from fiscal years 1970-71 to 1972-73. The growth rate of currently allowable claims should begin to level off in 1974-75. However, Chapter 1144, Statutes of 1973, (operative on July 1, 1974) enlarges the definition of victims of violent crimes, requires greater program publicity, raises the maximum that can be paid for a claim, and authorizes cash payments for job retraining or similar employment-oriented rehabilitative services. It is estimated that Chapter 1144 will add an additional 225 claims to the normal expected increase of 325 claims in 1974-75. The full workload increase associated with Chapter 1144 will not be felt until 6-8 months into 1974-75 because of the claims backlog. Table 1 shows the increased number of victim of violent crime claims and the staff handling these claims.

Table 1
Victim of Violent Crimes Program

	1970-71	1971-72	1972-73	1973-74	1974-75
Claims filed.....	471	698	1,081	1,250 ^a	1,800 ^a
Percent change from previous year	+28%	+48%	+55%	+16%	+44%
Man-years	N/A	N/A	N/A	2.7	5.7

^a Agency estimate.

The board also plans to contract with the Department of General Services for additional legal services, including the use of hearing examiners, to expedite the processing of claims.

THE MERIT AWARD BOARD

The Merit Award Board reviews state employee suggestions for more efficient government operation and recommends cash awards for those whose ideas are adopted. The amount of the cash award ranges up to a maximum of 10 percent of the first year's net savings. The average benefit the state receives from a suggestion has been greater than the administrative cost associated with processing suggestions plus the cost of the cash award.

Unfortunately, the number of suggestions made by state employees has dropped from 3,394 in fiscal year 1967-68 to 2,186 in fiscal year 1972-73, a 35.6-percent drop. This trend is shown in Table 2.

Table 2
Number of Employee Suggestions

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Employee suggestions	3,394	2,752	2,546	2,925	2,479	2,186	2,200 ^a
Percent change from previous year	-6.8%	-18.9%	-7.5%	+14.9%	-15.2%	-11.8%	+6.6% ^a

^a Based on July-December average

Employee knowledge of the suggestion program and departmental management interest in encouraging suggestions are important factors in determining the number of suggestions. The Merit Award Board is currently engaged in advertising the suggestion program. Past history indicates that this is an effective means of increasing the number of suggestions. Additionally, some departments, notably the Department of Motor Vehicles, have been encouraging suggestions from their employees. Table 3 shows the number of suggestions and estimated first-year savings from selected departments.

Table 3
Suggestions Made and Estimated First Year Savings by
Selected Departments—1972-73

<i>Department</i>	<i>Number of suggestions</i>	<i>Suggestions per 1,000 employees</i>	<i>Estimated first-year savings</i>
Corrections	41	5.9	\$50,183
Board of Equalization	42	18.4	3,080
Franchise Tax Board	35	24.1	4,900
General Services	66	17.3	20,105
Highway Patrol	169	21.9	41,176
Human Resources Development	448	35.6	69,063
Mental Hygiene	62	7.1	250
Department of Motor Vehicles	357	52.0	274,443
Public Works	463	25.2	202,666
State Colleges and Universities	91	3.1	10,440

More Department Encouragement Needed

We recommend approval of an administrative assistant II position to relieve the executive secretary of some line responsibilities so he can devote more time to a program of promoting employee suggestions.

The goal of this effort is to increase employee participation in the state's suggestion program by 10 percent each year.

STATE FIRE MARSHAL

Item 164 from the General

Fund

Budget p. 59 Program p. I-380

Requested 1974-75	\$1,836,657
Estimated 1973-74	1,775,309
Actual 1972-73	1,083,760
Requested increase \$61,348 (3.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The basic objectives of the State Fire Marshal's office are to prevent the loss of life and property by fire through fostering, promoting and developing ways and means to protect against fire and panic. To achieve these objectives the State Fire Marshal prepares and adopts minimum statewide

STATE FIRE MARSHAL—Continued

standards, aids in enforcement of laws and regulations, and disseminates information relative to public fire safety. Enforcement of the standards is the responsibility of local fire authorities except in state-owned buildings, cargo tanks used in the transportation of flammable liquids and where no local authority exists. In these excepted cases the State Fire Marshal assumes enforcement responsibility.

Within the State Fire Marshal's office there are three major elements: (1) enforcement, (2) analysis and development and (3) administration. These elements are described below.

Enforcement

This element consists of nine components, concerning building occupancies, portable fire extinguisher servicing concerns, fireworks, transportation of flammable liquids and occupational safety and health. Enforcement is conducted on a two-phase basis, (1) review of construction plans and (2) onsite inspection.

Analysis and Development

This element contains six components concerning: (1) construction materials and equipment, (2) licensing, registration and certification, (3) public education and training, (4) statistics, (5) fire investigations, and (6) children's flammable apparel.

The construction and equipment component is responsible for evaluation of technical data and test reports of building materials, construction methods and equipment to determine conformance with adopted test methods and standards. A listing of conforming materials, construction methods and equipment is published annually.

The second component is responsible for licensing, regulating and conformance concerning flame retardants, fireworks, explosives, portable fire extinguishers and cargo tanks.

The public education and training component provides general public fire safety information through publication of the department's quarterly newsletter.

The statistics component was added through the enactment of Chapter 758, Statutes of 1972 (AB 2066). Within this component, data relating to every fire in California are reported to the State Fire Marshal. The data are then compiled, analyzed and distributed to each chief fire official in the state. Hopefully, these statistics will ultimately improve standards and regulations concerning fire and panic safety.

The fire investigation component was added upon enactment of Chapter 1226 Statutes of 1972, (AB 2065) and is responsible for investigation of fires and explosives whenever the crime of arson or attempted arson has been committed or suspected. In addition, the State Fire Marshal instructs local fire department personnel in methods of arson detection and investigation.

The last component was added as a result of Chapter 1143, Statutes of 1972, (SB 1011) which required establishment of flammability standards for certain items of children's wearing apparel.

Administration

This element provides planning, coordination and application of statistical, fiscal and technical information. For accounting purposes the cost of this element is distributed to the enforcement and analysis-development elements in the amount attributable to each.

ANALYSIS AND RECOMMENDATIONS

The State Fire Marshal is requesting \$1,836,657 for the budget year, an increase of \$61,349 (3.5 percent) over estimated expenditures in the current year. However, the total proposed expenditures for the State Fire Marshal is \$2,817,016, a decrease of \$99,297 (3.4 percent) below the current year total expenditure. The difference between the requested funds and total expenditures is due to reimbursements for contracts with the Department of Health and the Division of Industrial Safety. Reimbursements from these contracts are expected to total \$980,359, or \$160,645 less than the current year.

The State Fire Marshal anticipates that the enforcement element will require 96 man-years at a cost of \$2,119,241 to review 5,135 construction plans and make 14,305 onsite inspections during the budget year. This represents a reduction of 18 man-years and \$175,897. The projected workload represents a reduction of 425 plan reviews but an increase of 550 field inspections. All changes in this element are related to contract requirements with the Department of Health and Industrial Safety.

The analysis and development element is projected to increase expenditures from \$621,175 to \$697,775. This increase is related to the fire investigation component which required only one-half-year funding in the current year.

Children's Flammable Apparel

Enactment of Chapter 1143, Statutes of 1972, (SB 1011) requires that all children's sleepwear through size 14 sold or offered for sale in California must meet federal flammability standards. Federal standards are applicable only to sleepwear through size 6X and allow the sale of sleepwear that does not meet the standards if a label stating nonconformity is attached to the article. This legislation also requires the State Fire Marshal to establish flammability regulations for other articles of children's clothing through size 14. These regulations are in process and it is our understanding that they will be similar to standards relating to sleepwear.

Fire Statistics

Beginning January 1, 1974, information relating to every fire in California must be reported to the State Fire Marshal. There are an estimated 300,000 fires annually of which approximately 200,000 are within areas having computer capability to provide the necessary information in a form which will interface with state computer requirements. However, information relating to the remaining 100,000 fires will require manual processing by the State Fire Marshal.

STATE FIRE MARSHAL—Continued**Emergency Fund Allocation**

In the current year the Department of Finance allocated \$43,888 from the Emergency Fund to the State Fire Marshal. This allocation was for EDP services provided by the Department of General Services for the Fire Marshal's fire statistics function. This amount augmented the \$40,000 appropriated by the 1973 Budget Act for the same purpose. It should be pointed out that the Fire Marshal's original request in the 1973-74 Governor's Budget was \$80,000. The Legislature subsequently reduced this amount to \$40,000, with the intent of limiting EDP expenditures for the fire statistics function.

Fire Hydrant Study

ACR 67 of the 1973 legislative session requested the State Fire Marshal and the Department of Water Resources to review jointly the desirability of establishing minimum standards of water supply for fire hydrants and a method of allocating and paying costs of such service. A report of their findings was due January 7, 1974. It is our understanding that the major portion of this study will be conducted by the State Fire Marshal. However, current-year funding does not provide for this study and therefore the study will not be accomplished until sometime during the budget year. The Fire Marshal estimates that \$20,000 will be required, \$10,000 of which is requested in the budget year.

FRANCHISE TAX BOARD

Item 165 from the General

Fund

Budget p. 61 Program p. I-385

Requested 1974-75	\$39,208,326
Estimated 1973-74.....	38,090,781
Actual 1972-73	33,743,858
Requested increase \$1,117,545 (2.9 percent)	
Total recommended reduction	\$825,871

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Workload Reduction. Reduce \$792,000.* Recommend reduction in Personal Income Tax Program on basis of lower estimate in number of returns filed. 292
2. *Renters' Tax Relief.* Recommendation withheld pending submission of new budget incorporating revised workload estimates. 294
3. *Overtime Funds. Reduce \$33,871.* Recommend disapproval of requested increase in overtime and recommend identification and elimination of nonessential overtime. 296
4. *Withholding Report.* Recommend submission of report identifying program savings resulting from adoption of 297

withholding and EDP processing.

5. Senior Citizens' Property Tax Assistance. Defer recommendation pending submission of new budget incorporating the increased workload generated by Chapter 1216, Statutes of 1973. 298

GENERAL PROGRAM STATEMENT

The Franchise Tax Board administers the Personal Income Tax Law, the Bank and Corporation Tax Law, and the Senior Citizens' Property Tax Assistance Program.

Chapter 1, Statutes of 1971, First Extraordinary Session, incorporated a number of tax changes which have had a significant impact on the workload of this agency. They include:

1. *Withholding.* A system of personal income tax withholding and quarterly estimate payments, was initiated January 1, 1972. First-year tax returns under the new withholding program were filed April 15, 1973. The number of returns filed was significantly below the original estimate.
2. *Bank and Corporation Tax.* A quarterly payments system was instituted in 1972 replacing the semiannual installment provisions which existed under former law.
3. *Senior Citizens' Property Tax Assistance.* Workload expanded from 56,000 to 300,000 claimants when the income limits under this program were increased from \$3,350 to \$10,000 in 1972.

New Renters' Tax Relief Program

Chapter 1406, Statutes of 1972, enacted a program of renter tax relief and integrated the administration of this program with the board's personal income tax return processing activity. Assistance, which ranges from \$25 to \$45 depending upon income, will be granted in the form of a personal income tax credit with the unapplied credit balance remitted in the form of a tax refund. Item 110 of the 1973 Budget Act appropriated \$471,607 to support administration of this program during the current year.

Special One-Time Tax Credit

Chapter 296, Statutes of 1973, enacted a one-time personal income tax credit on 1973 incomes ranging from 35 percent to 20 percent depending upon income. In 1973 and subsequent years, married couples with adjusted gross incomes below \$8,000 and single persons with incomes below \$4,000 are exempted from paying personal income taxes. Chapter 952, Statutes of 1973, appropriated \$340,000 during the current year to administer this program.

Table 1 shows the current year estimate and budget year request of this agency with the two new programs identified to show proposed costs of ongoing workload.

The focus of this analysis is primarily on the effect of withholding on the Personal Income Tax Program, because the processing of first-year returns was completed in 1972-73 and now provides an accurate workload and productivity base for evaluating future expenditure proposals.

FRANCHISE TAX BOARD—Continued

Table 1
Franchise Tax Board
Total Expenditures by Source of Funds

<i>Program</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>
Personal Income Tax Program	\$27,215,531	\$28,308,284	+\$1,092,753
a. Renters' tax relief	470,000	528,000	+58,000
b. Special tax credit	340,000	—	—340,000
Bank and Corporation Tax	8,572,000	8,864,235	+292,235
Senior Citizens' Property Tax Assistance	1,622,000	1,676,044	+54,044
Reimbursements	—128,750	—168,237	—39,487
Total expenditures	\$38,090,781	\$39,208,326	+\$1,117,545
Personal services			(+308,474)
Operating expense			(+809,071)

ANALYSIS AND RECOMMENDATIONS**I. PERSONAL INCOME TAX PROGRAM**

We recommend that the Personal Income Tax Program be reduced \$792,000. (This reduction is based upon a revised estimate of workload which is 644,000 returns below the current year funded level.)

The board's 1974-75 budget request has not been adjusted for the 1972-73 workload reduction of 775,000 fewer returns filed or for the revised current year estimate which is 644,000 returns below the workload level which was authorized in the Budget Act of 1973. Only part of the 1972-73 savings and none of the 1973-74 savings are recognized in the board's 1974-75 budget request.

1972-73 Workload Savings

The Legislature increased support for this program by \$10.1 million, from \$15.1 million to \$25.2 million, in 1972-73 to fund the additional workload generated by the new withholding program. This support appropriation was based upon the board's estimate that eight million tax returns would be filed. We disagreed with that estimate, pointing out that the board's projection of tax returns filed did not take into account the stabilization of California's population and employment.

Table 2 shows that the actual number of 1972 returns fell below the estimate by 780,000 returns which represented a 9.7-percent reduction in workload.

Table 2
Franchise Tax Board's Original Estimate of
Personal Income Tax Returns Filed Compared with Actual, 1972-73

<i>Type of Return</i>	<i>Original Estimate 1972-73</i>	<i>Actual 1972-73</i>	<i>Difference</i>
Total returns	8,000,000	7,225,000	775,000
Refund	5,200,000	4,100,000	—1,100,000
Multiple page	4,750,000	5,000,000	+250,000
Single page	3,310,000	2,000,000	—1,300,000
Address label	2,300,000	2,000,000	—300,000
Nonlabel	5,600,000	4,900,000	—700,000

The high estimate was mostly concentrated in the single page, refund

return category. The number of nonlabel returns, which has an important effect upon data entry workload, also dropped off significantly.

Cost increases not anticipated in the original appropriation consisted of a \$302,000 amendment to the Employment Development Department's (EDD) employer withholding contract and a \$40,000 lease adjustment with Aerojet-General. These increases resulted in no year-end savings in operating expenses with all of the \$319,000 reversion shown in the budget realized from personnel services.

The reduction in 1972-73 workload should have generated larger year-end savings. We therefore compared the board's original allocation of funds as adjusted for salary increases with actual expenditures in each division of the entire department to see how personal income tax workload savings were utilized. Table 3 shows that savings in personal services of \$587,000 were realized in Data Processing and that Administrative Services personal services expenditures were \$71,000 below the original estimate.

Table 3
Franchise Tax Board
Comparison of Mid-Year Estimates
With Actual Expenditures for All Programs, 1972-73
(in thousands)

<i>Division</i>	<i>Budget estimate November 30, 1972</i>	<i>Actual expenditures</i>	<i>Amount change</i>
Administrative Services			
Personnel	\$6,279	\$6,208	\$-71
Operating expense	9,596	9,674	+78
Data Processing			
Personnel	4,278	3,690	-587
Operating expense	2,284	2,102	-181
Compliance			
Personnel	3,249	3,350	+100
Operating expense	96	83	-13
Regional offices			
Personnel	6,264	6,458	+194
Operating expense	368	495	+127
Senior Citizens' Tax Assistance			
Personnel	581	638	+56
Operating expense	21	16	-5
All other			
Personnel	1,156	1,180	+24
Operating expense	75	70	-5
Reimbursements	-183	-219	-36
Totals, General Fund savings	\$34,063	\$33,744	\$319

Total personal services reallocations to other divisions amounted to \$374,000, with compliance expenditures increasing \$100,000 and the northern and southern regional offices receiving \$194,000 in additional funds.

1973-74 Workload

In 1973-74 the board established a new workload base using the number of federal income tax returns filed by California residents in 1970, and submitted its budget based upon 8,545,000 returns. We again disagreed with this estimate and the Legislature approved a lower workload level

FRANCHISE TAX BOARD—Continued

of 8,114,000 tax returns filed. Prior year data from the first year of withholding still were not available.

1973-74 Workload Savings

The board's January 1974 estimate of returns filed is the first to take into account actual returns filed after the adoption of withholding. This revised estimate for the current year is compared with the authorized workload level in Table 4.

Table 4
Franchise Tax Board
Comparison of Authorized Workload and
Revised Estimate of Personal Income Tax Returns—1973-74
(in thousands)

<i>1973-74 Returns</i>	<i>Number of Returns</i>	<i>Difference</i>
Original budget request, January 1973.....	8,545	—
Legislative authorization, July 1973	8,114	-431
Midyear revised estimate, January 1974	7,470	-644

This new estimate of 7,470,000 returns is 245,000 returns above the 1972-73 actual level, but is also 644,000 returns below the workload level authorized in the 1973 Budget Act.

The 1973-74 appropriation becomes what is termed the "base line planning estimate" upon which the board's current-year budget is based. This baseline budget was not adjusted for the 644,000 return reduction in workload and therefore overstates budget needs by \$792,000. The recommended reduction in program support is based upon an average cost per return of \$1.23 which is limited to the personal services cost per return filed for self-assessment and math verification activities only. This cost is equal to the amount per return budgeted in 1972-73 and does not include any charges for operating expenses, administrative overhead, audit activities or amounts allocated to EDD for employer withholding.

Revised Workload Budget

We withhold recommendation on the Renters' Tax Relief Program pending receipt of a revised workload budget. We also recommend that the Renters' Tax Relief Program be separately identified in subsequent-year budget presentations.

Item 110, Budget Act of 1973, appropriated \$471,607 to the Franchise Tax Board for the cost of administering this program during the current year. This amount was carried forward and is included in budget year totals. The Item 110 budget assumed that there would be 250,000 additional tax returns filed by renters who otherwise would have no tax liability or reason to file.

Table 5 shows that the board has increased its estimate of the number of new renter tax relief claims from 250,000 new returns to 600,000 new renter claims in both the current and budget year.

This 350,000 return increase is not explained anywhere in the budget or in supplementary workload information. It creates the impression that the current year workload is not significantly lower than the level authorized

Table 5
Renters' Tax Relief Program
Revised Estimate of New Returns Filed
1973-74 and 1974-75

<i>Returns</i>	<i>Revised estimate</i>	
	<i>Number of Returns 1973-74</i>	<i>Number of Returns 1974-75</i>
Total personal income tax returns filed, budget estimate	8,070,000	8,185,000
Less ongoing workload	7,470,000	7,585,000
New renter returns identified	600,000	600,000
Less new renter returns funded by Item 110, Budget Act of 1973 ..	250,000	250,000
Additional renter refunds without expenditures identified.....	350,000	350,000

by the 1973 Budget Act. We believe that there is a significant reduction in workload and expenditures for the following reasons:

1. Regular tax return workload, as explained in our previous recommendation, is down by 644,000 returns. Cost savings from income tax return workload reductions should be much greater per return than increased costs associated with processing an additional renter claim. An income tax return is more sophisticated, requiring more information to be entered through EDP, and the more complicated Personal Income Tax Law requires a higher level of taxpayer service.
2. The total number of renters has not increased. The board has not revised its original estimate that 3,325,000 individuals would claim the renters' credit. The 350,000 new returns is simply the board's revised estimate of the additional number of claimants who are not included in the lower income tax return filing base. The original estimate of tax returns filed assumed that all but 250,000 renters would claim the renters' credit on the same form that they report income for tax purposes. This number was apparently increased to 600,000 when the board realized that the normal income tax return workload would be lower than originally estimated by 644,000 returns.
3. The incremental cost of processing the 350,000 additional renter claims will be much lower than the average cost of other workload, because data entry (except name, address and adjusted gross income entries), taxpayer services and audit workload costs have already been funded in the budget by carry-forward of the Item 110 appropriation.

We therefore conclude that a revised renters' tax relief budget should be submitted which identifies the increase in cost associated with the additional 350,000 claims. We believe that the Governor's Budget should show all proposed changes in workload rather than simply offset reductions in one area with expected increases in other programs.

Summary of Workload Issues

In summary, the personal income tax return workload in the budget year is overstated by 644,000 returns and new renter claims have been apparently understated by 350,000 returns, leaving a combined workload excess of 294,000 returns. We believe that these two recommendations should be treated separately, because unit costs for the two programs are not comparable. The renters' tax relief program does not justify a unit cost

FRANCHISE TAX BOARD—Continued

as high as regular personal income tax returns and therefore should be evaluated independently.

Renter Tax Relief Audit

We withhold recommendations on 4.8 man-years requested to audit renter tax relief claims pending submission of a new renters' tax relief budget.

This request is based upon the original estimate of 250,000 new tax returns and has not been adjusted for the apparent change in workload reported in budget totals.

1974-75 Workload

We recommend approval of 4 permanent and 26.4 temporary help positions in the return processing and taxpayer services units.

The board estimates that normal workload growth will amount to 115,000 additional returns filed in 1974-75. This workload growth is consistent with the growth in employment forecast by the Department of Finance for 1974 and therefore should be approved. Three of the permanent positions consist of one tax auditor III, and two clerk I supervisors. The fourth position is added to reinstate a clerk I position in the EDP division which was erroneously abolished under Section 20 of the Budget Act of 1973.

We recommend approval of 1.6 positions in the legal division. Approximately 600 existing personal income tax regulations need updating and 100 new regulations are needed to clarify existing law. These positions will also be used to reduce backlogs existing in the protests and appeals units.

Nonessential Overtime

We recommend disapproval of \$33,871 in overtime funds requested in the budget year and recommend that the department identify and eliminate nonessential overtime.

This requested increase in overtime consists of \$3,728 in the Legal Division, \$25,923 in the examination and taxpayer services units of the Administrative Services Division, and \$4,220 in the Business Service Office. Table 6 shows that total 1972-73 overtime expenditures amounted to \$494,000.

Table 6
Franchise Tax Board
Overtime Expenditures in All Programs
1972-73

Division	Average per month			May	June	Total
	July thru December	January and February	March and April			
Administration	\$16	\$56	\$74	\$14	\$72	\$442
Legal	—	—	684	965	612	2,945
Data Processing	6,987	5,188	10,102	3,516	3,662	79,679
Compliance	818	14,746	11,760	9,034	10,960	77,913
Southern Region	835	16,329	19,394	13,071	13,557	103,110
Northern Region	580	8,035	8,749	6,593	8,996	52,610
Senior Citizens	494	—	140	—	—	3,246
Administrative Services	12,627	8,364	23,634	8,042	25,957	173,761
Department Total, 1972-73						\$493,706

Beat the Feds

One of the primary goals of the tax return processing mode adopted under withholding was to receive, process, and mail an income tax refund before the taxpayer received his federal refund, thereby reducing potential correspondence workload generated by taxpayer inquiries. An average processing time of 13 days was achieved, with refunds returned to the taxpayer within three to four weeks after the return was originally mailed. In contrast, six to eight weeks were required before federal tax refunds reached the taxpayer.

The much shorter state processing time was achieved by massive applications of temporary help and overtime. Although we agree with the concept of rapidly processing returns, we also believe that significant savings in overtime and productivity can be achieved by extending the average processing cycle to conform more closely to the federal experience without any loss in taxpayer service.

The overtime shown in Table 6 includes no expenditures for the second shift operated by the Administrative Services and Data Processing Divisions during the peak income tax processing period. All expenditures are for work performed in excess of the standard 40-hour week, with an unidentified amount allocated for Saturday and Sunday activity. Overtime expenditures were primarily allocated to:

1. Compliance Division for claims processing, normal collection activities and administration of federal audit reports.
2. Regional offices to maintain Saturday openings during the income tax filing period and for normal collection activities.
3. Administrative Services Division for filing enforcement activities and cleanup of prewithholding return processing activities during the period, July through December 1972. January through April overtime was related to regular return processing activities. Most of the \$26,000 increase reported in June was spent by the Taxpayer Services Unit preparing and mailing notices of tax change.

Overtime is expensive. An overtime salary differential is paid. A meal allowance is usually provided and productivity is generally reduced. These cost increases were compounded during the current year when the Department of General Services agreed to increase the basic Aerojet-General lease by \$96,000 per year to reflect the overtime use of the facilities.

In addition to extending the return processing cycle and reducing June overtime, the board should also consider other management proposals to reduce the workload during the peak tax return filing period, and thus minimize the need for overtime.

Report on Withholding

We recommend submission of a report by December 1, 1974, identifying savings resulting from adoption of withholding. Conversion to centralized EDP processing has eliminated some previously manual programs

FRANCHISE TAX BOARD—Continued

and will reduce workload in other areas. Program reductions identified so far include:

1. Elimination of alphabetic sorting of all personal income tax returns.
2. Eventual elimination of the prewithholding filing enforcement program.
3. Conversion from manual to EDP math verification of all returns.
4. EDP selection of income tax returns for audit.

Where positions are reclassified or abolished, these savings can be identified in the agency's budget. Savings absorbed by workload increases in other areas are more difficult to observe. This recommendation was originally made in 1972-73, but no reports have been issued.

II. BANK AND CORPORATION TAX PROGRAM

The Bank and Corporation Tax Law imposes a tax on corporations doing business in California and an income tax on those having incomes from California sources but not doing business in this state.

We recommend approval.

The budget requests an increase of 4.4 positions. Two of these positions are requested to review exempt corporation applications and will eliminate the legal division overtime expenditures shown in Table 6. An additional 1.4 positions are requested to develop income apportionment formulas for special interstate industry groups, such as motion picture companies and for increased workload in protests and appeals. The New York office clerical position is requested to administer the increased audit workload authorized in last year's budget.

III. SENIOR CITIZENS' PROPERTY TAX ASSISTANCE PROGRAM

We defer recommendation pending submission of a revised budget incorporating increased costs resulting from enactment of Chapter 1216, Statutes of 1973.

Workload in this program involves receiving, processing and paying approximately 290,000 claims for assistance by homeowners over age 62 whose incomes are less than \$10,000. Chapter 1216, Statutes of 1973, will add approximately 59,000 welfare recipients to the total number of eligible claimants. There will also be a smaller offsetting reduction in claimants whose property taxes have been eliminated by the higher \$1,750 homeowners' property tax exemption.

The board's 1974-75 program budget shows no growth in workload because Chapter 1216 was enacted after preparation of this agency's budget. We recommend the board prepare and submit a new budget for this program identifying the increased cost resulting from this legislation.

Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES

Item 166 from the General
Fund

Budget p. 62 Program p. I-395

Amount requested in Item 166	\$3,878,225
Net carry over from prior years	\$57,815
Total Available funds 1974-75	\$3,936,040
Estimated 1973-74	\$3,710,745
Actual 1972-73	\$6,012,657
Requested increase \$225,295 (6.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

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|---|-----|
| 1. <i>Space Plans.</i> Reduce Item 174 by \$15,650. Recommend deletion of facilities planning analyst position for updating space plans. | 306 |
| 2. <i>Communications.</i> Recommend transfer of state microwave system to Communications Division and establishment of depreciation fund to replace obsolete system components (estimated annual savings \$85,000). | 309 |
| 3. <i>Heavy Equipment.</i> Recommend department prepare plan for accelerating interagency heavy equipment sharing program for submission to fiscal committees at budget hearings (savings of \$3 million annually). | 310 |
| 4. <i>Employee Travel.</i> Recommend department develop guidelines to: (a) prevent unnecessary employee travel and (b) improve efficiency of travel. | 311 |
| 5. <i>Employee Transportation.</i> Recommend department plan and monitor implementation of pilot multipassenger service between Sacramento and the bay area. | 311 |
| 6. <i>Fleet Administration.</i> Reduce Item 174 by \$23,015. Recommend deletion of aviation consultant position from Fleet Administration Division. | 313 |
| 7. <i>Local Assistance.</i> Reduce Item 169 by \$150,000. Recommend elimination of six professional positions and related clerical staff from the Office of Local Assistance because of declining workload. | 314 |
| 8. <i>Project Management.</i> Recommend project management unit be created in management services office to implement projects offering significant improvements in state efficiency (department to submit plan to fiscal committees at budget hearings). | 315 |
| 9. <i>Training.</i> Augment Item 174 by \$39,981. Recommend one associate analyst and one and one-half clerical positions to initiate state EDP training coordination program. | 316 |

DEPARTMENT OF GENERAL SERVICES—Continued

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| 10. Office Copiers. Recommend department prepare plan for implementing statewide system for acquiring and maintaining office copying equipment for submission to fiscal committees at budget hearings (estimate \$3 million to \$4 million annual savings). | 317 |
| 11. <i>Purchasing. Augment Item 174 by \$38,080.</i> Recommend two buyer II positions to Local Agency Cooperative Purchasing Program (estimated annual savings to local governments of \$1.4 million). | 318 |
| 12. Purchasing. Recommend law change to allow state to make purchases of less than \$500 for local governments. | 318 |
| 13. <i>State Printing.</i> | 319 |
| (a) <i>Reduce Item 173 by \$5,820,000.</i> Recommend deletion of: (1) 120 printing trade positions (\$1,320,000) and (2) "other expenses," (\$4.5 million) in line with reduced textbook workload. | |
| (b) Recommend Office of State Printing (OSP) and Department of Education cooperatively develop estimates of OSP textbook workload for presentation to fiscal committees at budget hearings. Recommend Department of General Services also present revised OSP expenditure and staffing requirements. | |

GENERAL PROGRAM STATEMENT

The Department of General Services was created October 1, 1963, by Chapter 1768, Statutes of 1963, to administer various service functions administered formerly by the Department of Finance, the Division of Architecture in the Department of Public Works, and the Secretary of State's Central Records Depository.

The responsibilities of the Department of General Services are contained primarily in Sections 14600 to 14973 of the Government Code. These responsibilities relate to supervision of financial and business matters and providing certain centralized services.

The department has three main objectives: (1) perform certain management and support functions as assigned by the Governor and specified by statute; (2) provide central services to operating departments more efficiently and economically than they can provide themselves; (3) improve the effectiveness and efficiency in state government administration by establishing, maintaining and enforcing statewide standards and guidelines and by developing and implementing improved government policies and procedures.

Table 1 presents a summary of total department expenditures by source of funds for the three-year period ending with fiscal year 1974-75. The department is funded by: (1) direct support appropriations, (2) revolving fund appropriations and (3) reimbursements. Direct support refers to moneys appropriated directly to accounts to support department operations. Revolving fund appropriations and reimbursements facilitate the

expenditure of specified amounts from revenues earned by the department through the provision of services or products to customer agencies. From a control perspective, there is little difference between reimbursements and revenues to revolving funds. Table 1 shows that 94.4 percent of department costs are supported from revenues earned while only 5.5 percent of the costs are funded by direct support.

The department's General Fund expenditures in the budget year total \$3,936,040. However, Item 166 represents a request of \$3,878,225 for General Fund support. The difference (\$57,815) is due to continuing appropriations and carryover balances related to Chapter 791, Statutes of 1970, (which requires General Services to review the adequacy of building plans in satisfying requirements of handicapped persons) and Chapter 578, Statutes of 1971, (which appropriates funds to the Office of Administrative Hearings for conducting fair hearings for the Department of Social Welfare under the Welfare and Institutions Code).

Table 1
Department of General Services
Total Expenditures by Source of Funds

<i>Source of funds</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Percent of total</i>
Direct support:				
General Fund	\$6,012,657	\$3,710,745	\$3,936,040	
State School Building Aid Fund	1,002,330	1,174,933	1,221,610	
Architecture Public Building Fund ..	1,319,444	1,608,877	1,649,689	
Deferred Compensation Plan Fund	—	30,685	39,853	
Total	\$8,334,431	\$6,525,240	\$6,847,192	5.5%
Revolving Funds:				
Service Revolving Fund, printing	\$19,715,370	\$25,754,252	\$26,194,977	
Service Revolving Fund, other activities	69,193,703	83,497,451	84,601,818	
Architecture Revolving Fund	4,380,285	6,560,920	7,022,581	
Total	\$93,289,358	\$115,812,623	\$117,819,376	94.4%
Reimbursements:				
Service Revolving Fund activities	—	\$2,330	\$2,330	
Architecture Revolving Fund activities	\$223,427	146,000	146,000	
Total	\$223,427	\$148,330	\$148,330	0.1%
Total expenditures	\$101,847,216	\$122,486,193	\$124,814,898	100.0%

Table 2 presents total expenditures of the department's program elements by source of funds for the 1974-75 budget year. The department is engaged primarily in providing consolidated services which constitute essential elements in programs of other departments. Table 2 shows that the Department of General Services has three major programs: (1) property management services, (2) statewide support services and (3) administration. The administration program contains executive and staff support elements which provide fiscal, personnel and management services to the department's line programs.

Table 3, which represents the allocation of staff among the various program elements over the three-year period ending June 30, 1975, shows

DEPARTMENT OF GENERAL SERVICES—Continued

Table 2
Department of General Services
Total Expenditures by Source of Funds and Programs
1974-75

<i>Operating unit</i>	<i>Direct support appropriations</i>	<i>Revolving Fund appropriations</i>	<i>Reimbursements</i>	<i>Total expenditures</i>	<i>Percent of total</i>
I. Property management services	\$4,061,992	\$40,597,799	\$146,000	\$44,805,791	35.9%
A. Architecture consulting and construction	1,649,689	7,823,855	146,000	9,619,544	
B. Buildings and grounds	—	17,350,696	—	17,350,696	
C. Long-range facilities planning	—	190,129	—	190,129	
D. Real estate services	22,550	1,300,999	—	1,323,549	
E. Space management	—	1,238,815	—	1,238,815	
F. Building standards	49,058	—	—	49,058	
G. Rented buildings	2,226,695	12,693,305	—	14,920,000	
H. Minor capital outlay	114,000	—	—	114,000	
II. Statewide support services	2,785,200	75,240,619	—	78,028,149	62.5%
A. Administrative hearings	57,815	1,377,299	—	1,435,114	
B. Communications	44,469	12,495,514	—	12,539,983	
C. Fleet administration	79,358	7,139,831	—	7,219,189	
D. Insurance services	39,853	2,579,912	—	2,619,765	
E. Legal services	—	360,302	—	360,302	
F. Local assistance	1,233,610	—	2,330	1,235,940	
G. Management services office	6,500	6,199,541	—	6,206,041	
H. Office services	—	3,754,798	—	3,754,798	
I. Office of Procurement	—	11,904,236	—	11,904,236	
J. Security and protection	1,194,217	3,234,209	—	4,428,426	
K. State printing	—	26,194,977	—	26,194,977	
L. Small business procurements and contracts	129,378	—	—	129,378	
III. Administration	—	1,980,958	—	1,980,958	1.6%
Totals	\$6,847,192	\$117,819,376	\$148,330	\$124,814,898	100.0%
Percent of total	5.5%	94.4%	0.1%	100.0%	—

Table 3
Department of General Services
Staff by Programs 1972-73 through 1974-75

<i>Operating unit</i>	<i>Filled positions 1972-73</i>	<i>Authorized positions 1973-74</i>	<i>Authorized positions 1974-75</i>	<i>Percent of total</i>
I. Property management services ..	1,622.2	1,652.3	1,646.4	39.9%
A. Architecture consulting and construction	268.2	317.9	316.9	
B. Buildings and grounds.....	1,247.0	1,209.8	1,210.6	
C. Long-range facilities planning	8.3	9.0	9.7	
D. Real estate services	48.8	58.5	58.5	
E. Space management	49.9	57.1	50.7	
II. Statewide support services.....	2,214.3	2,454.7	2,410.7	58.5%
A. Administrative hearings	106.4	119.9	60.7	
B. Communications	222.7	286.7	310.7	
C. Fleet administration	148.9	158.9	157.9	
D. Insurance services	6.0	10.3	10.1	
E. Legal services	16.9	16.0	15.6	
F. Local assistance	59.1	66.4	63.1	
G. Management services office ..	269.7	306.2	305.2	
H. Office services	163.3	184.6	183.6	
I. Procurement	165.1	174.9	177.2	
J. Security and protection	260.2	289.3	285.2	
K. State printing	796.0	836.5	835.4	
L. Small business procurements and contracts.....	—	5.0	6.0	
III. Administration	59.5	67.4	67.4	1.6%
Totals	3,896.0	4,174.4	4,124.5	100.0%
Percent of increase	4.2%	7.1%	-1.2%	

a net decrease of 49.9 positions for the budget year. The most significant changes are: (1) a decrease of 59.2 positions in the Office of Administrative Hearings due to the expiration of a special program to conduct fair hearings for the Department of Social Welfare pursuant to the Welfare Reform Act of 1971 and (2) an increase of 24 positions in the Communications Division to maintain additional radio equipment acquired by various state agencies.

Table 4 presents total expenditures by program element during the three-year period ending June 30, 1975. The \$2.4 million increase (1.9 percent) is an accurate reflection of the stability of most of the department's programs. The Small Business Procurements and Contracts Program shows the greatest change of any single program element, an 86.4 percent increase, but this results from annualizing costs of the program which was implemented during the current year.

Directory of Services and Costs

In October 1973 the department distributed the third edition of its *Price Book and Directory of Services* to all state agencies. This looseleaf publication lists services the department offers, the charge rates for each service and how each service may be obtained. The initial edition of the directory was issued by the department in December 1972.

DEPARTMENT OF GENERAL SERVICES—Continued

Table 4
Department of General Services
Total Expenditures by Programs 1972-73 through 1974-75

<i>Operating unit</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>
I. Property management services.....	\$37,321,849	\$43,551,301	\$44,805,791
A. Architecture consulting and construction	5,964,951	9,122,002	9,619,544
B. Buildings and grounds	15,928,755	16,956,478	17,350,696
C. Long-range facilities planning	146,665	172,117	190,129
D. Real estate services	1,007,067	1,248,110	1,323,549
E. Space management	1,092,703	1,332,056	1,238,815
F. Building standards.....	19,948	42,658	49,058
G. Rented buildings.....	13,061,871	14,572,000	14,920,000
H. Minor capital outlay.....	99,889	105,880	114,000
II. Statewide support services	63,548,393	76,960,120	78,028,149
A. Administrative hearings.....	2,243,337	2,398,898	1,435,114
B. Communications	9,159,985	11,905,559	12,539,983
C. Fleet administration.....	6,332,978	7,123,464	7,219,189
D. Insurance services.....	2,175,719	2,495,617	2,619,765
E. Legal services.....	337,587	358,724	360,302
F. Local assistance	1,014,493	1,218,400	1,235,940
G. Management services office.....	5,196,945	6,017,880	6,206,041
H. Office services	2,981,903	3,687,116	3,754,798
I. Procurement	10,493,858	11,463,076	11,904,236
J. Security and protection.....	3,896,218	4,467,721	4,428,426
K. State printing	19,715,370	25,754,252	26,194,977
L. Small business procurements and contracts.....	—	69,413	129,378
III. Administration	976,974	1,974,772	1,980,958
Totals	\$101,847,216	\$122,486,193	\$124,814,898
Percent of increase	28.1%	20.2%	1.9%

The department's stated objective is to commit itself to a price proportionate to the value of each service or product it provides. This represents an important shift in department policy during the past two years from charging on a "cost-per-hour basis" toward charging more on a "cost-per-result basis," thereby enabling customer agencies to budget more accurately for products and services they require.

Efforts to Improve Departmental Efficiency

A determined effort has been made by the department's executive management to minimize the cost of departmental operations. The department has undertaken a program to reduce personnel costs through: (1) improving employee training, (2) replacing obsolete or worn out office equipment and (3) acquiring labor-saving devices such as automatic calculators and dictating equipment. The department's specified objective is to reduce the total number of its employees by 1 percent during the 1973-74 fiscal year.

We believe such efforts to reduce departmental costs are appropriate and should continue, provided they do not impair the department's ability

to achieve *statewide* efficiencies and economies.

Lack of Statewide Perspective

In our opinion, substantial annual savings are not being realized because the department's executive management has focused upon achieving economies in the department's own operations while not adequately taking into account the statewide purposes the operations should be serving. Executive leadership simply has not been provided to encourage the department's operating divisions to initiate and expedite "high payoff" changes in such programs as: (1) central procurement of office copier equipment and (2) interagency sharing of heavy equipment vehicles. Such changes, if implemented properly, could reduce statewide operating expenses substantially. We believe, for example, that strong central programs could reduce annual office copier costs by approximately \$4 million and annual heavy equipment costs by approximately \$3 million. (We make specific recommendations regarding: (1) office copiers in our analysis of the office of procurement and (2) sharing of heavy equipment in our analysis of the fleet administration division.) Certain departmental units such as the communications division and the EDP education unit (in the management services office) are making important improvements in statewide programs. Such improvements, however, result from the initiative of individuals within the operating units rather than from departmental policy.

Unit Needed to Aggressively Pursue Statewide Efficiency

In our opinion, the Department of General Services could achieve substantial statewide savings by having a small project management unit devoted to: (1) seeking out high payoff areas in a wide variety of state programs such as central purchasing, employee transportation, communications and data processing, (2) determining which payoff areas should be attacked first on cost/benefit basis and (3) directing departmental and interagency efforts to realize the improvements identified. (We make a specific recommendation to this effect in our analysis of the management services office.)

ANALYSIS AND RECOMMENDATIONS

This analysis is presented in the sequence of expenditures for operating units found in Table 2. The analysis for each unit is preceded by a statement of funding which specifies the type of support, source of funds, proposed expenditures and proposed staff.

Although the department groups its functions into three major programs, we treat each as a separate program in this analysis because of the magnitude of the functions and their degree of specialization.

I. PROPERTY MANAGEMENT SERVICES

This program element is discussed under our analysis of Items 175 and 176 which make separate appropriations from the Architecture Revolving Fund and Architecture Public Building Fund respectively.

DEPARTMENT OF GENERAL SERVICES—Continued

A. Architecture Consulting and Construction

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 176	\$1,649,689	316.9
Revolving fund	Item 175	7,022,581	—
Revolving fund	Item 174	801,274	—
Revolving fund—reimbursements	Item 174	146,000	—
Total		\$9,619,544	316.9

B. Buildings and Grounds

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund	Item 174	\$17,350,696	1,210.6

The buildings and grounds division is responsible for maintaining state buildings and grounds and for making minor building alterations.

C. Long-Range Facilities Planning

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund	Item 174	\$190,129	9.7

The long-range facilities planning division is responsible for: (1) developing long-range facilities plans to satisfy future state space requirements in counties and major metropolitan areas, (2) planning major building programs, (3) developing a five-year capital outlay plan, (4) making economic analyses, (5) analyzing state parking requirements and (6) reviewing agency building space requests to ensure consistency with long-range statewide objectives.

Space Planning Report Required

We recommend deletion of \$15,650 for salary, staff benefits and other expenses for a facilities planning analyst position requested for the budget year to update space plans because the department has failed to develop such plans adequately. (Reduce Item 174, Service Revolving Fund.)

In last year's Analysis we pointed out that the state was leasing approximately one million square feet of office space in the Sacramento area alone and that no consideration was being given to constructing state-owned buildings. In order to enable the state to satisfy its present and future office space requirements in a systematic and efficient manner, the Supplementary Report of the Committee on Conference (Budget Bill of 1973) required that the Department of General Services submit to the Joint Legislative Budget Committee by November 1, 1973, for each major metropolitan area in California in which state offices are located, a report of state building space requirements and plans for satisfying those requirements. The reports were to include: (1) an inventory of existing state-occupied space and lease terms, (2) identification of agencies that should be consolidated, (3) five-year projections of agency space needs and (4) recommendations as to how the projected space needs should be satisfied based on an economic analysis of each alternative solution and based on an estimated 50-year life of each building.

Department Fails to Submit Plans

As of January 1974, the department had not submitted the report required. At our request, however, departmental staff in December 1973 submitted to our office an unofficial draft of the report, explaining that it had not yet been approved by the administration. In our opinion, the draft report is incomplete, poorly organized and contains numerous inconsistencies. We have discussed its shortcomings with department personnel and suggested improvements. We believe that the report required, if properly developed and updated, would be an essential planning resource for satisfying state space needs effectively and economically.

The department has requested an assistant facilities planning analyst position for the budget year for the purpose of maintaining the space plans required by Supplementary Report as described above. Because the department has failed to submit the space plans as required, we recommend deletion of the assistant facilities planning analyst position requested.

D. Real Estate Services

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$22,550	58.5
Revolving fund	Item 174	1,300,999	—
Total		\$1,323,549	58.5

The real estate services division performs three major real estate functions for state agencies: acquisition, management and sales.

E. Space Management

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund	Item 174	\$1,238,815	50.7

The space management division provides services for assignment, coordination, contract and lease management of noninstitutional office and warehouse space.

F. Building Standards

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$49,058	—

The Building Standards Commission, which is responsible for reviewing proposed building code regulations and conducting hearings of construction industry appeals, receives staff support from the Office of Architecture and Construction.

G. Rented Buildings

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$2,226,695	—
Revolving fund	Item 174	12,693,305	—
Total		\$14,920,000	—

The Department of General Services collects rent on a nonprofit basis

DEPARTMENT OF GENERAL SERVICES—Continued

from occupants of a number of state buildings. All such rent is deposited in the Service Revolving Fund. Payments are made from the fund for all building costs including insurance, building maintenance and amortization of loans of Public Building Construction Fund buildings. The standard monthly rental rate for 1974-75 is 43 cents per square foot for office space and 11 cents per square foot for storage space.

H. Minor Capital Outlay

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$114,000	—

The minor capital outlay element consists of three minor alterations planned to state facilities in the 1974-75 fiscal year.

II. STATEWIDE SUPPORT SERVICES**A. Administrative Hearings**

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$57,815	60.7
Revolving fund	Item 174	<u>1,377,299</u>	<u>—</u>
Total		\$1,435,114	60.7

The Office of Administrative Hearings performs three functions: (1) conducts administrative hearings, (2) compiles and publishes the California Administrative Code which consists of rules and regulations of state agencies and (3) conducts studies of administrative law and procedure. The major function of this office is conducting hearings which are adjudicatory proceedings under the Administrative Procedure Act and other laws. The purpose of this function is to prevent abuse of licensing authority given to state agencies by providing fair and impartial hearings to denied applicants and licensees charged with legal violations.

B. Communications

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$44,469	310.7
Revolving fund	Item 174	<u>12,495,514</u>	<u>—</u>
Total		\$12,539,983	310.7

This program element involves planning for and managing the state's telecommunication facilities, assisting agencies in defining and satisfying their telecommunication requirements, providing installation and maintenance services and ensuring system reliability. Microwave radio, VHF radio, telephone, teletype and data communication functions involve communication system planning, design, installation, alteration and maintenance. Telephone services consist of managing the state's leased-line telephone system, operating state switchboards and preparing state telephone directories.

Staff Increases

In order to maintain additional radio equipment acquired by various state agencies, 29 positions were added administratively in the current year. These positions together with 24 additional positions are requested in the budget year. Two technical positions were added administratively during the current year and are requested to be retained in the budget year in order to develop and maintain an overall statewide telecommunication plan. Eight positions were added in the current year and are requested to be retained in the budget year in order to provide assistance to local agencies in implementing on a statewide basis by 1982 emergency telephone systems having "911" as a common emergency number. *We recommend approval of the positions requested.*

Transfer Ownership of Microwave Equipment

We recommend that ownership of the state's microwave system equipment be transferred to the communication division within the Department of General Services and that a depreciation fund be established to provide for timely replacement of components as they become obsolete.

The state microwave system is the result of a coordinated effort by various state agencies. Five agencies own separate portions of the system and nine agencies (four in addition to the five owners) and several counties share in using it. Because any segment of the system can affect all agencies using it, a uniform method should be established for replacing the "weakest links" as they become obsolete. It is our understanding that budgeting problems encountered by several of the owner agencies have prevented replacing obsolete portions of the system. In order to improve overall system reliability and reduce system maintenance costs, we believe ownership of the system should be transferred to the communications division and the division should replace components of the system as they become obsolete.

Cost of the replacement program could be recovered by a pro rata monthly charge to using agencies. It is our understanding, based on information provided by the communications division, that the uniform replacement system would reduce the state's cost of maintaining the microwave equipment by \$85,000 annually.

C. Fleet Administration Division

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$79,358	157.9
Revolving fund.....	Item 174	7,139,831	—
Total		\$7,219,189	157.9

The fleet administration division consists of a number of vehicle service activities. These activities include vehicle pool operations, garage operations, preventive maintenance, statewide inspection services, parking services for state employees and the public, and central management and coordination.

DEPARTMENT OF GENERAL SERVICES—Continued

Interagency Sharing of Heavy Equipment

We recommend that the Department of General Services, with advice from the Heavy Equipment Council, prepare a plan including a schedule and proposed budget for accelerating the interagency heavy equipment sharing program to enable the state to achieve maximum cost savings in the shortest time possible. We recommend further that the plan, schedule and budget be submitted for consideration by the fiscal committees hearing the department's budget items.

Task Force Created. An interagency task force was established late in 1971 to formulate a system to enable the state to make more efficient use of its heavy equipment vehicles through interagency sharing. The task force accomplished the following results: (1) "heavy equipment" was defined, (2) standard rental rates were established, (3) an inventory of the state's heavy equipment was published, (4) formal procedures were developed to facilitate interagency rental of the equipment with a minimum of red tape and (5) a July 27, 1972, report was prepared containing recommendations for implementing and monitoring the program.

Permanent Council Formed. After the report was produced, a Heavy Equipment Council was formed which reports to the Director of General Services. The council is responsible for coordinating the acquisition and use of heavy equipment from a statewide perspective.

Initial Results Are Promising. The council published a July 1973 report on the program's progress during the 1972-73 fiscal year. According to the report, 500 interagency transactions were completed covering: (1) rental of heavy equipment, (2) repairs performed in agency shops and (3) supplies issued directly through those shops to other agencies. The transactions resulted in total net savings to the state of \$119,000.

Greater Savings Are Possible. The report indicates that annual savings of \$3 million could be achieved now simply by using the equipment only 10 percent of the time during which it currently is idle. It states that: (1) although a good beginning has been made, the program is losing momentum, (2) the directory of heavy equipment requires updating and redistribution, (3) substantial savings would be possible if the council made recommendations on agencies' equipment budgets, (4) efforts are needed to break down barriers such as fear that another agency will not take adequate care of the equipment or return it on time, (5) one central agency should be designated to own equipment such as graders and loaders that are used commonly by many agencies and (6) there is a strong need for top management involvement to provide central policy and enforcement direction.

Project Management Needed. The Heavy Equipment Council is a group of middle management equipment specialists who have to take time away from their regular jobs in order to participate in the council's activities. Because of the substantial cost savings possible, we believe the Department of General Services should assign a project manager and provide sufficient staff resources to develop and implement a plan to achieve maximum state savings in the shortest time possible. We therefore

believe the Department of General Services, with advice from the Heavy Equipment Council, should present a plan and budget request for accelerating the program. The plan should contain a schedule showing the dates by which additional state savings would result if the plan were approved.

Unnecessary and Inefficient Travel Should Be Eliminated

We recommend that the state, through the Department of General Services, develop policies, guidelines and regulations to: (1) prevent unnecessary travel by state employees and (2) improve the efficiency of employee travel when it is necessary.

In view of the current energy shortage, we believe it is more important than ever that state employees travel on state business only when absolutely necessary. Meetings requiring employee travel should be avoided whenever possible in preference to other forms of communication, such as by telephone or written correspondence. When meetings are required, they should be scheduled at locations and times that: (1) minimize the amount of travel required and (2) allow employees to travel together in carpools or by bus or other common carrier. We therefore recommend that General Services develop and publish in the State Administrative Manual policies, guidelines and regulations specifically designed to prevent unnecessary and inefficient travel by employees on state business.

Pilot Shuttlebus Service Recommended

We recommend that the Department of General Services plan and monitor the implementation of a pilot multipassenger service for employees who travel on state business directly between Sacramento and the bay area (Berkeley, Oakland and San Francisco). At the conclusion of the pilot program the department should make recommendations on the continuation of the service and if (and where) the service should be provided.

We recommend, further, that the Department of General Services submit bimonthly progress reports to the Joint Legislative Budget Committee beginning August 1, 1974, until the project has been concluded to the satisfaction of the Legislature.

Legislative Interest. We received a legislative request early in 1972 to explore the feasibility of having a multipassenger shuttle service transport employees on state business over commonly traveled routes. General Services staff indicated in 1972 that such an approach would not be feasible because the value of employee time lost in coordination efforts alone would exceed any economies realized. We believed, however, that the approach would be feasible if implemented properly and we therefore recommended in the 1973 Analysis that a multipassenger service be tested on a pilot basis. The recommendation, however, was not adopted in the budget hearings.

Greater Need Now for More Efficiency

Because of the present fuel shortage, it is more important than ever to improve the efficiency of employee travel.

1. Multipassenger Service.

We therefore repeat the recommendation that we made last year to

DEPARTMENT OF GENERAL SERVICES—Continued*implement a pilot multipassenger service.*

In order to ensure that the multipassenger shuttlebus concept is tested adequately we recommend that the following steps be taken: (1) procedures to evaluate the concept be developed *before* the program is initiated, (2) improvements be made to the program *during* the pilot test (not afterward) based upon customer responses, (3) the Department of General Services require that employees of participating departments use the multipassenger service during the trial period rather than pool vehicles or personal cars, and (4) General Services executive management be involved from the outset in planning and selling the program and enforcing its use.

2. Common Carriers.

We recommend that the possibility of using common carriers be pursued.

A major busline, in response to an inquiry from our office, has expressed interest in providing special accommodations for state employees at economy rates.

Division Improves Service

In the 1973 Analysis we commented on poor service at the Sacramento garage: (1) state employees had to wait up to 45 minutes to check out a pool car, (2) customers often were turned away because no cars were available and, (3) at the same time, General Services' pool cars frequently were parked idly at the Sacramento airport for an entire week. We also commented on the need for systematic interagency sharing of cars, repair services and automotive personnel among departments. Pursuant to requirements in the Supplementary Report of the Committee on Conference (Budget Bill of 1973), the department has: (1) arranged for a limousine service to transport state employees between Sacramento and the Sacramento Metropolitan Airport, (2) issued regulations to prevent state cars from being parked overnight at airports, (3) made changes that have significantly improved the service at the Sacramento garage and (4) implemented procedures developed by the Heavy Equipment Council discussed above to rent available sedans from other agencies to satisfy peak demands. The department also has initiated a taxi service for state employees in central Sacramento. The department reports that the taxi program, in addition to reducing the cost of individual trips, has reduced the number of state cars required.

Light Equipment Council

An interagency Light Equipment Council was formed in July 1973, with a variety of responsibilities including developing plans for consolidations and interagency sharing of passenger vehicles, repair services and automotive personnel. The council appears to be making satisfactory progress.

Aviation Consultant Position Should Be Deleted

We recommend that an aviation consultant II position be deleted for a saving of \$23,015 from reduced salaries, wages, staff benefits and other expenses. (Reduce Item 174, Service Revolving Fund.)

We have determined that the aviation consultant in the Fleet Administration Division performs mainly routine administrative functions that could be performed more appropriately by an individual in a lower level classification and recommend, therefore, that the position be deleted. If the workload covered by the consultant cannot be absorbed by existing staff, the department should justify the need for replacing the position with an appropriate lower level classification.

D. Insurance Services

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 168	\$39,853	10.1
Revolving fund	Item 174	2,579,912	—
Total		\$2,619,765	10.1

The insurance office provides services to protect the state's large investments in manpower, equipment and facilities by transferring risks to insurance companies through the purchase of insurance. The office administers a comprehensive program for recovering damages to state-owned vehicles, advises agencies on risk management problems, analyzes agencies' insurance needs and negotiates for insurance procurement based on such analyses. The office also is responsible for administering the Governor's driver accident prevention program which provides safe-driver training to state employees.

Two positions are requested to initiate and administer a deferred compensation plan for state employees as authorized by Chapter 1370, Statutes of 1972 (AB 2186). *We recommend approval.*

E. Legal Services

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund	Item 174	\$360,302	15.6

The legal office provides direct services to the Department of General Services, Department of Finance and various boards and commissions. These services include reviewing and drafting legal documents and rendering legal advice. The office also reviews contracts, leases and real property transactions entered into by other state agencies which are sub-

F. Local Assistance

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$12,000	63.1
Direct support	Item 169	1,171,610	—
Direct support	Item 171	50,000	—
Revolving fund—reimbursements	Item 174	2,330	—
Total		\$1,235,940	63.1

DEPARTMENT OF GENERAL SERVICES—Continued

ject to approval by the Department of General Services. A major purpose of the office is to assure that the state follows appropriate procedures to avoid becoming involved in unnecessary litigation.

We recommend the elimination of six professional positions and related clerical staff from the Office of Local Assistance because of declining workload.

The Office of Local Assistance acts as the primary administrative agency for the State School Building Aid Program. This program provides state loans to low-wealth school districts for: (1) acquisition of school sites; (2) planning, construction, and furnishing of school buildings; and (3) rehabilitation of unsafe school facilities. The Office of Local Assistance is responsible for the review of all loan applications to ensure conformance to the fiscal requirements of the program. The office also supervises the collection of state loans granted under the program. The office is supported from funds derived from the sale of state school building aid bonds.

Table 5 presents the projected workload of the office in terms of the number of district applications to be received.

Table 5
Office of Local Assistance
Number of Applications

<i>Program</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>
Regular State School Building Aid Program	94	70	70
Earthquake Safety Program	153	130	60
Total	247	200	130

Table 5 indicates a significant decline in the actual and projected number of applications for state loans. This decline is caused by the leveling off of school enrollments throughout the state and the anticipated phase-out of the earthquake aid program as districts complete the renovation of unsafe facilities. The table indicates that applications for state loans declined by 19 percent from 1972-73 to 1973-74 and are estimated to decline by 35 percent from 1973-74 to 1974-75 for an average decrease of 27 percent. This decline is expected to continue at a less precipitous rate in future years.

We believe that the number of applications for state loans is an appropriate workload indicator for the field representative component of the Office of Local Assistance. The primary responsibility of this component is to assist loan applicants to prepare applications and to design school facilities in conformance with program regulations. It is clear that this workload depends directly on the number of district applications. We therefore believe that the current field representative staff of 20 professional positions of the office should be reduced by approximately 27 percent or six professional positions (plus related clerical positions) to reflect the average decline in workload from 1972-73 to 1974-75. This reduction would result in an estimated savings to the State School Building Aid Program of approximately \$150,000.

G. Management Services Office

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$6,500	305.2
Revolving fund	Item 174	6,199,541	—
Total		\$6,206,041	305.2

The management services office provides a variety of services including accounting, budgeting, data processing, management analysis, operations research and state records management. Data processing services include data processing systems analysis and design, computer programming, input data preparation and computer processing. The office also administers the central state EDP education program.

The office was formed in March 1973 by combining three former divisions known previously as: (1) the comptroller's office, (2) management assistance division and (3) data processing services office. The department's stated purpose for the consolidation was to improve the responsiveness and coordination of the various functions.

Unit Needed to Pursue State Efficiency

We recommend that the Director of General Services be required to establish a small project management unit in the management services office for directing short-term projects that would offer significant improvements in the efficiency or economy of state government. We recommend that the unit report quarterly to the Director of Finance, Joint Legislative Budget Committee and both fiscal committees of the Legislature on: (1) the status of projects in process and (2) recommended additional projects with the reasons for, and costs and benefits associated with, implementing each. We recommend further that the department submit a plan and budget for such a unit for consideration by the committees hearing the department's budget items. Existing resources should be used to the extent feasible.

In our opinion, a small unit of "project-management-type individuals" is needed to identify and direct projects that could be implemented readily and result in significant improvements in state efficiency or economy. Although the management services office has a unit of management analysts now which theoretically could be used for this purpose, they are being used primarily for routine functions (such as providing staff assistance to the Board of Control) or are committed to long-term departmental projects. During the course of a project, the project manager should be able to acquire temporarily the staff resources required from the wide variety of technical specialists within the management services office, from other divisions, other state agencies or from outside the state. We recommend that initial responsibilities of the unit include directing projects to: (1) implement a central state system for acquiring and maintaining state office copier equipment (as recommended in our analysis of the Office of Procurement), (2) accelerate the interagency heavy equipment sharing program, and (3) implement a pilot shuttlebus service (projects (2) and (3) are recommended in our analysis of the fleet administration division).

DEPARTMENT OF GENERAL SERVICES—Continued**EDP Training Coordination Is Needed**

We recommend an augmentation of \$39,981 for salaries, wages, staff benefits and other expenses for acquiring one associate analyst and one and one-half clerical positions (augment budget Item 174, Service Revolving Fund) in order for General Services to initiate a state EDP training coordination program.

We have continuously supported the development and improvement of the state's central EDP education program. Since its transfer to the Department of General Services early in 1972, the program has operated on a fully reimbursable basis and has expanded significantly. Besides providing instruction for EDP specialists, the program now offers training designed specifically for various types of non-EDP personnel including auditors, executives and users of EDP services.

In addition to conducting courses, the EDP education unit contracts to have private firms provide instruction. We believe the EDP education unit has made sustained progress in increasing both the quality and quantity of EDP training it offers.

EDP Training Still Is Fragmented

Although the central EDP education program has demonstrated considerable progress, from a statewide perspective EDP training continues to be fragmented and inefficient. Agencies continue developing their own programs independently with little interagency sharing or cooperation. They continue to contract separately with private vendors to satisfy their individual training needs. The quality and extent of EDP training varies greatly among state agencies. While certain larger organizations have extensive programs under their own full-time EDP training specialists, other agencies have inadequate programs or none at all. In short, the state should be making much more effective use of its EDP training efforts and resources.

In order to provide effective EDP training to state employees as efficiently as possible, we recommend that a program be implemented whereby all agencies having EDP personnel are required, with the assistance of General Services, to prepare an annual EDP training plan and budget for approval by the Department of Finance. To initiate the program, we recommend that the state central EDP education unit:

1. Distribute by July 1, 1974, to each state agency having EDP personnel, instructions for preparing its EDP training plan and budget for the 1975-76 fiscal year.
2. Counsel and assist each agency in developing and modifying its EDP training plan to capitalize on and make optimum use of total state resources.
3. Consult with the Department of Finance to secure approval of each agency's EDP training plan and budget.
4. Upon Department of Finance's approval, structure a statewide EDP training curriculum and schedule (to supplement those individual agency programs which continue to be justified) for the 1975-76 fiscal year based on the composite needs of all agencies.

5. Monitor the execution of each agency's EDP training plan.
6. Review and modify the statewide EDP training curriculum as needed.

In order to implement the coordination program, we recommend that the central EDP education unit acquire one additional associate analyst, one stenographer II and one-half clerk-typist II position at an increase for salaries, wages, staff benefits and operating expenses of \$39,981 to Item 174 (Service Revolving Fund). We recommend further that General Services recover the cost of the program through charging agencies on the basis of the number of EDP positions in their budgets.

H. Office Services

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund.....	Item 174	\$3,754,798	183.6

The office services division provides office machine repair, reproduction services and clerical services to state agencies.

I. Office of Procurement

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund.....	Item 174	\$11,904,236	177.2

The procurement element consists of three program components: (1) direct purchasing, (2) warehouse—resale, and (3) traffic management.

Need to Improve Acquisition of Office Copiers

We recommend that the Department of General Services prepare a specific plan (including a schedule and budget) for implementing a coordinated statewide system for acquiring, deploying, maintaining, and replacing office copying equipment on a cost/benefit basis. We recommend, further, that the plan be submitted for consideration by the committees hearing the department's budget items.

High Payoff Area. According to Office of Procurement staff, the state (not including the Legislature or University of California) spends over \$25 million annually on office copying. Approximately 2,500 office copiers of various types and capacity currently are in use in state agencies. Under present acquisition procedures, the copiers are acquired separately by individual state entities and almost always are leased, although in many cases it would be to the state's economic advantage to own them.

Central System Needed. In our opinion the Department of General Services should undertake a project to: (1) determine the statewide office copier requirements (i.e., what capability is needed where), (2) determine the appropriate numbers and types of copiers required to satisfy the requirements, (3) arrange for the state, through central volume competitive acquisition, to acquire (lease or purchase) each type of equipment in the most cost/effective manner possible, (4) provide for interagency coordination and sharing of the equipment and (5) have the state maintain the equipment when it is economically feasible to do so.

We discussed the approach in detail with Department of General Serv-

DEPARTMENT OF GENERAL SERVICES—Continued

ices management who agreed to provide: (1) an estimate of annual savings that could result from a strong central office copier program and (2) a schedule indicating when such savings could be achieved. Although the department has not provided the schedule requested, it has estimated that an improved copier acquisition system could reduce annual state costs by approximately \$4 million. We therefore recommend that the department present to the committees hearing its budget a plan and budget request for implementing a central program to achieve such savings at the earliest time possible. The plan, in addition to specifying the amount of net statewide savings possible, should indicate how soon such savings could be realized after the plan is initiated. We believe that the plan, if approved by the Legislature, should represent a *commitment* by Department of General Services executive management to achieve positive results. If the plan is approved, we recommend that the department submit quarterly progress reports to the Director of Finance, fiscal committees of the Legislature and the Joint Legislative Budget Committee until the project is completed.

Local Purchasing Program Should Be Expanded

We recommend augmentation of \$38,080 for salaries, wages, staff benefits and other expenses for two buyer II positions to be added to the Local Agency Cooperative Purchasing Program in order to enable more local governments to participate in the program. (Augment Item 174, Service Revolving Fund.) We recommend, further, that the department report to the fiscal committees of the Legislature and the Joint Legislative Budget Committee by February 1, 1975, on the increased number of local governments participating in the program along with total dollar volumes and savings to local governments from July 1 through December 31, 1974. We recommend, finally, that existing law be modified to allow local governments to make purchases of less than \$500 through General Services.

Small Staff Achieves Large Results. The Local Agency Cooperative Purchasing Program staff consists of two buyers and a secretary. The program enables local governments to purchase equipment and supplies at reduced cost through the state's central procurement process. The state also benefits from local government participation because the increased purchase volumes result in reduced unit costs.

In the 1972-73 fiscal year local government purchases, which totaled \$13.5 million, resulted in net savings to the local entities of \$1.4 million. At present, while 54 counties (93 percent) and 191 cities (48 percent) participate in the program, only 188 (17 percent) of the 1,124 school districts and 83 (3 percent) of the 3,000 special districts participate. In our opinion, if two additional buyers were added to inform other local governments of the program and encourage and assist them in participating in it, total local government participation and savings could double during the 1974-75 fiscal year and increase even further in subsequent years. Because the state operates the program on a fully reimbursable basis by charging local governments 1 percent of the purchase price, such an increase in staff would not increase state cost. We therefore recommend that two addition-

al buyers be added for the purpose of program expansion.

Minimum Purchase Requirement Should Be Deleted. Government Code Section 14814, which authorizes the Local Purchasing Program, prohibits the state from making purchases of less than \$500 for local governments.

Because in many instances it is to the mutual benefit of the state and local governments for such purchases to be made, we recommend that legislation be introduced to delete the minimum purchase provision.

J. Security and Protection

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$1,194,217	285.2
Revolving fund	Item 174	3,234,209	—
Total		\$4,428,426	285.2

The State Police Division provides services to protect state property and buildings, their occupants and visitors from hazards and criminal actions. Division activities include patrol and surveillance; responding to calls relating to accidents, injuries, fires and other complaints; conducting investigations and making reports; making arrests and appearing in court; providing for the safety and security of individuals on state property; and administering a bomb protection program. State police escort cashiers carrying large sums of money; provide escort and chauffeur services for state and other officials; control crowds; patrol state-owned canals and hydroelectric facilities; investigate bomb threats; maintain security at public ceremonies; and assist other organizations in major emergencies or disasters.

K. State Printing

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund	Item 173	\$26,194,977	835.4

The Office of State Printing (OSP) provides printing services for the Legislature and for all state agencies except the University of California. It also produces textbooks.

Legislative services include: (1) the printing of all bills, files, histories, journals and special reports required by both houses of the Legislature and (2) operation of the Legislative Bill Room which provides legislative printed material to the Legislature and public.

The OSP prints a variety of materials including forms, reports and records needed to support operations of customer state agencies.

The OSP prints elementary textbooks as requested by the Department of Education for distribution by the state to local school districts.

Sharp Reduction in Textbook Printing

1. *We recommend deletion of 120 printing trade positions and "other expenses" (\$5,820,000) in the Office of State Printing budget to correspond with reduced textbook workload (Reduce Item 173, Service Revolving Fund—Printing).*

DEPARTMENT OF GENERAL SERVICES—Continued

2. *We repeat the recommendation contained in our analysis of the Department of Education (Item 328) "that: (a) the Department of Education and the Office of State Printing (OSP) cooperate in developing firm estimates of the total volume and cost of textbooks to be produced by the OSP during the 1974-75 fiscal year for distribution to local school districts and (b) the estimates be presented when the Department of Education and Department of General Services budgets are considered by the legislative fiscal committees."*

We recommend further that the Department of General Services present revised OSP expenditure and staffing requirements for the budget year based on the workload estimates developed by the OSP in cooperation with the Department of Education. The Department of General Services also should include any plans it has for reallocating OSP overhead costs among OSP "nontextbook customers."

The budget shows the number of textbooks produced at the OSP as increasing from 14,582,900 in the 1972-73 fiscal year to an estimated 23,300,000 level in both the current and budget years. Due to recent legislation, however, the OSP will produce significantly fewer textbooks in the current and budget years than in the 1972-73 fiscal year. Chapter 929, Statutes of 1972, authorizes local school districts to select their free textbooks from a much greater number of alternative titles. As a result, the school districts are ordering more titles and fewer books per title. The OSP textbook workload depends on: (1) the number and types of books school districts order and (2) whether a sufficient volume of each title is ordered to justify printing by the OSP.

Because it is not economically feasible for the OSP to print small quantities, smaller orders for individual textbooks are purchased directly from the publishers. Our preliminary investigations indicate that small orders of individual titles probably will be the rule rather than the exception during the 1974-75 fiscal year. Neither the Department of Education nor the Department of General Services has been able to make a firm estimate of the OSP textbook workload for the budget year. The Department of Education is conducting a survey to be completed by February 1, 1974, to determine the titles and volumes of textbooks the school districts plan to order. According to General Services staff, their best estimate is that the OSP textbook workload will shrink to approximately 9 million books per year during the current and budget years. Based on our investigations and discussions with Department of Education and Department of General Services staffs regarding the decrease in the OSP textbook workload, we suggest a reduction of \$5,820,000 from Item 173 (Service Revolving Fund—Printing). The downward workload adjustment consists of \$1,320,000 for deleting 120 printing trade positions and \$4.5 million for reducing operating expenses (\$3.5 million of which is for contracting for out-plant printing and binding). We also believe that, based on the findings of the Department of Education survey, the Department of Education and the OSP should cooperate in making firm estimates of the textbook volumes to be produced by the OSP in the budget year. We suggest further that the Department of General Services use the revised estimates to update the

OSP budget year expenditure and staffing requirements. The estimates and updated budget requirements should be presented to the legislative fiscal committees hearing the department's budget. Because of reduced textbook workload, a greater proportion of the OSP overhead cost may have to be allocated to legislative and agency printing. We therefore recommend that the department also present to the fiscal committees any plans it has for reallocating OSP overhead among nontextbook customers.

L. Small Business Procurements and Contracts

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support	Item 166	\$129,378	6.0

This office was established on July 1, 1973, to implement provisions of Chapter 1198, Statutes of 1973 (AB 1816). The office exists to facilitate small business participation in state procurements and construction contracts by maintaining lists of qualified small bidders, assisting small businesses comply with state procedures, disseminating information on opportunities available to small businesses for state contracts and performing other specified functions.

III. Administration

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund.....	Item 174	\$1,980,958	67.4

The administration program consists of central overall management, fiscal and personnel functions which support the department's operational programs. These functions are performed by the department's executive management and administrative services division. Costs of the services are distributed among the department's line programs. The department also provides on a reimbursement basis accounting, budgeting and personnel services for approximately 30 separate small state entities including the State Board of Control and Lieutenant Governor's Office.

Agriculture and Services Agency

DEPARTMENT OF GENERAL SERVICES

Item 167 from the Deferred
Compensation Plan Fund

Budget p. 62 Program p. I-395

Requested 1974-75	\$30,685
Estimated 1973-74.....	None
Actual 1972-73	None
Total recommended reduction	None

DEPARTMENT OF GENERAL SERVICES—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

This item provides for repayment by the Department of General Services of funds borrowed from the General Fund for expenditures incurred during the 1973-74 fiscal year in establishing a deferred compensation plan for state employees as authorized by Chapter 1370, Statutes of 1972.

Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES

Item 168 from the Deferred
Compensation Plan Fund

Budget p. 62 Program p. I-395

Requested 1974-75	\$39,853
Estimated 1973-74.....	None
Actual 1972-73	None
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides support for a deferred compensation insurance plan for state employees as authorized by Chapter 1370, Statutes of 1972. The plan is administered by the Insurance Services Division.

Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES

Items 169, 170 and 171 from
the State School Building Aid
Fund

Budget p. 62 Program p. I-395

Requested 1974-75	\$1,243,610
Estimated 1973-74.....	1,174,933
Actual 1972-73	1,002,330
Requested increase \$68,677 (5.8 percent)	
Total recommended reduction	\$150,000

ANALYSIS AND RECOMMENDATIONS

These items provide support for the Office of Local Assistance chargeable to the School Building Aid Program. This office is discussed in our analysis of Item 166 where we recommend elimination of six professional positions and related clerical staff for a saving of \$150,000.

Item 169 provides \$1,171,610 for budget year operations.

Item 170 provides \$22,000 for expenditures made in the 1973-74 fiscal year for administering the provisions of Chapter 417, Statutes of 1973, (AB

143) that require school districts to pay the state "nonuse" payments on unused schoolsites.

Item 171 provides \$50,000 for administering provisions of Chapter 417, Statutes of 1973.

**Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES**

Item 172 General Fund Transfer
to Service Revolving Fund

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides the authority whereby funds appropriated from the General Fund or special funds for the purchase or replacement of automobiles or reproduction equipment may be used to augment the Service Revolving Fund which finances the Department of General Services' car pool and reproduction services.

**Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES
OFFICE OF STATE PRINTING**

Item 173 from the Service Re-
volving Fund

Budget p. 62 Program p. I-395

Requested 1974-75	\$26,194,977
Estimated 1973-74.....	25,754,252
Actual 1972-73	19,715,370
Requested increase \$440,725 (1.7 percent)	
Total recommended reduction	\$5,820,000

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 166 where we recommend deletion of 120 printing trades positions (\$1,320,000) and "other expenses" (\$4.5 million) for a saving of \$5,820,000.

Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES

Item 174 from the Service Re-
volving Fund

Budget p. 62 Program p. I-395

Requested 1974-75	\$84,601,818
Estimated 1973-74.....	83,497,451
Actual 1972-73	55,497,765
Requested increase \$1,104,367 (1.3 percent)	
Total recommended augmentation	\$39,396

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 166 where we recommend: (1) deletion of a facilities planning analyst position for a saving of \$15,650, (2) deletion of an aviation consultant for a saving of \$23,015, (3) augmentation of \$39,981 for one associate analyst and one and one-half clerical positions to initiate a statewide EDP training coordination program and (4) augmentation of \$38,080 for two buyer II positions to expand Local Agency Cooperative Purchasing Program. This results in a net augmentation of \$39,396.

Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 175 from the Architectural
Revolving Fund

Budget p. 66 Program p. I-396

Requested 1974-75	\$7,022,581
Estimated 1973-74.....	6,560,920
Actual 1972-73	4,380,285
Requested increase \$461,661 (7.0 percent)	
Total recommended reduction	\$60,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|--|-----|
| 1. Workload Indicators. Recommend development of meaningful workload measurement indicators. | 327 |
| 2. <i>Service Cost Reduction.</i> Reduce \$60,000. Recommend cost for basic construction services be reduced to 2.2 percent. | 327 |

GENERAL PROGRAM STATEMENT

The Office of Architecture and Construction (OAC) functions primarily as an architectural and engineering service organization essentially similar to private architectural organizations. However, it is comparable only to the larger private organizations in that it provides a full spectrum of architectural and engineering services, whereas the smaller private

architectural organizations often provide only architectural services and must go outside their own organizations to obtain the various engineering services such as mechanical, electrical and civil.

There are some important differences between OAC and private organizations. For instance, it operates an on-the-job inspection service during the construction period. This is performed for all state projects which, by law, fall within OAC's purview. In the case of the California State University and Colleges system, which is not required by law to use the services of OAC, this inspection service is provided on a contract basis. Private architects normally do not provide this service as part of their regular contracts. Usually, where a private client desires constant on-the-job inspection, he employs the inspectors directly, and the individuals may, or may not, be recommended by the architect.

Another difference involves the method of compensation for services. OAC is reimbursed for all of its out-of-pocket and overhead expenses in connection with any one job. The private architect agrees in advance to a method of compensation which is determined by the conditions of a specific project. Frequently this is a fixed fee for a well defined array of basic services along with a special rate for extras.

Because it is a state operation OAC is often called upon as a matter of course, by the Legislature and the executive branch, to perform services rarely rendered by a private architect to a private client, and not without special compensation. For OAC this often represents additional overhead costs which must be assumed by jobs in progress.

The state office is also responsible for reviewing plans and specifications on projects utilizing state funds to determine if they meet the intent of the Physically Handicapped Law.

All of the above activities are financed from the Architectural Revolving Fund, which receives no revenues in the ordinary sense. Instead, funds appropriated by the Legislature for specific projects are deposited in the revolving fund, as required, and assessments are made against each project for the services of the office. Consequently, the actual volume of work for the office, and hence the potential amount of service funds which it may expend, is completely dependent upon the level of capital outlay appropriations provided by the Legislature. As a practical matter, the revolving fund is continuously appropriated to the office, but for some years it has been the practice to include a specific appropriation from the revolving fund in the Budget Bill in order that the Legislature may have an opportunity to review the activities of the office and the cost of its services.

Plan Checking Function

The OAC also performs an unusual service under a separately funded special program in which it does not perform any architectural or engineering design work. It reviews the elementary and secondary school construction plans of private architects to ascertain whether they meet the minimum standards for seismic, wind and fire safety generally as set forth in the "Field Act." In addition, pursuant to recent legislation, it conducts a similar review of hospital construction under contract to the

OFFICE OF ARCHITECTURE AND CONSTRUCTION—Continued

Department of Public Health. These activities are discussed under Item 176.

ANALYSIS AND RECOMMENDATIONS

The budget for OAC's Architectural Revolving Fund activities proposed for the 1974-75 fiscal year identifies seven major categories of architectural consulting and construction services. Budget year staffing requirements were purportedly developed by working backwards from estimates of the revenues generated in each of these categories. These categories and revenue estimates are shown in Table 1. However, the revenue total shown does not relate to the program expenditure request because of an amount withheld for working capital, and the budget does not contain a breakdown of the proposed staffing by category.

Table 1
Architectural Consulting and Construction Services Revenue

	1973-74	1974-75	Percent of change
I. Basic Architectural and Consulting Services ..	\$1,805,000	\$1,805,000	—
II. Nonbasic Architectural and Consulting Services	1,519,000	1,666,800	9.7%
III. Contract Architect Program—Planning and Administration	181,500	225,000	2.0
IV. Contract Architect—Flow Through	1,687,500	2,025,000	2.0
V. Basic Construction Services	1,430,000	1,380,000	(-3.6)
VI. Nonbasic Construction Services	855,000	836,000	(-2.3)
VII. Special Services	263,435	263,435	—
Total	\$7,747,435	\$8,201,235	5.8%

Office workload associated with the first category is calculated by applying a percentage fee to the estimated value of construction projects receiving this service. In the past, OAC experienced numerous administrative and fiscal problems because of workload fluctuations in this area. Consequently, the Legislature established a ceiling by specific language contained in Item 141 of the Budget Act of 1972. It directed that the Office of Architecture and Construction gradually reduce its staff "in-house" capabilities in architecture and engineering to a workload volume of \$25 million by June 30, 1973. The Budget Act of 1973 subsequently raised this ceiling to \$26.3 million to compensate for inflated construction costs. However, the budget indicates an estimated workload volume for the current year of \$25 million. This same dollar volume is projected for the budget year, indicating a reduction in actual workload of approximately 12 percent because of inflation in construction costs. Further, the staffing ceiling is raised in the Budget Bill to \$29.5 million to account for inflation. We assume a reduction in basic architectural and consulting services staff time is being offset by increased staff requirements in other categories and is the reason no appreciable change in overall staffing is proposed for the budget year.

I. Basic Architectural and Consulting Services

We recommend the development of meaningful workload measurement indicators.

As previously mentioned, a percentage fee was the basis for estimating the workload level for category I services. For the budget year a figure of 7.22 percent was used. This is essentially similar to percentage fees charged by private architects for an average mix of project types and sizes. However, there is no guarantee that OAC's workload will ultimately reflect this average mix. The office is reimbursed for all its expenses rather than receiving a flat percentage fee. Consequently, we question the validity of using the percentage concept as the sole justification for budgeting.

II. Nonbasic Architectural and Consulting Services

This category includes services for which a private architect would receive fees over and above the normal percentage he would receive for the design and engineering of a specific project. These could include changes in project scope, changes in design directed by the client, and advice and service dealing with a prospective project which ultimately might not be undertaken. As indicated in Table 1 the budget anticipates a 9.7 percent increase in this activity over the current year.

We suspect that some of this increase merely reflects a refinement in project management, because OAC is currently revising its project control and activity accounting procedures.

III. Contract Architect Program—Planning and Administration

The third category includes the liaison, planning and administrative work connected with private architect contracts, for projects outside OAC's "in-house" capabilities. The law provides that the department may contract with qualified architects and engineers for the performance of work when the state lacks sufficient staff to perform the work in a timely manner. These private architects function under the control of the OAC and their fees "flow through" the Architectural Revolving Fund. Workload associated with this program is determined by applying a rate of 0.75 percent of the construction value of projects contracted out.

IV. Contract Architect—Flow Through

The fourth category contains the flow-through fee discussed above and is calculated at the rate of 6.75 percent of the construction value of the projects.

V. Basic Construction Services

We recommend that the cost for basic construction services be continued at the current year level of 2.2 percent for an estimated savings of \$60,000.

The fifth category represents the ongoing, onsite inspection services performed during the construction phase of a project. This is a vital service to insure that the state receives a finished project which meets the plans and specifications in every respect, including quality of materials, work, and workmanship, construction techniques and final finishes. The construction value of projects supervised during the budget year is expected to decline by 7.7 percent. This is a real workload decline of approximately

OFFICE OF ARCHITECTURE AND CONSTRUCTION—Continued

17.7 percent when inflation is considered. However, the budget fails to account for this factor and further softens the impact of the projected workload decline by increasing from 2.2 percent to 2.3 percent the cost of providing this service. We are not recommending any staffing reduction due to this indicated decline because our analysis of nonbasic construction services, which is similar workload, tends to indicate the workload level is underestimated. However, we have received no indication that the 2.2 percent figure used for the current year is inadequate. Application of this figure to the \$60 million level of supervision activity reduces estimated revenue by approximately \$60,000.

VI. Nonbasic Construction Services

The sixth category, represents principally the inspection services performed under contract for the Trustees of the California State University and Colleges in connection with private architects plans and contract inspection performed for libraries other than state libraries. Workload activity in this category is also projected to decline. However, as noted above we suspect that the level of activity in this category has been underestimated. Hopefully, by budget hearing time a more reliable estimate will be available.

VIII. Special Services

The seventh category is a catchall covering many types of services that are not directly part of an ongoing project or a project under design. The services represent requests for assistance by state agencies which may require engineering services in connection with maintenance problems or surveys in connection with proposed site acquisitions and other professional services of a similar nature. These are services which are not furnished free of charge by private architects except occasionally on a promotional basis in the hope of obtaining an architectural commission. No increase in this activity is anticipated for the budget year.

Budget Increase

The proposed budget reflects an apparent \$461,661 or 7.0 percent increase over the current fiscal year. This is deceptive because the \$461,661 includes an estimated \$400,813 increase in flow-through fees paid to private architects. If this category is not included, the proposed increase is reduced to \$60,847 or 1.2 percent. This increase is primarily for operating expenses and equipment. The proposed staffing level of 226.7 authorized positions is the same as the current year with workload and administrative adjustments and estimated salary savings reducing this figure to the 215.7 man-years shown in the budget. This is one man-year less than the current year estimate and reflects a one man-year reduction in temporary help.

Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 176 from the Architecture
 Public Building Fund

Budget p. 62 Program p. I-396

Requested 1974-75	\$1,649,689
Estimated 1973-74	1,608,877
Actual 1972-73	1,319,444
Requested increase \$40,812 (2.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

In addition to its primary architectural and engineering functions, the Office of Architecture and Construction performs a plan checking and construction inspection function for all public school entities in the state and for the State Department of Health which administers all new hospital construction.

Education Code Section 15451 and following directs that all plans for construction, reconstruction, alterations or additions to any public school building exceeding \$10,000 in cost be submitted to the Department of General Services for approval. Health and Safety Code Section 15000 added by Chapter 1130, Statutes of 1972, provides that all plans for the construction or alteration of any hospital building shall be submitted for approval to the State Department of Health which is authorized to contract with the Department of General Services.

The Office of Architecture and Construction is also responsible for checking plans for compliance with fire and panic safety requirements. Currently, this service is provided by contracting with the State Fire Marshal's office for the necessary staff.

The Office of Architecture and Construction performs no design work of any kind with respect to this program. It merely reviews the structural plans submitted by private architects and engineers for compliance with the wind and seismic load design criteria and in general checks the overall safety of the structural design concept. In the case of hospitals, this review also encompasses the resistivity of electrical and mechanical systems to insure these structures will be completely functional and able to perform all necessary services to the public after a disaster. This is a more thorough check than performed on schools where emphasis is on the protection of life and property rather than functional continuity. The plans which are not approved are returned to the source with exceptions noted and a request that corrections be made and the plans resubmitted. Following this review and approval procedure, the Office of Architecture and Construction inspects and monitors construction progress to insure compliance.

Revenue to support the schoolhouse program is generated by a set filing fee of 0.5 percent of the estimated project cost (\$50 minimum) which must accompany each set of plans submitted for checking. Support of the

OFFICE OF ARCHITECTURE AND CONSTRUCTION—Continued

hospital plan check is via reimbursement from the Department of Health which is authorized to charge a fee based on a uniform percentage of the estimated construction cost, not to exceed 0.7 percent. For the budget year it is anticipated that OAC's reimbursement will be 0.56 percent of the estimated project cost.

Table 1
Comparison of Workload Funding and Staffing Changes

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Estimated 1974-75</i>	<i>Percent change from current year</i>
Construction value				
Public schools	\$335,750,221	\$320,000,000	\$339,200,000	6.0%
Hospitals	18,548,845	200,000,000	227,900,000	13.9
Total	\$354,299,066	\$520,000,000	\$567,100,000	9.1%
Total program expenditures	\$1,438,879	\$2,415,082	\$2,450,963	1.5
Production—man-years	54.5	101.2	101.2	—
Revenues				
Schoolhouse fees	\$1,456,922	\$1,620,000	\$1,716,000	5.9%
Department of Health	79,522	1,120,000	1,276,240	13.9
Total	\$1,536,444	\$2,740,000	\$2,992,240	9.2%

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The estimated construction value of proposed schoolhouse and hospital work in the state serves as the basis for determining total workload as well as projecting the revenue from fees which go toward offsetting the cost of the program. Table 1 indicates the current trend in schoolhouse and hospital construction activity and the budgetary impact on the plan checking program. The increase from 1972-73 to 1973-74 reflects the impact of the hospital plan check program.

The proposed program expenditure for the budget year contemplates a \$35,881 or 1.5 percent increase over the amount estimated for the current year. This is the result of upward salary and wage adjustments. No change is proposed from the current-year staffing level of 103 authorized positions. Salary savings reduce this level to the 101.2 man-years shown in Table 1. Forty-three of these positions were added in 1973-74 to provide plan checking and inspection services for new hospital construction.

**Agriculture and Services Agency
DEPARTMENT OF GENERAL SERVICES**

Item 177 from the General
Fund

Budget p. 65 Program p. I-422

Requested 1974-75	\$7,500
Estimated 1973-74.....	—
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides funds for painting a portrait of the Governor.

**Agriculture and Services Agency
DEPARTMENT OF INDUSTRIAL RELATIONS**

Item 178 from the General
Fund

Budget p. 66 Program p. I-423

Requested 1974-75	\$29,509,971
Estimated 1973-74.....	28,652,393
Actual 1972-73	24,032,317
Requested increase \$857,578 (3.0 percent)	
Total recommended augmentation	\$146,052

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Division of Industrial Accidents. Augment by \$146,052.* 335
Recommend three additional referee teams for workload and limitation on five new hearing reporter positions to June 30, 1975.
2. *Industrial Welfare Backlog. Withhold recommendation* 341
pending receipt of backlog data.
3. *Divisions of Labor Law Enforcement and Industrial Wel-* 342
fare. Recommend legislation to consolidate the divisions.
4. *Uninsured Employers' Fund. Recommend abolishment of* 345
the fund or corrective legislation and General Fund augmentation of \$1,366,600 to cover program costs in the current and budget years.

GENERAL PROGRAM STATEMENT

The Department of Industrial Relations was created by the Legislature in 1927 to "foster, promote, and develop the welfare of the wage earners of California, improve their working conditions, and advance their opportunities for profitable employment."

To fulfill these broad objectives, the department provides services

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

through the following eight divisions: (1) Industrial Accidents, (2) Industrial Safety, (3) Industrial Welfare, (4) Labor Law Enforcement, (5) Apprenticeship Standards, (6) Labor Statistics and Research, (7) Fair Employment Practices, and (8) State Compensation Insurance Fund. In addition, the department provides a Conciliation Service and administers the workmen's compensation self-insurers plan.

The California Occupational Safety and Health Plan

Effective June 1, 1973, the department became the enforcement agency for the California Occupational Safety and Health Plan (discussed more fully later in this analysis), which permits the state to continue a modified industrial safety program in conformance with federal standards. The federal Occupational Safety and Health Act of 1970 (OSHA) gives the U.S. Department of Labor, rather than the states, jurisdiction over occupational safety and health matters, but permits states to administer programs based on an approved plan. Federal funds are provided to offset up to 50 percent of the costs of administering a state program which has an approved plan. Under the California plan, an Occupational Safety and Health Standards Board is responsible for establishing safety and health standards, the Department of Industrial Relations is given broad new powers for inspecting work places and for assessing financial penalties for discovery of any safety or health violation, and a new Occupational Safety and Health Appeals Board is empowered to hear appeals concerning departmental enforcement decisions. Overall administration of the plan is provided by the Agriculture and Services Agency.

With the exception of the State Compensation Insurance Fund, which operates as a public service nonprofit enterprise, the department's programs will be discussed separately in the analysis and recommendations which follow.

ANALYSIS AND RECOMMENDATIONS

The department's proposed General Fund support appropriation of \$29,509,971 is \$857,578 or 3.0 percent above estimated General Fund expenditures for the current year. However, a total proposed expenditure of \$45,376,566 (representing an increase of \$7,063,510 or 18.4 percent over the total estimated expenditures in the current year) is produced by the addition to the \$29,509,971 of (1) \$362,390 in reimbursements, (2) \$8,972,892 for legislative mandates, up from \$2,798,223 in the current year, (3) \$100,000 appropriated by Chapter 1040, Statutes of 1973, for support of a State Workmen's Compensation Advisory Committee established to study the state's workmen's compensation system in view of the Report of the National Commission on State Workmen's Compensation Laws, and (4) \$6,431,313 in federal funds. The increase in total expenditures is largely attributable to the increase in "legislative mandates" (state-mandated local program costs requiring state reimbursement under Section 2231(a) of the Revenue and Taxation Code), which increases from \$2,798,223 in the current year to the budget-year level noted above. These mandated costs result from legislation passed in the 1973 session increasing local costs for workmen's compensation benefits (Chapters 1021, 1022, 1023 and

1147), and are appropriated by Item 179.

The federal support drops by \$92,295 or 1.4 percent under the current level, reflecting the expiration of several small grants to develop the state's industrial safety plan undertaken pursuant to the federal Occupational Safety and Health Act of 1970 (OSHA). Federal funds consist of a \$641,954 contract between the U.S. Apprenticeship Administration and the Division of Apprenticeship Standards for veteran's apprenticeship training plus two grants from the U.S. Department of Labor, one for \$403,202 to the Division of Labor Statistics and Research to comply with OSHA recordkeeping requirements and the other for \$5,386,157 to the department for operation of the state's OSHA program. The two grants result from approval of the state's Occupational Safety and Health Plan, effective June 1, 1973, and enable the state to continue its industrial safety program in conformity with federal requirements. Expenditures for these grants are reflected in the Administration, Industrial Safety, and Labor Statistics and Research programs and are discussed under these headings.

The department requests a total increase of 279 positions, 243 of which were administratively established in the current year. After deducting a total of 10 positions proposed for discontinuation in the budget year, the net increase in new positions amounts to 269 for a total cost of \$3,251,929.

DIVISION OF ADMINISTRATION

The Division of Administration serves the administrative needs of the department's eight program divisions by providing the ancillary services of management analysis, fiscal management, personnel and training, duplication, data processing, and technical assistance in the compilation of statistical reports. The office of the director, which has the responsibility for planning, coordinating and executing the services provided by the semiautonomous program divisions, is also budgeted within the Division of Administration.

Including reimbursements of \$27,500, the department proposes an expenditure for this program of \$3,052,846, which is an increase of 27.8 percent above the \$2,389,495 estimated for the current year. Proposed is one new senior stenographer for the director's office, which will not increase General Fund costs because it represents a transfer of funds previously used for temporary help.

OSHA Positions

An additional 85 new positions are proposed for implementation of the OSHA plan, 81 of which were administratively established during the current year. Costs of the proposed OSHA positions total \$1,112,123, one-half of which will be offset by federal funds. The 85 positions will be assigned as follows. Seven will strengthen the departmental budget, personnel and accounting functions to meet anticipated workload under the OSHA program.

Eleven positions (seven of which were established in the current year) are proposed to augment the department's data processing function in implementing the occupational safety and health management information system.

Seven positions are proposed for the OSHA coordinating unit, which is

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

budgeted to this program but actually assigned to the Agriculture and Services Agency. Under the state plan and Chapter 993, Statutes of 1973, which established the legal framework for the new program, the Agriculture and Services Agency is responsible for coordinating the state Occupational Safety and Health program. This coordinating function is necessary because, as discussed later in this analysis, important segments of the plan are administered by the Department of Health and the State Fire Marshal, as well as the Department of Industrial Relations. The funds for the coordinating unit are budgeted to the Department of Industrial Relations because the federal government will deal with only one agency for purposes of awarding the grant.

Eight of the 85 OSHA positions are proposed to staff the part-time, three-member Occupational Safety and Health Standards Board authorized by Chapter 993. Under the new program, this board is responsible for promulgating occupational safety and health standards and replaces the former Industrial Safety Board in performing this function.

The remaining 52 OSHA positions are proposed to staff the new, three-member Occupational Safety and Health Appeals Board. This board will hear appeals of decisions of the Division of Industrial Safety concerning citations, penalties and temporary variances from safety and health standards. Under the new program, the division is given broad new powers to issue citations and to assess penalties up to \$1,000 for each occupational safety or health violation discovered and up to \$10,000 for repeated or willful violations. In the past, penalties were assessed only by the courts and only for failure to abate violations previously discovered. The departmental proposal for staffing the appeals board includes an executive secretary, 10 hearing officers and related administrative and clerical support. This staffing is based on an anticipated 5,000 appeals annually with each hearing officer and support staff, which constitute a team, handling 500 appeals. At this writing, the board members and executive secretary have been appointed and efforts are underway to recruit the hearing officers and supportive staff. It is not possible at this time to validate the department's staffing estimates for these functions because of the lack of statistical data.

Regulation of Workmen's Compensation Self-Insurance Plans

Section 3700 of the Labor Code provides that the Director of Industrial Relations may issue certificates of self-insurance to those enterprises demonstrating financial capability to fully compensate their workers for industrial injuries. The unit handling this function processes new applications for self-insurance certificates, maintains security deposits, administers examinations, provides consultative services to plan managers, and reviews payment of claims for promptness and adequacy.

This program, which has 13.6 positions and a budget-year cost of \$271,090, is now fully self-supporting as a result of the enactment, based on our recommendation, of Chapter 1758, Statutes of 1971, which established a schedule of license fees for self-insured employers. No new staff is proposed for this program.

INVESTIGATION, MEDIATION, AND ARBITRATION PROGRAM
(State Conciliation Service)

The Labor Code specifies that the department shall (1) investigate and mediate labor disputes on the request of any bona fide party involved in the dispute, (2) proffer mediation services to both parties when there is a threat of work stoppage and neither party requests intervention, (3) endeavor to promote sound union-employer relationships in the interest of preventing labor disputes, and (4) arrange for the selection of boards of arbitration on terms agreeable to all concerned parties.

In addition, the department has statutory responsibility for settling labor relations disputes or grievances relating to the nine transit districts or authorities (viz., the San Francisco Bay Area Rapid Transit District) now authorized by state law.

The proposed expenditure for this program is \$470,713 which represents an increase of \$32,696 or 7.5 percent over estimated current-year expenditures of \$438,017. The department proposes to add one new conciliator and one new clerical position at a cost of \$35,630 in the budget year to handle increased workload which is reflected in Table 1.

Table 1
State Conciliation Service Workload
Department of Industrial Relations

<i>Labor disputes</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74 (est.)</i>	<i>1974-75 (est.)</i>
Private sector				
Meditation cases closed	497	501	602	650
Representation cases closed	80	85	100	112
Preventive-advisory conciliation	45	162	206	232
Total private sector	622	748	908	994
Public sector ^a				
Meditation cases closed	146	202	242	269
Representation cases closed	57	50	66	81
Preventive-advisory conciliation	133	97	187	202
Total public sector	336	349	495	552
Grand totals	958	1,097	1,403	1,546

^a Including transit authority disputes.

PREVENTING, SETTLING, ADJUDICATING, AND ADMINISTERING DISPUTES
UNDER WORKMEN'S COMPENSATION LAWS
(Division of Industrial Accidents)

We recommend an augmentation of \$146,052 to provide three additional referee teams (a total of 12 positions consisting of 3 referees, 3 hearing reporters, 3 legal secretaries and 3 clerk-typists II) to handle additional workload. We also recommend that the above three hearing reporters and the two additional hearing reporters proposed in the Governor's Budget be limited to June 30, 1975.

The Workmen's Compensation Appeals Board and the referee teams in the Division of Industrial Accidents are responsible for the adjudication of workmen's compensation claims. The appeals board is composed of seven persons appointed by the Governor, who also designates the chairman of the board. The division's staff, under the supervision of an administrative director who is also appointed by the Governor, provides supportive serv-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

ices to the board.

The objective of the program is to insure the prompt payment of workmen's compensation benefits to workers who suffer industrial injury in the course of their employment. These benefits include medical expenses, rehabilitation costs, legal fees, awards for loss of earnings not to exceed \$119 per week (prior to April 1, 1974, the maximum is \$105 per week), and death benefits.

The division proposes an expenditure of \$11,514,749, which is an increase of \$259,454 or approximately 2.3 percent over estimated current-year expenditures of \$11,255,295. This increase includes a total of six new positions (2 referees, 2 hearing reporters and 2 legal secretaries) constituting two referee teams to handle increased workload. This three-member team proposal departs from previous departmental policy of staffing the workmen's compensation litigation process by four-member referee teams, each consisting of a referee, a hearing reporter, a legal secretary and a clerk. The division anticipates that the three-member teams can function satisfactorily by assigning them to the larger district offices where clerk positions can be utilized on a shared basis.

The administration appears to be budgeting for a significant backlog in this program because it is proposing an increase of only 1.8 percent in staff while workload figures as reflected in Table 2 show a projected increase of 5 percent. Workload for the budget year will probably actually increase beyond the 5 percent level projected because new claim filings have increased by 11.6 percent in the first 11 months of calendar year 1973 and by an average of 15.8 percent in the first five months of the current fiscal year.

Based on these factors, we believe that a minimum of three new teams (12 positions) are needed in addition to the two partial teams proposed in the Governor's Budget to align staffing with workload requirements in the budget year. Because the division is planning to experiment with new procedures which promise to reduce the need for transcribing some adjudication proceedings, we recommend that the two hearing reporters proposed in the Governor's Budget and the three which we propose be limited to June 30, 1975, when their continued need can be evaluated in view of the study.

Table 2
Division of Industrial Accidents Workload
Department of Industrial Relations

	1972-73	1973-74 (est.)	1974-75 (est.)	Percentage increase
New filings.....	69,657	73,140	76,796	5
Declarations of readiness to proceed	69,212	74,000	78,000	5
Dispositions	108,755	118,205	123,705	5

PREVENTION OF INDUSTRIAL INJURIES AND DEATHS
(Division of Industrial Safety)

The Labor Code provides that the Division of Industrial Safety "has the power, jurisdiction, and supervision over every employment and place of

employment in this state, which is necessary to adequately enforce and administer all laws and lawful orders requiring such employment and place of employment to be safe, and requiring the protection of the life and safety of every employee in such employment or place of employment." Specifically excluded from the jurisdiction of the division are maritime workers, household domestics, federal employees and operating employees of interstate railroads.

In fulfilling these responsibilities, the division provides services through five program elements: occupational safety and health (OSHA); tunnel and mine safety; elevators, escalators and aerial tramways; radiation; and pressure vessels. The OSHA element, which constitutes the largest segment of the division, is discussed under a separate heading below.

The budget proposes a total expenditure of \$12,598,556 for this division, which is a decrease of \$158,648 or 1.2 percent under the current estimated expenditure of \$12,757,204. Included in the total is \$7,765,484 from the General Fund, \$48,000 in reimbursements and \$4,785,072 in anticipated federal funds. The decrease in the budget year results from unusually high expenditures for startup equipment for the new OSHA program in the current year that are not expected to recur in the budget year. However, because the U.S. Department of Labor grant for the budget year is yet to be negotiated, expenditures will undoubtedly be higher than the amount projected in the Governor's Budget because, as noted later in this analysis, the grant will probably contain funds to implement the Bureau of Investigations mandated by Chapter 993, and to cover legal services provided by the Attorney General. Of the \$4,785,072 in anticipated federal funds, \$2,406,615 is proposed to reimburse the Department of Health for occupational health services and \$297,327 is proposed to reimburse the State Fire Marshal for providing assistance concerning fire safety matters as provided by the OSHA plan.

Including the amounts to reimburse the Department of Health and the State Fire Marshal, the proposed expenditures for the new occupational safety and health program as approved by the federal government are more than double the expenditures for the state's former industrial safety program (excluding expenditures for inspection of elevators, escalators and tramways safety, pressure vessels and tunnel and mine safety which are not part of the OSHA program). Because the federal government will pay up to 50 percent of the costs of the program, actual state General Fund increases are minimal.

Occupational Safety and Health Program Element (OSHA)

As the enforcement arm of the state Occupational Safety and Health Plan, this is the largest element in the division with a staff of 326.6 and a proposed budget of \$9,724,796. Under the Occupational Safety and Health Act of 1970 (OSHA), the federal government (through the U.S. Secretary of Labor), rather than the states, is responsible for insuring safe and healthy places of employment for the nation's workforce. However, the act permits states to administer occupational safety and health programs for the federal government based on approved state plans which meet minimum federal standards. Upon plan approval, states may receive fed-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

eral funds to offset up to 50 percent of the costs of administering the programs. California's plan was approved by the federal government, effective June 1, 1973, and the legal framework of the program was established by Chapter 993, Statutes of 1973 (AB 150).

Under the new program, the state Occupational Safety and Health Standards Board (formerly the Industrial Safety Board) has sole responsibility for promulgating occupational safety and health standards, which must be at least as effective as federal standards. Employers are required to maintain safe and healthy workplaces, and the Division of Industrial Safety, as the enforcement agency, is empowered to issue citations and assess fines for the discovery of violations. In the past, only the courts assessed fines and only for the failure to abate violations previously discovered.

Imbodied in the new program is an Occupational Safety and Health Appeals Board to which employers may appeal the division's decisions involving citations and penalties. The Attorney General, because of his role as the state's chief legal officer, will provide any needed legal services for court cases involving appeal of board decisions. The federal government will maintain concurrent jurisdiction over industrial safety with a minimal enforcement staff for a period of three years while the state develops its program and will relinquish enforcement responsibilities to the state after that period if it is satisfied that the state program fully meets federal requirements. Chapter 993 requires the division to establish a Bureau of Investigations to investigate serious violations and prepare cases for prosecution.

No Funding for Bureau of Investigation

The budget proposal does not include funds to reimburse the Attorney General for providing legal services for the division in the appeals process or to establish a Bureau of Investigation to investigate and prepare cases for prosecution involving violations of safety standards resulting in serious injury or death. Funding has been omitted for the bureau because it is not part of the federally approved state plan. However, the Department of Industrial Relations reports that the federal government will probably provide matching (50 percent) funds for both of these functions, but that cost estimates are not yet formulated. The department probably will submit an augmentation request at a later date to provide state matching funds in the Budget Bill. We will provide analyses of such requests upon their submission to the Legislature.

New Positions

The budget proposes staff increases totaling 140 in three safety program elements: (1) occupational safety and health (OSHA), (2) elevators, escalators, and aerial tramways, and (3) pressure vessel inspection. Included are 138 new positions which were administratively added during the current fiscal year and are proposed for continuation in the budget year. The new positions, most of which are proposed for the occupational safety and health element, are allocated as detailed below.

OSHA Administration. Of the 140 new positions, 14 are proposed to

strengthen the administration of the division and the divisional management information system. Among these are eight clerical positions and one attorney to handle anticipated increased workload associated with new federal reporting requirements and compliance procedures. It is anticipated that the new procedures, which include the assessment of penalties by enforcement staff, will require a great deal of documentation, careful reporting and recordkeeping to insure that divisional decisions are defensible in any appeals proceeding. Five clerical positions are included to process the reporting of enforcement information at the regional level.

OSHA Engineering, Education and Research. Nine new positions (an assistant chief, four safety engineers, a research writer, two research analysts and a clerk) are proposed to supplement the engineering, education and research staff in conducting research in industrial safety matters, training compliance personnel and advising the Occupational Safety and Health Standards Board in the promulgation of safety standards.

OSHA Compliance and Enforcement. A total of 91 new positions (62 engineers and 29 clerical positions) are proposed to reinforce the division's compliance and enforcement staff. These are budgeted on the basis of four inspections per week per safety engineer, which conforms to the staffing experience of the federal government. This staffing standard cannot be evaluated at this time because the division has no workload experience under the new system, and its inspection procedures are not comparable with inspections under the former industrial safety program. Under the new program, the division is required to conduct an inspection upon complaint by any person or following a serious or fatal accident, and may also conduct other inspections at any time. A complaint triggers a complete inspection of the entire workplace (rather than simply the location of an unsafe working condition specified in the complaint, as under the previous practice) and generally requires a followup inspection to insure correction of the violation.

OSHA Education and Consultative Services. Twenty-four positions (20 engineers and 4 clerical) are proposed for a new unit to provide educational and consultant services to employers concerning occupational safety and health requirements. Because both the federal and state occupational safety and health laws place the burden on the employer to maintain a safe workplace and authorize compliance and enforcement personnel to assess penalties up to \$1,000 for the discovery of any violation (and up to \$10,000 for repeated or willful violations), we believe that this service will be greatly demanded by employers, especially during the first few years of the OSHA program. The federal government requires that this function be kept completely separate from the compliance and enforcement function.

Elevator, Escalator and Aerial Tramway Safety and Pressure Vessel Inspection. The division proposes to add two new safety engineers to handle increased workload for the elevator, escalator, and aerial tramway and pressure vessel inspection elements at an annual General Fund increase of \$40,206. One position is proposed for each element based on increased workload as reflected in Table 3. Because these elements are fully supported from inspection fees, the costs of the positions will be

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

recovered through increased General Fund revenue. Workload data for these elements are reflected in Table 3.

Table 3
Division of Industrial Safety

**Elevators, Escalators, Aerial Tramways
and Pressure Vessel Inspection Workload**

Department of Industrial Relations			
<i>Detail</i>	<i>1972-73</i>	<i>1973-74 (est.)</i>	<i>1974-75 (est.)</i>
Elevators, escalators and aerial tramways			
Number of inspections.....	16,500	23,000	27,930
Number of special calls including consultation, complaints and accident investigations.....	4,500	6,000	7,500
Pressure vessels			
Vessels inspected.....	89,500	90,000	95,500
Special calls.....	20,500	21,000	22,000

**PROMULGATION AND ENFORCEMENT OF A MINIMUM WAGE FOR ALL
EMPLOYEES AND LABOR STANDARDS FOR WOMEN AND MINORS**
(Division of Industrial Welfare)

The Division of Industrial Welfare enforces wage orders promulgated by the Industrial Welfare Commission and other state laws relating to the wages, hours and conditions of employment. A total of 14 such wage orders have been publicized by the commission. The orders are adopted by the commission in accordance with the Administrative Procedures Act and, therefore, have the effect of law. Historically, the activities of this division have been confined mostly to women and minors. However, in line with recent U.S. Supreme Court decisions declaring unconstitutional most labor laws which affect only women, Chapter 1122, Statutes of 1972, and Chapter 1007, Statutes of 1973, extended to adult men the provisions of the Labor Code regarding wages, hours, and working conditions that previously were applicable only to adult women. This legislation has required the commission to revise its wage orders to cover men, and in doing so the commission has ruled that the new orders, which take effect in March 1974, will also cover domestic workers for the first time. Chapter 1007 also gives the Occupational Safety and Health Standards Board (in the Division of Industrial Safety) exclusive jurisdiction over areas which overlap with responsibilities exercised by the Industrial Welfare Commission. It directs the two bodies to ascertain areas of overlapping jurisdiction and specifies that where such overlapping exists, enforcement responsibility shall rest with the board. If properly implemented, this legislation will reduce many responsibilities of the commission concerning hours and working conditions, thereby adding further reason for consolidating the Division of Industrial Welfare with the Division of Labor Law Enforcement as recommended later in this analysis.

The division proposes an expenditure of \$1,543,338 which is a decrease of \$69,128 or 4.3 percent over the estimated current-year expenditure of \$1,612,466. The decrease reflects a \$100,000 expense in the current year for

reopening the wages orders which will not be incurred in the budget year. The division proposes to continue six positions that were administratively established during the current fiscal year at a cost of \$80,000. An additional seven positions, noted in our discussion of the Division of Labor Law Enforcement (below), also were established administratively in the current year and are proposed for continuation at a cost of \$70,000. All 13 positions result from a special augmentation added by the Legislature to the 1973 Budget Act which provided \$150,000 to the department for dealing with backlog problems. The Legislature did not allocate the additional money to specific departmental programs but the expression of legislative concern, which resulted in the augmentation, centered on backlog situations existing in the Division of Industrial Welfare.

Caseload Backlog Needs Clarification

We withhold our recommendation on industrial welfare caseload backlog pending receipt of clarifying and substantiating data.

The division anticipates that the new wage orders, which extend coverage to men and domestic workers, will substantially increase its workload as reflected in Table 4. However, no new staff is proposed for the program. In past years, the division has overstated its workload requirements. Its projections of new caseload for fiscal years 1971-72 and 1972-73 (in the Governor's Budgets) averaged 11.5 percent above actual new caseload later reported for the same years. We also suspect that many of the cases which are reported as backlog are actually cases which are being processed and, therefore, should not be included in the backlog totals. We have asked the division to clarify these issues.

Table 4
Division of Industrial Welfare Workload
Department of Industrial Relations

	1971-72	1972-73	1973-74 (est.)	1974-75 (est.)
Total caseload	21,837	21,797	24,990	33,330
Cases completed	15,347	15,757	17,200	17,200
Cases pending	6,490	5,980	7,790	16,130
Permits and licenses issued	3,884	3,671	2,000 ^a	1,900 ^a
Man-years	69.2	74	79.1	79.1

^a The decrease in permits and licenses issued is due to a procedural change for issuing "sheltered workshop" permits, which authorize such shops to pay a lower minimum wage to handicapped workers. These permits are now issued on a workshop basis rather than one for each worker.

ENFORCEMENT OF LAWS RELATING TO WAGE PAYMENTS, CONDITIONS OF EMPLOYMENT, LICENSING AND ADJUDICATION **(Division of Labor Law Enforcement)**

The enforcement of all labor laws, including child labor laws, not specifically delegated to any other agency, is the responsibility of the Division of Labor Law Enforcement. The laws enforced cover such matters as payment of wages, collection of unpaid wages, and the licensing and registering of artists' managers and farm labor contractors.

The division requests an expenditure of \$3,694,729, which is an increase of \$85,972 or 2.4 percent above the estimated current-year expenditures of \$3,608,757. The division proposes to continue seven positions (two investigators and five clerical) that were administratively established in the

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

current year at a cost of \$70,000 as a result of the special augmentation described previously. Also proposed are two stenographer II positions for implementing a new procedure (described below) for insuring that all new employers (which number 72,000 annually) comply with the law in securing workmen's compensation insurance to protect injured workers, potentially thereby reducing claims against the Uninsured Employers' Fund. As we note below, this fund is not able to cover the claims being filed by injured workers whose employers failed to provide adequate insurance coverage. Divisional workload is reflected in Table 5.

Table 5
Division of Labor Law Enforcement Workload
Department of Industrial Relations

	1971-72	1972-73	1973-74 (est.)	1974-75 (est.)
Complaints				
Total complaints received	59,898	65,638	70,400	72,000
Total complaints disposed of	56,386	64,561	67,800	68,900
Workmen's compensation insurance				
new employer investigations	N.A.	17,539	18,650	19,000
Controversies settled	29	15	28	30
Licenses issued	1,188	1,247	1,285	1,310
Man-years	182.1	188.8	199.7	201.7

Consolidate Divisions of Labor Law Enforcement and Industrial Welfare

We recommend legislation to consolidate the Divisions of Labor Law Enforcement and Industrial Welfare for a General Fund saving of at least \$168,000 annually.

Over the years, this office has urged the consolidation of the Divisions of Labor Law Enforcement and Industrial Welfare on the basis that their functions and responsibilities are very similar, involving recovery of unpaid wages, review of wage records, licensing and enforcement of labor laws. This similarity of function is confusing not only to employers who must constantly deal with both divisions but to employees as well who often do not know with which division to file a complaint. Historically, two separate divisions have been maintained so that special enforcement emphasis could be given to labor laws designed specifically to protect women and minors. However, in view of the court decisions which have declared many such laws affecting women unconstitutional on the grounds that they are discriminatory toward men and the recent legislation which extended to men the provisions of the Labor Code which previously were applicable only to adult women, there is no justification for maintaining Labor Law Enforcement and Industrial Welfare as separate programs.

In 1972, the administration proposed consolidation of these divisions to achieve greater economy and program efficiency, but the Legislature did not accept the proposal. In the interest of organizational efficiency, we again recommend consolidation of the programs for a minimal General Fund saving of \$168,000, largely from the elimination of duplication of administrative overhead between the two divisions. We estimate that, at a minimum, consolidation would permit a total reduction of 12 positions from the combined staffs: central office administrative positions from

eight to four, area supervisors from eight to five, and five clerical support positions.

This savings estimate reflects retention and reclassification to journeyman levels of three senior positions (now used to supervise district offices), to increase the combined divisional enforcement activities. Further program savings would accrue through more efficient use of field personnel and offices, particularly in regard to travel which will become increasingly more important because of the energy crisis. Personnel of both divisions frequently duplicate field trips to investigate complaints in the same geographical area, especially in the less populated areas of the state.

**PROMOTION, DEVELOPMENT AND ADMINISTRATION OF
APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING
(Division of Apprenticeship Standards)**

The Division of Apprenticeship Standards has the responsibility to promote and foster apprenticeship programs and other "on-the-job" training opportunities for apprentices and journeymen. The division also attempts to promote equal opportunity practices in apprenticeship selection procedures, cooperate with other state agencies in training inmates of correctional institutions and placing them in jobs when they are released on parole (165 were so placed last year), and administers the California Plan for Equal Opportunity in Apprenticeship. This plan requires apprenticeship programs registered with the U.S. Department of Labor or the Division of Apprenticeship Standards to be representative of the ethnic composition of the labor market areas in which they operate. In addition, the division inspects, approves and monitors apprenticeship and other on-the-job training programs for veterans under a contract with the U.S. Veterans Administration.

The proposed General Fund expenditure for this program is \$1,980,999 which is \$30,011 or 1.5 percent above estimated expenditures of \$1,950,988 in the current year. Federal funds in the amount of \$641,954, representing reimbursement for monitoring functions performed for the federal Veterans Administration, bring total proposed program expenditures for the budget year to \$2,622,953.

Two new positions (one technical and one clerical) are proposed at a General Fund cost of \$26,950 for enforcing apprentice to journeyman ratios in public works contracts. While this workload was created by the passage of Chapter 1411, Statutes of 1968, no added staff has yet been budgeted for the function. The division reports that a minimal enforcement effort has been maintained by diverting to this function staff which have been budgeted for other functions.

The division reports a current total of 35,813 apprentices, 8,273 or 23.1 percent of whom are from minority groups. The number of apprentices is expected to increase to 36,496 in the budget year, with 8,431 or 23.1 percent of that number representing minorities.

**LABOR FORCE RESEARCH AND DATA DISSEMINATION
(Division of Labor Statistics and Research)**

The Division of Labor Statistics and Research is required by statute "to collect, compile and present facts and statistics relating to the condition

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

of labor in the state." Through an agreement with the U.S. Department of Labor, the division is a participating agency in the national Occupational Injuries and Illness Survey which is authorized by the Occupational Safety and Health Act of 1970 (OSHA) to assure uniform, annual collection of work injury and illness data throughout the United States. Data for this survey are collected through an annual questionnaire, which is sent to a sample of more than 50,000 employers in the state. It is anticipated that these data will be particularly useful to the Division of Industrial Safety for selecting high-hazard industries as special targets for intensified safety enforcement efforts.

In addition, the division collects and compiles data on how and why industrial accidents occur from accident reports filed by employers and doctors as required by state law. Under the terms of the grant agreement with the U.S. Department of Labor, 50 percent of the costs of participating in the national survey and the accident cause statistics program are paid by the federal government.

Through a second program element, industrial relations research which is fully state-funded, the division compiles statistics on (1) provisions of collective bargaining agreements, (2) work stoppages, (3) union membership, and (4) negotiated work settlements. The division also provides statistical service to the other departmental divisions.

The division proposes a total expenditure of \$915,748 including a General Fund request of \$497,546 (up \$47,853 or 10.6 percent from the current level), \$403,202 in federal funds and \$15,000 in reimbursements. The General Fund increase is mainly attributable to a lower level of federal participation (from 90 to 50 percent) in some OSHA-related injury statistics projects. Included in the budget proposal is a total of 26 new positions, 8 of which were administratively added during the current fiscal year and proposed for continuation in the budget year. These positions will enable the division to fulfill its responsibilities for participating in the national Occupational Injuries and Illness Survey and extend the gathering of statistical data to state and local governmental agencies which are, for the first time, subject to industrial safety reporting because of Chapter 993, Statutes of 1973.

**PREVENTION AND ELIMINATION OF DISCRIMINATION IN
EMPLOYMENT AND HOUSING****(Division of Fair Employment Practices)**

The Division of Fair Employment Practices, under the direction of the Fair Employment Practice Commission, is responsible for the administration and execution of (1) the provisions of the Fair Employment Practice Act (Labor Code Sections 1410-1433) relating to discrimination in employment on the basis of race, religion, creed, national origin, ancestry, sex or age, and (2) that portion of the Health and Safety Code (Sections 35700-35745) relating to equal opportunities in housing. The director of the division, who serves as the executive officer of the commission, and the seven members of the commission are appointed by the Governor.

Chapter 1189, Statutes of 1973, expanded the provisions of the Fair Employment Practice Act to include prohibitions against employment

discrimination on the basis of physical handicaps, thereby giving the commission enforcement authority in this area. The division also provides assistance to employers who wish to institute affirmative actions to expand equal employment opportunities for minorities.

The division proposes a budget-year expenditure of \$1,442,128, which is \$56,197 or 4.1 percent above estimated expenditures of \$1,385,931 in the current year. Two additional positions (one consultant and a stenographer II) at a cost of \$28,400 are proposed to handle additional workload as reflected in Table 6.

New Field Office

The division also proposes to open a new field office in Riverside to provide service to a large number of minorities who cannot now be served adequately. The concentration of minorities in the Riverside area supports, in our judgment, the need for such an office. Section 1419 of the Labor Code authorizes the Fair Employment Practice Commission to "maintain a principal office and such other offices within the state as the Legislature authorizes." In budget acts of previous years, the Legislature has authorized field offices for the commission in San Francisco, Sacramento, Fresno, Los Angeles, and San Diego.

Table 6
Division of Fair Employment Practices
Selected Workload Data

	1970-71	1971-72	1972-73	1973-74 (est.)	1974-75 (est.)
Cases filed	2,033	2,399	2,607	2,700	3,300
Cases closed	1,652	2,206	2,513	2,500	2,600 ^a
Man-years	57	54	61.2	66.9	68.9

^a The Governor's Budget reports a figure of 2,500 formal cases closed for the budget year, but the commission states that the requested additional position would enable it to complete 2,600 formal cases.

UNINSURED EMPLOYERS' FUND

We recommend either (1) legislation to repeal the Uninsured Employers' Program or (2) a General Fund augmentation of \$1,366,600 and legislation to correct deficiencies in the program.

The Uninsured Employers' Fund, established by Chapter 1598, Statutes of 1971 (operative March 4, 1972), provides workmen's compensation benefits for employees, injured in the course of their work, whose employers fail to provide compensation. As discussed below, it was contemplated that the program would be self-supporting, but experience to date indicates that this will not be the case.

After making an award to a work-injured employee based on a rating of the disability provided by the State Compensation Insurance Fund, the Director of Industrial Relations is authorized to recover the amount of the award from the uninsured employer through civil action. The recovered award, plus a penalty equivalent to a year's premium cost for workmen's compensation insurance (workmen's compensation insurance rates range from 17 cents to \$18 per \$100 unit of payroll) is used to replenish the fund. The Attorney General is charged with the legal defense of the fund and is reimbursed for his service at a rate of \$23.75 per attorney hour in the

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

current year and \$25.50 per attorney hour in the budget year. The Department of Justice estimates that defense of the fund will involve 12,000 attorney man-hours at a cost of \$306,000 in the 1974-75 fiscal year.

The State Compensation Insurance Fund charges the Uninsured Employers' Fund at the rate of 12 percent of all awards for providing the disability rating service and a flat \$35 fee for determining the rate at which the uninsured employer would have paid workmen's compensation insurance for purposes of establishing the employer's penalty. The fund was "seeded" with \$50,000 borrowed from the Human Resources Development Contingent Fund, which amount must be repaid.

As shown in Table 7, all assets of the fund are now depleted and, as of November 30, 1973, the fund has \$251,092 in outstanding obligations which cannot be paid because of the lack of funds.

Table 7
Financial Status of the Uninsured Employers' Fund
as of November 30, 1973
Department of Industrial Relations

Receipts

Amount initially borrowed from the Human Resources Development Contingent Fund.....	\$50,000
Penalties and recoveries	6,621
Allocation from the Emergency Fund	22,960
Total receipts	\$79,581

Disbursements

Payments for 34 claims	\$59,070
Attorney General legal services	16,856
State Compensation Insurance Fund services.....	1,993
State Controller services	6
Total disbursements	\$77,925
Balance in fund as of November 30, 1973	\$1,656

Unpaid obligations

Forty-nine unpaid claims	\$119,163
Attorney General legal services (1-1-73 to 9-30-73)	63,885
State Compensation Insurance Fund services (4-1-73 to 11-30-73)	19,700
Repayment to Human Resources Development Contingent Fund	50,000
Total unpaid obligations as of November 30, 1973.....	\$252,748
Total unpaid obligations minus balance in fund.....	\$251,092

As we pointed out last year during the budget hearings, this program cannot possibly become self-supporting using recoveries and penalties alone because of the large number of insolvent, uninsured employers who are, for all practical purposes, immune from judgment recoveries. This is borne out by the experience of other states such as New York which reports that 50 percent of its uninsured employers fall into this class. Moreover, because of court interpretations of the state Constitution (Article XX, Section 21, which refers to the liability of employers to compensate "their" workmen for injury or disability) it is generally agreed that a constitutional amendment would be necessary to require employers or the insurance industry in general to bear the cost of the program through

a special fund program.

During budget hearings of both fiscal committees last year, we pointed out a number of problems with the fund and recommended either (1) abolishment of the fund and its program or (2) corrective legislation and General Fund support of the program. In demonstrating preference for the second alternative, the Legislature augmented the fund by a \$150,000 appropriation from the General Fund (Item 154.1 of the 1973-74 Budget Bill), which the Governor vetoed on the basis that the program should become self-supporting. After authorizing a \$22,960 Emergency Fund allocation to pay obligations of the fund in the 1972-73 fiscal year, the administration announced that no additional General Fund support would be provided for the program, not even for administration or legal services.

We believe this policy is unsupportable because claims are now being filed at the rate of 60 a month and, as reflected in Table 7, 49 claims totaling \$119,163 have been awarded by the Workmen's Compensation Appeals Board but cannot be paid for lack of money. After completing the process of having his claim litigated and awarded, a victim of an uninsured employer is now notified by the department that his benefits cannot be paid. The program is of little value if victims of uninsured employers must wait long periods, even years under this policy, to receive benefits. Equally as bad, the state is unable to defend itself adequately against these claims. With the increase in the number of claims and without budgeted financial support, the Department of Justice is not supplying attorneys to defend the state's interest in all proceedings where these claims are litigated. Also, the State Compensation Insurance Fund is unable, without financial support, to supply a medical evaluation of the injury to assist in the defense of the claim.

Need General Fund Augmentation and New Regulation or Repeal of Program

Because of these problems, we again recommend either legislation abolishing the fund and its program, or the passage of corrective legislation combined with General Fund support of the program.

Abolishment of the fund would contravene a recommendation by the congressionally established National Commission on State Workmen's Compensation Laws, which proposed that states establish programs to insure that workers receive benefit awards that are endangered due to insolvency of the employer or his insurance carrier. We also understand that legislation now under consideration by Congress would mandate states to establish such programs as well as meet other federal workmen's compensation standards or face preemption in these areas by the federal government.

The Department of Industrial Relations has not had sufficient claims experience as a basis for forecasting accurate fiscal requirements of the Uninsured Employers' Program. Calculating costs for claims is very difficult because they vary, depending on the nature of the injury, and can range from a few dollars for a minor injury to many thousands of dollars for a death or serious injury. Expenses for very serious injuries and deaths, which involve medical expenses, temporary and permanent disability or death benefits often continue for several years.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

However, based upon the limited experience of the program, we estimate that annual costs to the fund will amount to at least \$540,000 for claims, \$64,800 in administrative costs to the State Compensation Insurance Fund (based on the 12 percent charge) plus Attorney General legal fees. The Attorney General has estimated his costs at \$285,000 in the current year and \$306,000 in the budget year for six attorney man-years. We estimate a need for only two man-years at a cost of \$95,000 in the current year and \$102,000 in the budget year because, as we discuss below, most legal services can probably be more economically provided by the State Compensation Insurance Fund. Accordingly, we estimate a total annual cost of approximately \$699,800 in the current year and \$706,800 in the budget year. Because the Governor's Budget anticipates that revenue to the fund from recoveries and penalties will amount to \$15,000 in the current year and \$25,000 in the budget year, the net General Fund requirements of the program will be \$684,800 in the current year and \$681,800 in the budget year for a total cost in both years of \$1,366,600.

This estimate is based on the limited experience with the fund which indicates that 60 claims are being processed monthly, one-half or 30 of which result in an award. Of these 30 awards, one-half are paid by the employer and the remaining 15 become obligations against the Uninsured Employers' Fund. The initial claims which have been paid from the fund average approximately \$3,000 each. Consequently, the annual cost of claims, based on this limited experience, will amount to approximately \$540,000 annually (15 claims monthly or 180 claims annually at \$3,000 each). This estimate may be conservative because none of the awards on which it is based contained a costly death, paraplegic or quadriplegic case.

It may be possible to make the program self-supporting through a constitutional amendment authorizing a tax on employers or insurance companies or by legislation (suggested below) increasing recoveries and penalties, including stringent penalties against employers found to be without insurance coverage. However, in both cases General Fund support would probably be required in the short run to permit the fund to accumulate sufficient resources to become self-sustaining. Otherwise, it may take the fund years to catch up on its unpaid obligations, which under the administration's current policy may never occur.

If the Uninsured Employers' Program is to be continued, we believe the legislative changes summarized below should be adopted.

Increase Employer Penalties and Adopt Posting Requirement

Corrective legislation should establish stringent penalties to discourage employers from failing to obtain adequate protection against work-related employee injuries, thereby reducing the number of claims against the fund. One possible procedure would authorize the Director of the Department of Industrial Relations or his agent to impose administrative penalties of at least \$100 per employee against any employer who has not complied with legal requirements to cover employee injury claims.

We also recommend that employers be required to post prominently in their places of employment a certificate issued by their insurance carrier

showing the expiration date of their workmen's compensation insurance coverage, accompanied by a statement giving the telephone number of the nearest Labor Commissioner office and an invitation for any person to call that number to report the expiration of any such coverage. This posting requirement would broaden the enforcement base of the Uninsured Employers' Program and provide immediate notice of the employer's insurance status to departmental field personnel on routine inspection visits.

Secure Local Government Enforcement

We recommend legislation requiring local agencies to secure proof of workmen's compensation insurance coverage before issuing any business license to a prospective employer. Under existing law, state agencies require such proof before issuing a license.

Reduce Administrative and Legal Defense Costs

New legislation should simplify and reduce the costs of administering the fund. A flat rate penalty such as 50 percent of the award limited to \$10,000 would eliminate the necessity for the State Compensation Insurance Fund charges to determine the present penalty (which is based on a year's premium for workmen's compensation insurance as determined by the uninsured employer's payroll), thereby eliminating the \$35 fee charged for this service.

The legislation also should permit the Director of Industrial Relations to utilize, through a contractual arrangement, the legal services of the State Compensation Insurance Fund rather than the Attorney General to defend the interests of the Uninsured Employers' Fund. The State Compensation Insurance Fund is better qualified to defend the Uninsured Employers' Fund because of years of experience in defending its own funds against claims by injured workers. In addition, it already provides administrative as well as legal services to the state and other governmental self-insured employers in the workmen's compensation field for which it charges a fee of 12½ percent of the cost of the award. Moreover, legal services by the State Compensation Insurance Fund would result in lower overhead and travel costs because it has offices with attorneys adjacent to each of the 22 Division of Industrial Accidents field offices where uninsured employer controversies are litigated. Because the Department of Justice has only four attorney offices throughout the state, considerable time is expended in traveling to and from the Division of Industrial Accident field offices, and such time (at a cost of \$23.75 per hour in the current year and \$25.50 in the budget year) is charged to the fund. Limiting the Attorney General to two positions as we propose would save approximately \$204,000 of the \$306,000 which he proposes to change for defense of the fund in the budget year. The State Compensation Insurance Fund, based on its experience of handling claims for governmental self-insured employers, could probably defend the fund for only minor increases above the 12 percent of awards plus the \$35 fee for determining penalties which it currently charges. However, the actual costs for this service would be subject to negotiation between the State Compensation Insurance Fund and the Department of Industrial Relations.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

We have recommended that the Attorney General retain two attorney man-years at a cost of approximately \$102,000 annually to monitor the legal aspects of the program, handle constitutional and other state legal policy questions, and litigate cases in which the State Compensation Insurance Fund is a party to a dispute as an insurance carrier and cannot handle the legal defense because of the potential conflict of interest.

Clarify Effective Date of Program

The Legislature should clarify the date on which it intended the Uninsured Employers' Program to begin. The court (in *Dude Jenkins vs. Workmen's Compensation Appeals Board*) has recently interpreted existing law to mean that the date of the award and not the date of injury is the factor in determining eligibility. This means that all employees who have sustained injuries in the last five years (working for uninsured employers) may file claims against the fund because the Workmen's Compensation Appeals Board has continuing jurisdiction over all injury cases for a period of five years by statute.

**Agriculture and Services Agency
DEPARTMENT OF INDUSTRIAL RELATIONS
Local Mandated Costs**

Item 179 from the General
Fund

Budget p. 66 Program p. I-439

Requested 1974-75	\$8,972,892
Estimated 1973-74.....	2,798,223
Actual 1972-73	—
Requested increase \$6,174,669 (220.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Pursuant to Chapter 1406, Statutes of 1972, the state provides reimbursement to local governmental agencies for increased costs which are mandated by legislation enacted after January 1, 1973. Item 179 appropriates \$8,972,892 to the State Controller for allocation to local governmental agencies to reimburse them for increased cost for workmen's compensation benefits mandated by the following acts:

1. Chapter 1021, Statutes of 1973, (AB 750), reduces the working period from seven to three days during which an injured employee who leaves work as a result of an injury receives no workmen's compensation temporary indemnity. It also reduces the retroactive period from 28 to 21 days during which the disability must last in order for a work-injured employee to receive temporary disability compensation beginning from the first day of the injury.

2. Chapter 1022, Statutes of 1973, (AB 751), increases the total dependency workmen's compensation death benefit from \$25,000 to \$40,000 for

a surviving widow and from \$28,000 to \$45,000 for a surviving widow with dependent children. It also increases the maximum partial dependency death benefit for such dependents as parents, brothers, sisters, etc., from \$25,000 to \$40,000.

3. Chapter 1023, Statutes of 1973, (AB 752), increases maximum temporary disability workmen's compensation benefit payments for work-related injuries from \$105 to \$119 per week and establishes a life pension for "permanent total disability" in payment amounts identical to those applicable to temporary disability. Permanent total disability workmen's compensation payments, which previously ranged between \$35 and \$70 for a maximum period of almost 12 years will now range between \$35 and \$119 weekly, depending on the injured worker's average weekly earnings for the remainder of his life.

4. Chapter 1147, Statutes of 1973, (SB 246), increases the mileage allowance from 12 to 14 cents per mile when an injured worker uses his personal car to obtain a medical examination requested by his employer, the employer's insurance carrier or the Division of Industrial Accidents.

The amounts proposed for reimbursement for these acts are summarized in Table 1.

Table 1
Workmen's Compensation Legislative Mandates
Department of Industrial Relations

	1972-73	1973-74	1974-75
1. Chapter 1021, Statutes of 1973 (AB 750)	—	\$106,000	\$424,000
2. Chapter 1022, Statutes of 1973 (AB 751)	—	1,096,000	2,192,000
3. Chapter 1023, Statutes of 1973 (AB 752)	—	1,582,223	6,328,892
4. Chapter 1147, Statutes of 1973 (SB 246)	—	14,000	28,000
Total		\$2,798,223	\$8,972,892

Agriculture and Services Agency

WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 180 from the General

Fund

Budget p. 69 Program p. I-448

Requested 1974-75	\$504,225
Estimated 1973-74	2,368,225
Actual 1972-73	2,172,829
Requested decrease \$1,864,000 (78.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item funds the state's payment for injury compensation claims awarded by the Workmen's Compensation Appeals Board under Section 4750 of the Labor Code, which provides that when a worker with a preexisting permanent disability or impairment suffers a subsequent industrial

**WORKMEN'S COMPENSATION BENEFITS FOR
SUBSEQUENT INJURIES—Continued**

injury resulting in a combined permanent disability of 70 percent or more, the employer is responsible only for that degree of permanent disability arising from the subsequent injury. The balance of the disability benefit obligation is assumed by the Subsequent Injury Fund.

The purpose of this program is to provide an incentive for employers to hire persons who have a permanent (but partial) disability or impairment. The liability of the employer for any subsequent injury which aggravates the original disability is limited to that portion of the combined disability which is directly attributable to the latter injury. The difference between the employer's portion of the award and the total award, as determined by the appeals board, is funded through this appropriation.

The award payments are administered by the State Compensation Insurance Fund (a public enterprise), and the money appropriated by this item includes the service charges of that agency and those of the Attorney General who represents the state's interests in the hearings before the appeals board or court.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The requested appropriation of \$504,225 is \$1,864,000 or 78.7 percent below estimated expenditures for the subsequent injury program in the current year. This decrease is attributable to an anticipated \$1,996,775 in special revenue provided by Chapter 1334, Statutes of 1972, (as amended by Chapter 21, Statutes of 1973) to offset a portion of the direct General Fund costs of the program. This legislation, which implemented Proposition 13 passed by the voters in 1972, requires employers or their insurance carriers to pay to the state in a lump sum, workmen's compensation benefits in cases of industrial deaths where there are no surviving heirs. These payments are placed in the General Fund and used under the provisions of Chapter 1334 to offset the costs of the subsequent injury program.

No-Dependency Revenue May be Overestimated

The \$1,996,775 in no-dependency death benefit revenues anticipated for the budget year may be overestimated because of legal problems associated with the definition of "dependent". Under the law, the state is entitled only to the amount of total dependency benefits which would accrue to a widow or dependent children if they existed and only when there are no partial dependents. The latter are persons other than a widow and dependent children who are dependent on the income of the deceased worker.

Because death benefits are usually lower for partial dependents than for total dependents, employers and insurance carriers would pay less to a partial dependent, who has one year to file a claim. Controversy and litigation are now delaying the death benefit payments to the state because the law is vague concerning the definition of a partial dependent under the program and because it makes no provision for refunding a payment to an insurance carrier who makes a payment and then is faced with a bona fide partial dependency claim. The legislation requiring the

payment of no-dependency death benefits to the state has been in effect since March 1973, but at this time, almost nine months later, only two payments totaling \$46,788 actually have been paid, when at least \$1.8 million should accrue to the state annually based on an average of 72 no-dependency deaths each year. The Departments of Finance and Industrial Relations report that these problems should be resolved by the beginning of the budget year to facilitate the flow of no-dependency revenues into the General Fund. It is conceivable that any decline in revenue attributable to the legal controversy concerning the definition of partial dependents may be offset by increased revenue resulting from Chapter 1022, Statutes of 1973, which, effective January 1, 1974, increases the total dependency death benefit from \$25,000 to \$40,000 for widows without dependent children, thereby also affecting the amount of no-dependency benefits payable to the state. However, the state may not begin receiving these increased payments until midway through the budget year because insurance companies may hold them until after the one-year time limit for partial dependents to file claims.

Table 1 shows the growth of the appropriation and the outstanding liabilities of the state for the years indicated.

Table 1
Selected Data, Workmen's Compensation for Subsequent Injuries

	1970-71	1971-72	1972-73	1973-74 ^a
Benefits paid.....	\$1,436,365	\$1,626,628	\$1,803,923	\$1,967,000
Service charges—S.C.I.F.....	71,818	81,331	90,265	98,000
Attorney General Fees	185,978	247,829	331,330	436,000
General Fund appropriations.....	1,653,000	1,945,000	2,274,000	2,501,000
Emergency Fund allocations	41,162	210,000	270,000	—
Number of claims	270	274	383	N.A.
Outstanding obligations.....	\$25,381,055	\$26,612,593	\$28,835,046	N.A.

^a Estimated midyear.

Agriculture and Services Agency STATE PERSONNEL BOARD

Item 181 from the General
Fund

Budget p. 70 Program p. I-450

Requested 1974-75	\$10,421,282
Estimated 1973-74.....	13,805,094
Actual 1972-73	13,902,823
Requested decrease \$3,383,812 (24.5 percent)	
Total recommended augmentation	\$200,000

STATE PERSONNEL BOARD—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis
page*

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|---|-----|
| 1. Annual Salary Report. Recommend the board, in future annual reports, base its salary increase recommendations on average state civil service salary lag projected as of following July. | 355 |
| 2. Salary Compaction. Recommend Commission on California State Government Organization and Economy with assistance of State Personnel Board and Department of Finance prepare a schedule of proposed salary rates for all levels of state employees up to and including statutory and constitutional officers designed to eliminate salary compaction. This study should be submitted to the fiscal committees hearing the salary increase items. | 356 |
| 3. Holidays. Recommend state law be changed to eliminate election day as a state holiday. (Estimate value of state employee time saved on each election day would be \$4.1 million. Estimate such savings to local governments from eliminating the holiday would be approximately \$15 million.) | 357 |
| 4. EDP Personnel Study. Recommend approval of \$100,000 requested to study state EDP personnel management practices. Recommend, further, that any consultants used for this purpose work under state direction and in conjunction with state specialists. | 359 |
| 5. <i>Manpower Program. Augment by \$200,000.</i> Recommend funds be provided to increase support for trainee salaries under the jobs for welfare recipients program to maintain program at current level. | 362 |

GENERAL PROGRAM STATEMENT

The State Personnel Board is a constitutional body of five members appointed by the Governor for 10-year staggered terms. Through constitutional and statutory authority the board adopts state civil service rules and regulations. The state civil service system is administered by a staff of approximately 560 employees under direction of an executive officer appointed by the board. The board and its staff also are responsible for establishing and administering on a reimbursement basis merit systems for city and county welfare, public health and civil defense employees to ensure compliance with federal requirements. The board staff administers a Career Opportunities Development (COD) program designed to create job opportunities for disadvantaged and minority persons within both state and local governments. Pursuant to the Welfare Reform Act of 1971 responsibilities were assigned to the COD program for creating jobs for welfare recipients in state and local governments and supplementing welfare grants for the recipients' salaries.

ANALYSIS AND RECOMMENDATIONS**EMPLOYEE COMPENSATION****Study of Employee Compensation**

During the 1972-73 fiscal year, a private consulting firm (Cresap, McCormick and Paget, Inc.) under contract with the State Personnel Board made a comprehensive study of the state's employee compensation program and recommended changes intended to improve the program by emphasizing a total compensation concept covering "fringe benefits" as well as salaries.

Total Equivalent Compensation

Pursuant to the consultant's recommendations, the administration announced adoption of a Total Equivalent Compensation (TEC) approach for adjusting state employee salaries and benefits. The TEC objective is for the state to compensate its employees equitably in both salaries and benefits in line with prevailing practice. In order to initiate a TEC benefit program, the budget provides \$45 million for civil service and related employees. The types of benefits are not specified. It is our understanding that an interagency task force under the direction of the Agriculture and Services Agency with representatives from the board, PERS and other state agencies is in the process of (1) developing proposals as to how the funds requested in the budget for benefit increases should be applied, (2) developing proposed methods and organizational responsibilities for applying the TEC approach, and (3) drafting omnibus legislation for implementing the TEC program. In our analysis of the items associated with salary and fringe benefit increases (pages 226-228) we discuss our support of this new approach and recommend that, in future years, salary increase recommendations project the civil service salary lag as of the first of each July (also discussed below).

New Methods for Determining Salary Increase Requirements

In accordance with the consultants' recommendations, the board revised its salary comparison techniques in arriving at its recommendations for the 1974 salary increase program. As a result of the new salary comparison methods, the board has projected the average civil service salary lag as of March 1974 at 2.73 percent (after restoring the increase withheld in the 1973-74 fiscal year by the federal Cost of Living Council). If the traditional comparison methods were applied, the civil service salary lag projected as of March 1974 would be calculated as 5.3 percent (2.57 percent greater).

State Salary Lag Should Be Computed as of July

We recommend that the board, in its future annual reports, base salary increase recommendations on the average state civil service salary lag projected as of the following July.

Each December the State Personnel Board, in its annual report to the Legislature and the Governor, makes recommendations for increasing civil service salaries effective July 1 of the following year in order for such salaries to maintain parity with salaries of nonstate employees performing

STATE PERSONNEL BOARD—Continued

comparable work. The recommended increases presently are based on the average amount by which civil service salaries are projected to lag non-state employment as of the following March (four months before the effective date of the salary increase). We suggest that, in the future years, in order to pay state employees prevailing rates for comparable work, the board's salary recommendations be based on eliminating the civil service salary lag projected as of July of the budget year. Based on an average annual cost-of-living increase of 6 percent, this would increase the calculated civil service salary lag by approximately 2 percent. The state cost to augment civil service salaries an additional 2 percent in the budget year would be approximately \$34 million.

Salary Compaction

We recommend that the Commission on California State Government Organization and Economy, with the assistance of the State Personnel Board and Department of Finance, prepare and submit to the fiscal committees hearing the salary increase items, a schedule of proposed salary rates for all levels of state employees up to and including statutory and constitutional officers to eliminate salary compaction.

We recommend further that an estimate be included of additional state cost that would result if the rates proposed were adopted.

We also recommend that the board in subsequent years include these data in its annual report and that the commission recommend annually to the Legislature and the Governor the necessary adjustments.

Many exempt and higher level civil service state employees are not compensated equitably relative to their responsibilities because their salaries are "compacted" beneath those of their immediate superiors which in some cases are within only one dollar of each other. Salary compaction exists in many departments and is particularly severe in the Departments of Transportation and Health.

A March 1, 1973, report prepared jointly by the State Personnel Board and Department of Finance pursuant to our request stated that (1) 625 state positions were compacted, (2) the compaction could be eliminated entirely at an annual cost of \$2.2 million and (3) 95 percent of the compaction could be eliminated at an annual cost of \$1.5 million. It is our understanding that salaries of 600 to 700 state employees presently are compacted. We presented the data which was developed by the board and the Department of Finance to the fiscal committees last year in a Supplemental Report on Salary Compaction released by our office on March 30, 1973.

Salary compaction is a significant problem because it (1) prevents employees from being compensated equitably, (2) deters competent individuals from accepting promotions to responsible state jobs and (3) accumulates salary distortions which ultimately require major salary readjustments.

Because the joint legislative/executive committee on executive salaries provided for in Government Code, Sections 11675-11679, has not been activated to provide guidelines for eliminating salary compaction, we

conclude that the Commission on California State Government Organization and Economy, with the assistance of the State Personnel Board and Department of Finance, should examine the state compaction problem and prepare and submit to the fiscal committees hearing salary increase items a schedule of proposed salary rates to eliminate such compaction. We suggest that, in subsequent years, the board include in its annual report data relative to salary compaction to assist the Commission on California State Government Organization and Economy in making annual recommendations to the Governor and Legislature on adjustments which should be made to statutory salaries to prevent further compaction.

Eliminating Election Day Holiday

We recommend that state law be changed to eliminate election day as a state holiday.

According to the State Personnel Board, state employees receive an average of 11.2 holidays per year, which exceeds prevailing practice by one day. In view of this and because the polls on election day are open for a sufficient time to allow employees ample opportunity to vote during a work day, we recommend eliminating election day as a state holiday. We estimate that the value of state employee time saved on each election day would be approximately \$4.1 million. We estimate that such savings to local governments from eliminating the holiday would be approximately \$15 million.

PERSONNEL INFORMATION MANAGEMENT SYSTEM (PIMS)

In previous analyses during the last several years, we have recommended consistently that an integrated approach to payroll and personnel master files be undertaken in order to simplify and streamline the complex processes of personnel transactions and records. Effective implementation of such an approach would eliminate duplicate efforts, minimize errors, improve system responsiveness and reduce costs.

In 1972 the State Personnel Board contracted with a private firm to assist the board, State Controller's office, Public Employees' Retirement System and the California State University and Colleges in their joint efforts to (1) conceptualize an integrated personnel information system and (2) develop plans for implementing such a system. A PIMS implementation committee consisting of representatives of the above state agencies distributed a plan for implementing the new system on a pilot basis late in 1974.

In 1973 the Legislature appropriated \$995,486 to the State Controller's office for (1) designing and implementing a modern computerized personnel/payroll system and (2) making short-range improvements to the existing system. Such short-range improvements were required in order to correct severe backlog problems which were preventing an increasing number of state employees from being paid accurately and on time. A PIMS implementation unit has been formed in the State Controller's office. The board, Public Employees' Retirement System and the California State University and Colleges are continuing to participate actively with the Controller's office in this effort.

The civil service employee history file process is scheduled to be stream-

STATE PERSONNEL BOARD—Continued

lined and fully automated late in 1974. We intend to make a thorough review of the progress of the PIMS effort and report our findings and recommendations to the legislative-fiscal committees by April 15, 1974. (We describe the PIMS project and our plans for reviewing it more fully in our analysis of the State Controller's office under Item 51.)

Table 1
State Personnel Board
Summary of Resources Expended by Program

Program	1972-73		1973-74		1974-75	
	Man-years	Budget	Man-years	Budget	Man-years	Budget
1. Employment services	192.2	\$3,705,055	189.0	\$4,506,216	194.7	\$4,668,543
2. Personnel management services.....	41.2	952,854	38.5	1,043,966	38.3	1,251,151
3. Program development	61.6	1,611,651	52.7	1,455,171	52.3	1,614,373
4. Career opportunities development	28.1	8,515,343	82.0	7,314,350	32.0	3,609,373
5. Local government services	96.4	1,471,658	108.5	1,847,219	107.0	1,819,647
6. Program support for Advisory Coordinating Council on Public Personnel Management..	8.1	108,409	—	65,258	—	—
7. Administrative services (distributed to other programs)	145.1	(2,523,101)	137.9	(2,709,033)	138.2	(3,151,128)
Totals	572.7	\$16,364,970	608.6	\$16,232,180	562.5	\$12,963,087

PERSONNEL BOARD PROGRAMS AND RESOURCES

To fulfill its responsibilities the State Personnel Board conducts six programs. Items 181 and 182 represent General Fund support of \$10,521,282. The balance of funds supporting the programs is received as reimbursements from the federal and local governments. Table 1 presents a summary of the resources required for each of the programs during the three-year period ending June 30, 1975. The table shows that the decrease in the board's budget for the 1974-75 fiscal year results from a \$3.7 million reduction in the career opportunities development (COD) program. The COD program reduction is due primarily to decreased General Fund support for the jobs for welfare recipients element because additional federal matching funds are anticipated for supporting the element in the budget year.

Significant Staff Changes

The most significant SPB staff changes are (1) a requested increase of 5.7 positions in the employment services program to process increases in work volumes and (2) an apparent reduction of 50 positions in the COD program. The reduction is illusory, however, as described in our analysis of that program.

EMPLOYMENT SERVICES PROGRAM

The employment services program includes the responsibility for recruiting, selecting and placing qualified candidates in state jobs. A competitive process consistent with the state's merit system is used to satisfy the quantitative and qualitative personnel needs of state agencies on a timely basis. The program consists of a variety of functions including planning new examining approaches, establishing eligibility lists, administering examinations, screening applicants with questionable medical or criminal records, providing employment information, and evaluating the relevancy and validity of examinations planned or in use.

PERSONNEL MANAGEMENT SERVICES PROGRAM

The purpose of this program is to maintain the state classification and pay plan and to provide personnel consultation and service to state agencies. The classification and pay functions include (1) establishing, revising and abolishing job classes, (2) developing allocation standards for individual classes, (3) making job audits, (4) conducting salary surveys, and (5) making recommendations for salary adjustments.

Study of EDP Personnel Management Practices

We recommend approval of the \$100,000 requested to provide for a study of state EDP personnel management practices. We recommend further that any consultants used for this purpose work under state direction and that state personnel be involved thoroughly in developing concepts, conducting the study and implementing recommended improvements.

The budget contains a request for \$100,000 (Item 182, General Fund) to conduct a study for the purpose of improving state EDP personnel management practices including recruitment, selection, classification, compensation, and employee evaluation. In order to achieve such improvements, a task force approach is planned involving representatives from the Department of Finance, State Personnel Board, Department of General Services central EDP education unit and the state consolidated data centers. We understand that, in order to expedite the effort, private consultants are to be used.

Need Is Overdue

We have pointed out in previous analyses and in a special report on statewide EDP issued in February 1973 that a revised EDP classification structure and improved methods for selecting and using EDP personnel are long overdue. We therefore recommend approval of the funds requested to study state EDP personnel practices. We also recommend that any consultants hired for this effort work under state direction and that state employees participate in developing the concepts, conducting the study and implementing recommended improvements in order to ensure that (1) consultants are used efficiently, (2) changes are designed to satisfy the state's specific requirements, and (3) state employees responsible for implementing the changes understand thoroughly what is required for successful implementation.

STATE PERSONNEL BOARD—Continued**PROGRAM DEVELOPMENT PROGRAM**

Improvement of employee performance is the primary objective of this program. Elements of the program are (1) special personnel services, (2) employee development, (3) employee status system, and (4) employer-employee relations.

Special Personnel Services

The main functions of this element are making special studies (such as determining the adequacy of the state's overtime policy) and conducting research to respond to information requests from the Legislature, Governor's office, employee groups and others.

Employee Development

The activities of this element are organization and team development, manager selection and development, course and program development, and course and program implementation.

Employee Status System

Activities of this element include (1) evaluating and improving the personnel transactions system, (2) coordinating implementation of the personnel management information system, (3) auditing personnel transactions, and (4) providing technical consultation to departments, employees and employee organizations and State Personnel Board staff.

Employer-Employee Relations

The purpose of this element is to provide consultant services in employer-employee relation matters to Personnel Board staff and to state agencies.

CAREER OPPORTUNITIES DEVELOPMENT PROGRAM

The career opportunities development unit was established in the board in 1968 to provide central leadership and technical assistance in creating increased job opportunities for disadvantaged and minority persons in state service.

The objectives of the program are to (1) identify and remove artificial barriers to public employment and (2) establish affirmative approaches for employing disadvantaged persons. Program activities include job analysis, restructuring and development of new entry classifications; development of career ladders; examination of testing, selection and recruitment practices to ensure that unnecessary barriers are removed; development of training opportunities to facilitate career mobility and upgrading of disadvantaged candidates; and experimental and demonstration projects to develop new approaches for satisfying modern public employment needs.

The Welfare Reform Act of 1971 (Chapter 578, Statutes of 1971) assigned additional responsibilities to the COD program of developing and operating (1) a jobs for welfare recipients program (in conjunction with the Employment Development Department [EDD], formerly Department of Human Resources Development [HRD]), (2) a program of grants to cities

and counties for local COD projects, (3) a technical assistance program to aid interested jurisdictions and (4) an expanded level of the COD program in state civil service.

Program elements are (1) State Personnel Board support, (2) coordination and program development, and (3) welfare recipients jobs. Resources allocated by program element are displayed in Table 2.

Also shown in Table 2 is an apparent reduction of 50 man-years in the budget year. The reduction is illusory, however, because 50 of the 82 man-years appearing in the current year reflect positions added administratively for that fiscal year only for temporary placement of trainees in various state agencies under a federally funded manpower demonstration program. The \$3,704,977 reduction in the COD program is attributable primarily to reduced General Fund support for the jobs for welfare recipients element from an average annual level of \$5.5 million to \$2 million because additional federal matching funds are anticipated to be available for supporting the element in the budget year.

Table 2
State Personnel Board
Summary of Resources by Element—Career Opportunities Development Program

<i>Element</i>	<i>1972-73</i>		<i>1973-74</i>		<i>1974-75</i>	
	<i>Man-years</i>	<i>Budget</i>	<i>Man-years</i>	<i>Budget</i>	<i>Man-years</i>	<i>Budget</i>
State Personnel Board support	28.1	\$525,680	82.0	\$1,193,501	32.0	\$550,890
Coordination and program development	—	2,368,663	—	869,130	—	1,058,483
Welfare recipient jobs	—	5,621,000	—	5,251,719	—	2,000,000
Total	28.1	\$8,515,343	82.0	\$7,314,350	32.0	\$3,609,373

State Personnel Board Support

This element includes all administration and development functions required to manage the entire COD program. Activities include developing jobs for the disadvantaged in state and local government; developing, funding and evaluating COD projects of local governments and state agencies; providing technical assistance to all program participants; and conducting research and demonstration projects.

The board expects that during the 1974-75 fiscal year the state will have 70 COD job classes filled with 2,800 state employees and that by the end of that fiscal year 2,400 "prior COD employees" will have advanced to non-COD positions.

Coordination and Program Development

To facilitate participation by state agencies, the COD program provides technical assistance and direct financial support to provide full-time COD coordinators in various state agencies. The Welfare Reform Act of 1971 provided for direct financial grants by the board to cities and counties to establish COD programs. The board now provides to such governments the same type of technical assistance that it provides to state agencies. The board anticipates that, during the budget year, COD projects will be funded in eight cities and 10 counties.

STATE PERSONNEL BOARD—Continued**Jobs for Welfare Recipients Program**

We recommend a \$200,000 budget augmentation to increase General Fund support for trainee salaries under the jobs for welfare recipients program in order to permit the program to continue operating at the current level under the anticipated 80-20 matching fund basis.

Pursuant to provisions of the Welfare Reform Act of 1971, the jobs for welfare recipients program was created which provides for fully reimbursing state and local governments for their payroll costs of COD employees during their initial on-the-job training period. The program has received \$7 million annual General Fund support with \$5.5 million earmarked for payment of trainees' salaries and the remaining \$1.5 million to be available for administrative support and program development. The program presently operates on a 50-50 matching funds basis with the work incentive program (WIN) administered by the EDD. Under this arrangement, the \$5.5 million earmarked for trainees' salaries is matched by an equal amount from WIN funds, resulting in a total of \$11 million which is available annually for reimbursing employers for their payroll costs of trainees hired. The board's COD unit prepares contracts with government jurisdictions to hire welfare recipients and provides technical assistance to them in restructuring jobs. EDD provides the candidates to the hiring entities.

In addition to matching funds with the WIN program, the COD unit has entered into separate similar 50-50 funding arrangements with certain other government entities for placing welfare recipients in government jobs on a program demonstration basis. We are informed that the COD unit currently has committed approximately \$300,000 of the budget-year funds for such arrangements. However, the Governor's Budget does not contain sufficient funds to honor this \$300,000 commitment with a result that approximately 167 recipients would not be placed in governmental jobs during the 1975-76 fiscal year (planning and scheduling is required prior to a fiscal year to keep a continued flow of prospective participants). Although we support this effort, we are not recommending an additional \$300,000 augmentation because of an expected tight fiscal situation in the budget year.

Because it is anticipated that WIN program funds will be available in the budget year at a federal-state ratio of 80-20, the request for General Fund support for the welfare recipients' salary cost portion of the program has been reduced from \$5.5 million in the budget year (as intended originally) to \$2 million. In order to maintain the present \$11 million funding level for candidates' salaries, however, \$2.2 million would be required under the 80-20 funding ratio. We therefore recommend that the budget be increased by \$200,000 in order to allow this program to continue at its present level under the 80-20 matching fund basis.

Program Gains Momentum

When the program was initiated, significant startup problems were encountered in placing recipients in jobs due to a variety of factors including federal law changes affecting the WIN program. The problems,

however, have been overcome and the board anticipates placing 1,736 welfare recipients in training jobs and having 1,180 recipients advance to unsubsidized jobs in the budget year.

Program Evaluation System

In the 1973-74 Analysis we recommended that the board include in its periodic reports to the Legislature on the jobs for welfare recipients program information to enable the Legislature to measure the program's benefits in relation to its costs. We also developed a proposed approach for evaluating the program on a cost-benefit basis. The board recently has used the approach in developing a system for program evaluation based on a 20-percent random sample of participants entering the program. The evaluation system was implemented on a pilot basis in June 1973 and indicated the following results based on a random sample including 70 individuals entering the program:

1. The average total cost to train a welfare recipient and place him in an unsubsidized job is \$6,273. (This includes the cost of recipients who enter the program but drop out prior to obtaining permanent employment.) The state portion of the cost is approximately \$3,686.
2. Government benefits (including reduced welfare payments and other hard dollar savings) were calculated at \$3,961 during the first year and at \$21,997 after the first five years.
3. The average beginning salary of training jobs was \$479 per month. Upon entering permanent unsubsidized jobs after the eight-month average training period, the average salary increased to \$546 per month.
4. Approximately 70 percent of the candidates entering the program are placed in unsubsidized jobs.

The board with assistance from county welfare departments and certain state agencies is continuing to collect data on a 20-percent random sample of participants entering the program.

In addition to providing the Legislature with information about the program's benefits and costs, the program evaluation system is providing the COD unit with current data for program management purposes.

LOCAL GOVERNMENT SERVICES PROGRAM

Many local government jurisdictions are unable to provide all of the personnel management services necessary to support a public work force. Moreover, in order to acquire certain federal grants, a local jurisdiction must have a merit system approved or operated by a central state agency. To satisfy such needs, the State Personnel Board provides recruitment, selection and other technical personnel and consultant services to many local governments and approves or operates merit systems for a number of local government jurisdictions. Such services are provided on a fully reimbursable basis. This program also includes the operation of a selection consulting center that provides consultative, research and training services in public personnel selection. The center is funded through a federal grant and reimbursements from local government jurisdictions. Another federal grant was awarded to the board for establishing five regional training centers which will become self-sustaining through tuition charges.

STATE PERSONNEL BOARD—Continued

PROGRAM SUPPORT FOR ADVISORY COORDINATING COUNCIL
ON PUBLIC PERSONNEL MANAGEMENT (ACCPPM)

Prior to January 1, 1974, the State Personnel Board provided staff and overhead support to the Advisory Coordinating Council on Public Personnel Management (ACCPPM). ACCPPM program activities are designed to strengthen personnel programs of state and local government through providing federal grants for (1) developmental projects in personnel administration, (2) training and education for the public service, and (3) improving the use of manpower in public service projects.

Effective January 1, 1974, the ACCPPM program support function was transferred to ACCPPM's budget for subsequent transfer to the Office of Planning and Research. A total of 7.4 positions were involved in the transfer.

ADMINISTRATIVE SERVICES PROGRAM

This program consists of executive management and central support services including accounting and budgeting, personnel, mail, duplicating and graphic arts. Costs of the administrative services program are distributed among the board's line programs.

Agriculture and Services Agency
STATE PERSONNEL BOARD

Item 182 from the General
Fund

Budget p. 70 Program p. I-450

Requested 1974-75	\$100,000
Estimated 1973-74.....	—
Total recommended reduction	None

ANALYSIS AND RECOMMENDTIONS

We recommend approval.

This item is discussed in our analysis of Item 181.

**Agriculture and Services Agency
STATE PERSONNEL BOARD**

Item 183 from the State Personnel Board Cooperative Personnel Services Revolving Fund

Budget p. 70 Program p. I-450

Requested 1974-75	\$999,117
Estimated 1973-74.....	—
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides support for the State Personnel Board's Local Governmental Services Program, which operates on a fully reimbursable basis from revenues received from local government. Analysis of the program is included in our analysis of Item 181.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Items 184, 185 and 186 from the General Fund, Public Employees' Retirement Fund, State Employers' Contingency Reserve Fund

Budget p. 72 Program p. I-464

Requested 1974-75	\$6,878,956
Estimated 1973-74.....	6,524,273
Actual 1972-73	5,435,413
Requested increase \$354,683 (5.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Fringe Benefits. Recommendations concerning employee fringe benefits are discussed under salary Items 87-97. | 223 |
| 2. Retirement and Social Security. Recommend special review of the funding adequacy for the recently increased employer retirement and social security contributions. | 371 |

GENERAL PROGRAM STATEMENT

The objective of the Public Employees' Retirement System (PERS) is to provide the state and other public employers and their employees the opportunity to participate in the retirement and health benefits plans (including three major medical plans) administered by the system, thereby aiding in the recruitment and retention of competent personnel by

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued

assuring a measure of post-retirement financial security for older or long-term employees and financial assistance for active and retired employees in times of illness or other temporary physical impairment. All of these plans are statutorily controlled and are funded jointly in different proportions by the employer and the employee.

Responsibility for establishing policy direction and guidance for the system is vested in its board of administration, which consists of eight members when considering matters related to the retirement programs, but it is increased by three public members when health benefits and medical plans are under consideration. The board submits two annual reports to the Governor and the Legislature, one summarizing the system's operation and stating its recommendations for legislation affecting retirement benefits and the administration of the system, and the other summarizing its investments and financial operations. The day-to-day activities of the system are performed by an authorized staff of 395.4 positions under the direction of the system's board-appointed executive officer.

The Public Employees' Retirement System administers three distinct programs: a retirement program, a health benefits program, and a social security program. The latter program consists of the administration of the coverage and reporting aspects of the Federal Old Age Survivors, Disability, and Health Insurance program which applies to most state employees on a mandatory basis and to local public employees whose employers have elected such coverage.

The costs of administering these three programs are funded from different sources. The Public Employees' Retirement Fund (representing the contributions of all participating public employers and employees) supports the administrative costs of the retirement program from its annual interest earnings; the General Fund supports that portion of the administrative costs of the Social Security program relating to the state's participation; and the State Employees' Contingency Reserve Fund supports the administrative costs of the health benefits program from an assessment (not more than 5 percent), made on the total premiums paid to that program. Table 1 details the support by fund.

Table 1
Fund Support for Administration of Public Employees' Retirement System

	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Requested 1974-75</i>
General Fund (Item 184)	\$18,000	\$48,000 *	\$18,000
Public Employees' Retirement Fund (Item 185)	4,816,137	5,815,275	6,194,431
State Employees' Contingency Reserve Fund (Item 186)	601,276	660,998	666,525
Total	\$5,435,413	\$6,524,273	\$6,878,956

* General Fund support costs were \$30,000 higher in the current year to fund the first quadrennial actuarial valuation of the Legislators' Retirement System as required by Chapter 1192, Statutes of 1972.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Including reimbursements of \$779,233 and requested appropriations totaling \$6,878,956, the system is proposing a total expenditure program of \$7,658,189 for fiscal year 1974-75, which exceeds the current year's estimated expenditures of \$7,310,997 by \$347,192 or 4.7 percent. This increase is composed of \$216,204 for personal services and \$130,988 for operating expenses and equipment. Because reimbursements are expected to decrease by \$7,491, the net cost of the program (expenditures less reimbursements) will increase by \$354,683 or 5.4 percent.

Most of the system's internal administrative costs, which comprise over half of the total proposed expenditure, are distributed among the three previously mentioned functional programs. The board of administration and staff of the Public Employees' Retirement System also administer the Legislators' Retirement System, as well as the investments of the Legislators' Retirement Fund. The system is not reimbursed for the cost of these services, which amounts to approximately \$30,000 annually. The Legislators' Retirement Fund is reviewed under Item 16 of this analysis.

Recent Legislation

Chapter 1141, Statutes of 1973, provides each retiring state employee 0.004 year of service credit for each unused day of sick leave, if the effective date of retirement is within four months of separation from state employment. Chapter 1436, Statutes of 1972, requires PERS to employ an independent auditor to examine the financial statements of the system. The effect of this legislation and other workload increases on manpower requirements of the system will be discussed under separate program headings later in this analysis.

DEPARTMENTAL ADMINISTRATION

Of the total proposed expenditure of \$7,658,189, the sum of \$3,955,440 or 51.6 percent is budgeted for the department's internal administration program, and of this amount \$3,455,440 or 87.3 percent is distributed to the three functional programs in proportion to the services provided. These services consist of executive guidance and policy implementation, actuarial, legal, and investment services, electronic data-processing (EDP) services, and routine administrative activities. Under our discussion of each of the system's functional programs, we indicate the amount charged for these administrative services.

The remaining 13.7 percent or \$500,000 of the administrative cost is undistributed and is composed entirely of reimbursements: namely, \$200,000 for investment services rendered to the State Teacher's Retirement System, and \$300,000 for EDP services provided for the Department of Veterans Affairs and the State Teachers' Retirement System.

Proposed New Positions

Nineteen new positions are requested for administrative workload increases:

(1) two positions (one government program analyst and one clerk-typist) to help review and analyze legislation,

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued

- (2) one clerk for the mortgage loan unit,
- (3) one clerk for the central files,
- (4) one typist for the legal office,
- (5) seven clerical positions to establish an EDP control unit,
- (6) five data processing system analysts to revise, update and correct the active member data base and
- (7) two positions (one actuary and one clerk) to make an annual actuarial valuation of the system to coincide with the annual audit required by Chapter 1436, Statutes of 1972.

RETIREMENT PROGRAM

The administration of a number of alternate retirement plans is the major program of the system. Through this program, the state and various contracting agencies (57 county offices of superintendent of schools, the Los Angeles City School District, the Los Angeles City Junior College District, 299 cities, 35 counties, and 411 special districts and other agencies), offer their employees on a mandatory (as a condition of employment), but mutually contributory basis, retirement benefits based on service or disability, death benefits, survivor coverage (if not covered by social security), and special benefits to certain occupational groups for death or disability incurred in the line of duty. The contracting agencies are granted by statute a number of optional retirement plans from which they may choose.

Including \$3,266,440 in allocated administrative costs, the total proposed expenditure level for this program is \$6,234,431, which is \$333,156 or 5.6 percent higher than estimated expenditures in the current year. The administrative cost allocation is 94.5 percent of the administrative costs which are distributed to the systems' three programs.

Seven new positions (one professional and six clerical) are requested to implement Chapter 1141, Statutes of 1973 (sick leave credit), and an additional 2.3 positions (one clerk and 1.3 years of temporary help) are requested for other workload increases.

Table 2
Public Employees' Retirement System
Retirement Workload

<i>Fiscal year</i>	<i>Total annuitants July 1</i>	<i>Annuityants added</i>	<i>Annuityants deleted</i>	<i>Total annuitants June 30</i>	<i>Percentage increase in annuitants</i>
1965-66	34,551	5,189	1,510	38,230	—
1966-67	38,230	5,502	1,602	42,130	10.2%
1967-68	42,130	5,766	1,541	46,355	10.0
1968-69	46,355	6,976	1,893	51,438	11.0
1969-70	51,438	7,735	2,087	57,086	11.0
1970-71	57,086	7,868	2,331	62,623	9.7
1971-72	62,623	12,421	2,473	72,571	15.9
1972-73	72,571	12,225	2,709	82,087	13.1
1973-74 ^a	82,087	12,565	2,956	91,696	11.7
1974-75 ^a	91,696	12,615	3,156	101,155	10.3
1975-76 ^a	101,155	12,800	3,624	110,331	9.1
1976-77 ^a	110,331	12,800	3,700	119,431	8.2

^a Projections.

Table 2 indicates historic and projected retirement figures and Table 3 shows other workload data for the retirement program over a five-year period.

Table 3
Retirement Program, Selected Workload Data

<i>Detail</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>
Membership					
State and U.C.	168,723	171,584	169,084	172,319	175,973
Public agencies	240,627	254,084	264,342	291,007	305,277
Total	409,350	425,668	433,426	463,326	481,250
Retired members	51,438	57,086	62,623	72,571	82,087
Number contracting agencies	640	670	715	743	804
Public employers' contributions ^a ..	\$218.6	\$248.9	\$273.7	\$298.8	\$347.1
Public employees' contributions ^a ..	\$171.9	\$191.8	\$209.2	\$221.0	\$263.8
Benefit payments ^a	\$105.4	\$120.1	\$131.1	\$168.1	\$203.6
Death benefits ^a	\$12.4	\$13.6	\$13.5	\$14.8	\$16.8

^a In millions of dollars.

HEALTH BENEFITS PROGRAM

Through the Health Benefits Program, the state and (since 1968) other public employers who so elect offer their employees a number of health benefits and major medical plans on a premium-sharing basis. The state's share and the minimum local agency share is statutorily set at \$16 a month. Local agencies have the option to contribute above this minimum and approximately 40 percent have done so.

The funds proposed to support the administration of the Health Benefits program in the budget year total \$666,525, which is \$5,527 or 0.8 percent greater than estimated expenditures in the current year. Support for this

Table 4
Health Benefits Program, Statistical Data

<i>Detail</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>
Average monthly enrollment ^a	178,134	191,597	206,216	222,289	229,178
Number basic plans	10	11	11	11	12
Number supplementary (to medicare) plans	6	6	6	6	6
Number major medical plans	4	4	4	4	3
Premium Payments (millions)					
State enrollees' share	\$21.0	\$24.5	\$28.5	\$32.2	\$30.4
State share	9.4	10.8	14.0	17.0	22.9
Public agency costs ^b	—	0.6	1.8	3.9	4.7
Total premium cost	\$30.4	\$35.9	\$44.3	\$53.1	\$58.0
State administrative (millions)					
cost ^c	0.94	1.3	1.8	2.0	1.1
Total state cost ^d	\$10.3	\$12.1	\$15.8	\$19.0	\$24.0

^a A member enrolled in two plans is counted as two enrollments.

^b Includes employer and employee contributions. Public agencies did not participate in this program until December 1, 1968; thus, figures for 1968-69 are insignificant in dollar amounts.

^c Includes contributions to the State Employees' Contingency Reserve Fund for reserves.

^d Includes administrative and premium contributions.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued

program is derived from the State Employees' Contingency Reserve Fund, which receives as revenue annual contributions from all participating employers as a percentage of the total premiums paid, including those for annuitants. The maximum percentages are fixed by statute, but the levels are set annually by the board of administration. The proposed levels for the budget year are 1.0 percent for administration and 1.0 percent for reserves.

Departmental administrative costs of \$155,000, representing 4.5 percent of internal administrative costs for the system, will be charged to the Health Benefits program in the budget year. Table 4 illustrates the growth and scope of this program.

SOCIAL SECURITY PROGRAM

The Social Security program provides public employers and their employees with an opportunity for coverage under the Federal Old Age, Survivor, Disability and Health Insurance program through a master agreement with the federal Social Security Administration. Pursuant to such an agreement between the state and the federal government, state employees in 1961 were given the option to join social security, but all new state employees after that year (except those in law enforcement and related "safety" classifications) are automatically covered by this program. The retirement formula which applies to employees covered by social security has been modified to reflect the fact that they will receive dual retirement benefits—one from the state and another from the federal system.

Public agencies may also contract for social security coverage of their employees through the Public Employees' Retirement System. Such coverage may be exclusive of, coordinated with, or in full supplementation to a local retirement plan, at the option of the agency. As in private employment, the employee and the employer contribute equal amounts to the federal Social Security Administration.

The Public Employees' Retirement System is responsible for submitting to the federal government quarterly wage reports on all public agencies in the state which are covered by the social security agreement, as well as the employer and employee contributions due on the wages. To accomplish this objective, the system proposes an expenditure of \$257,233, which is \$4,124 or 1.6 percent greater than estimated expenditures in the current year. The system proposes that the number of authorized positions remain at the same level as in the current year, 15.8.

The system requests an \$18,000 appropriation from the General Fund for the state's share of administrative costs. The remainder of the funding consists of reimbursements totaling \$239,233 from the various public agencies covered by the social security agreement. Included in these reimbursements is \$34,000, representing 1.0 percent of the general administrative costs which are allocated to the three programs. Table 5 shows the growth of the program and the magnitude of wages covered in public employment in the State of California for a five-year period.

Table 5
Social Security Program, Selected Workload Data

<i>Detail</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>
Public employers ^a	2,601	2,611	2,631	2,646	2,661
Public employees	416,000	441,000	457,509	495,744	515,508
Employer and employee contributions ^b	\$209.2	\$248.4	\$278.7	\$310.7	\$374.6
Net covered wages ^b	\$2,310.0	\$2,630.0	\$2,830.0	\$2,990.0	\$3,470.0

^a Variations in number reflect mergers and consolidations of districts and other governmental entities as well as creation of new entities.

^b In millions of dollars.

NEED SPECIAL REVIEW OF FUNDING ADEQUACY FOR EMPLOYER PERS AND SOCIAL SECURITY CONTRIBUTIONS

We recommend special review of the funding adequacy for the recently increased employer retirement and social security contributions.

Two law changes (one federal and one state) which occurred after the issuance of the Department of Finance Price Letter, will increase state agency retirement and social security contributions above the proposed budgeted levels. The federal change increased the maximum taxable social security wage base for 1974 from \$12,600 to \$13,200. However, the contribution rate remains at 5.85 percent producing a maximum annual increase of \$35.10 per employee. The total state cost resulting from this increase will have to be determined on an agency basis because individual agency salary data are required to compute the increase.

The added state retirement cost results from Chapter 1141, Statutes of 1973, which grants retirement credit for unused sick leave. This measure has a total annual cost of approximately \$4 million.

Funds for these two increases were not included in the individual agency requests in the Governor's Budget on the basis that there would be a statewide appropriation for such expenses. To date we know of no such statewide appropriation either in the budget or in a separate bill. The matter should be clarified by the time the fiscal committees of each House approve the budget.

STATE TEACHERS' RETIREMENT SYSTEM

Item 187 from the Teachers'

Retirement Fund

Budget p. 73 Program p. I-470

Requested 1974-75	\$5,283,854
Estimated 1973-74	4,799,031
Actual 1972-73	3,946,261
Requested increase \$484,823 (10.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

In 1913, the Legislature established a statewide system for payment of retirement salaries to public school teachers in California. A public Teachers' Retirement Salary Fund was established to support the system. It was administered by the State Board of Education, the original governing board of the system. In 1944, the name of the system was changed to the

STATE TEACHERS' RETIREMENT SYSTEM—Continued

State Teachers' Retirement System (STRS). The retirement system remained under the direct jurisdiction of the State Board of Education until 1963 when it was removed from the Department of Education and placed under the control and management of a nine-member State Teachers' Retirement Board.

Organization

The retirement board consists of three ex officio members (Superintendent of Public Instruction, the Controller, and the Director of Finance) and six members appointed by the Governor for four-year staggered terms. The board is responsible for setting policy and making rules. It has the power and authority to hear and determine all facts pertaining to applications for benefits under the retirement system and to make all decisions pertaining to the administration. The board also has exclusive control of the investments of the Teachers' Retirement Fund and the administration of the fund.

The system has a presently authorized staff of 340 positions headed by a chief executive officer who is appointed by and responsible to the Retirement Board. The STRS headquarters is organized into five divisions: (1) records and statistics, (2) member service, (3) accounting, (4) management control, and (5) data processing.

Objectives

The objectives of the State Teachers' Retirement System are to: (1) provide retirement allowances, disability benefits and survivor benefits for teachers working in the public schools, (2) aid in the recruitment and retention of a qualified body of teachers, (3) provide for the orderly retirement of aged and infirm teachers, and (4) assure that all members of the retirement program are aware of their rights, benefits and current status.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The State Teachers' Retirement System is proposing net expenditures (expenditures less reimbursements) of \$5,283,854 for administrative support in the budget year, which is \$484,823 or 10.1 percent higher than estimated net expenditures in the current year. The increase consists of \$234,964 in personal services and \$219,859 in operating expenses, equipment, and EDP services. Budget-year reimbursements, estimated at \$230,000, consist entirely of fees charged to cover administrative costs relating to applications for withdrawal of inactive member contributions. The fee is 4 percent of the amount of the refund, with a maximum fee of \$25.

Proposed New Positions

The system is requesting 8.5 permanent and 12 limited-term positions (to June 30, 1976) and 3.3 years of temporary help for a total of 23.8 positions in the budget year. Eleven of the limited-term positions and 4.5 permanent positions are allocated to the service verification project described below. The other limited-term position and the 3.3 years of tempo-

rary help are requested for a project to microfilm member records. The remaining permanent positions (four analysts) are proposed to assist in the implementation and study of a number of projects designed to streamline the systems operations and improve services to the membership. These projects include establishment of an accounts receivable/payable unit, implementation of a monthly reporting system for updating member records to reflect school district contributions and initiation of a study to determine the feasibility of automating the calculation of retirement allowances.

VERIFICATION PROJECT

Since 1965 when 10 employees began to verify some member service records before retirement applications were received, the verification unit has grown to a currently authorized staff of 75 positions (35 permanent and 40 limited-term to June 30, 1976). The unit has verified the service records of all members over the age of 56 and is currently working on the records of members who are age 55. Thus, the system is able to pay the initial service retirement allowance to an annuitant within 45 days of his effective retirement date. In addition, the staff is now able to verify the service records of all new entrants into the system, all reentrants, and all those members who request clarifications of their records.

In 1972-73, 29,180 records were verified and it is anticipated that 43,570 in the current year and 54,000 in the budget year will be verified. The system anticipates that all member records will be verified by June 30, 1978. The 15.5 positions requested for this project (4.5 permanent and 11 limited-term) are needed to handle additional workload arising when a larger than anticipated percentage of member accounts were found to be underpaid, necessitating additional billings and collections workload.

MEMBERSHIP

On June 30, 1973, the system had 329,000 members. An active member is anyone who has money on deposit in the Retirement Fund, including persons who are not currently contributing to the system. Service, disability and retirement benefits were paid to 53,000 persons in 1972-73. Table 1 illustrates the growth of active membership and beneficiaries of the system for an eight-year period.

Table 1
Number of Active Members and Beneficiaries
State Teachers' Retirement System

<i>Fiscal year ending June 30</i>	<i>Active members</i>	<i>Percent increase over previous yr.</i>	<i>Benefi- ciaries</i>	<i>Percent increase over previous yr.</i>
1966.....	263,533	—	31,795	—
1967.....	274,788	4.3%	33,443	5.2%
1968.....	290,848	5.8	35,510	6.2
1969.....	305,707	5.1	37,661	6.1
1970.....	312,563	2.2	40,238	6.8
1971.....	314,162	0.5	43,017	6.9
1972.....	315,640	0.005	46,083	7.1
1973.....	329,000	4.0	53,000	15.0

STATE TEACHERS' RETIREMENT SYSTEM—Continued

INVESTMENTS

The marketing and research functions which are necessary to execute the investment program approved by the STRS Retirement Board are performed by the staff of the Public Employees' Retirement System through an interagency agreement. Under this agreement, STRS will support 50 percent of the Public Employees' Retirement System (PERS) investment staff during the budget year at an estimated cost of \$200,000. STRS is requesting an additional \$78,000 to retain outside stock investment counsel on a flat fee basis to supplement this "in-house" staff as required by law. The investment accounting procedures necessary to maintain the records of the STRS portfolio and collect the earnings due on its investments are performed by STRS personnel.

During the 1972-73 fiscal year, a record 6.09 percent net yield was realized on the system's investments. This net rate is the return after planned losses and administrative expenses on a portfolio whose book value was \$2,696,407,746 at the end of the 1972-73 fiscal year. Prior to 1972-73, all of the system's investments were held in corporate and governmental bonds and mortgages. Following approval of a constitutional amendment in 1970, enabling legislation was enacted in 1971 permitting the system to invest up to 25 percent of its assets in common stocks. Since July 1972, the system has held such stocks. Table 2 indicates the book value of the investment portfolio and the rate of return for the past six years.

Table 2
Investment Portfolio

<i>Fiscal year ended June 30</i>	<i>Investments at book value (millions)</i>	<i>Gross rate of return (%)</i>	<i>Net rate of return (%)</i>
1968	1,367	4.57%	—
1969	1,535	4.93	—
1970	1,708	5.44	5.33%
1971	1,927	5.87	5.74
1972	2,098	6.13	6.01
1973	2,696	6.28	6.09

DEPARTMENT OF VETERANS AFFAIRS

Items 188-189 General Fund
and the Veterans' Farm and
Home Building Fund

Budget p. 74 Program p. I-475

Requested 1974-75	\$1,291,703
Estimated 1973-74	1,242,978
Actual 1972-73	1,080,669
Requested increase \$48,725 (3.9 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Need for Reserve Questionable. Recommend contingency reserve for the Farm and Home Building Fund be abolished. 376
2. Change in Billing Cycle. Recommend billing cycle for Cal-Vet Loans be placed on a yearly (rather than monthly) basis for a savings of at least \$100,000 annually. 379

GENERAL PROGRAM STATEMENT

Services to and for qualified California veterans and dependents as set forth in the Military and Veterans Code were first consolidated into a single Department of Veterans Affairs in 1946, which subsequently became a department in the Agriculture and Services Agency.

The code sets forth the services and assistance that may or shall be rendered to veterans or their dependents. The principal aim is to help qualified and needy veterans or dependents obtain direct federal or state aid that may be or become available and to provide a hospital-nursing-home-domiciliary facility for those veterans requiring such services not otherwise available to them.

In addition, the department administers a loan program to enable veterans to own their own homes, farms or mobilehomes on a more economical basis than would be available to them by conventional means. This service is self-supporting and self-liquidating from regular payments made by participating veterans.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

PROGRAM ORGANIZATION

The services and operations of the department function under five major designations:

- I. Farm and Home Loans
- II. Veterans Claims and Rights
- III. Educational Assistance to Veterans Dependents
- IV. Veterans Home and Hospital
- V. General Administration

Table 1 details the expenditures and fund sources for the support costs

DEPARTMENT OF VETERANS AFFAIRS—Continued

of these five functions. The 11.9 percent increase in the General Fund (Item 188) and the corresponding 18.4 percent decrease in the Farm and Home Building Fund (Item 189) are primarily attributable to Chapter 484, Statutes of 1973, which deleted the provision that the salaries and expenses of the California Veterans Board, the departmental director, and the deputy director be funded entirely from the Farm and Home Building Fund. This change required a funding shift of approximately \$70,000 to the General Fund.

General Administration expenses are distributed or prorated to the other four functions in order to properly reflect the cost of each operational program. Each of the four major designations is divided into several significant subprograms.

I. FARM AND HOME LOANS**A. Loan Funding**

The basic source of funds used for this program is the sale of general obligation bonds authorized from time to time by the electorate. To a more limited extent, funds become available as the result of early repayments which may exceed the needs for servicing the bonds. In any case, the bonds are fully financed by the participating veterans, so that even though these bonds are of the general obligation type the state is not required to contribute directly toward their interest or amortization.

Once authorization by the electorate has been achieved, the actual sale of bonds is dependent upon the need for cash. Usually they are sold in blocks dependent upon bond market conditions. Decisions to sell bonds are made by the Veterans Finance Committee and the State Treasurer.

The entire support budget request of \$3,600,279 for the division is derived from the Veterans Farm and Home Building Fund. Only the distributed general administration cost of \$268,480 needs appropriation in the Budget Bill. The remaining \$3,331,799 is a continuing appropriation as provided by Section 988 of the Military and Veterans Code.

Need for Reserve Questionable

We recommend that the contingency reserve for the Farm and Home Building Fund be abolished, thus freeing additional moneys to fund home loans.

In July 1970, the California Veterans Board made a policy decision to maintain a contingency reserve equal to one-half of the annual debt service (principal and interest) for the Veterans Farm and Home Building Fund's general obligation bonds. This decision, which was made without the benefit of a financial study of cash requirements, will reduce the amount of lendable funds by approximately \$69 million for fiscal year 1974-75. The need for such a reserve is questionable because (1) the Director of Finance, by executive order, is authorized by Section 987.12 of the Military and Veterans Code to pay from the General Fund on a loan basis an amount not to exceed the sum of unsold veterans bonds to fund the debt service of the Farm and Home Loan Program, and (2) the General Fund is ultimately obligated to stand behind the bonds.

Table 1
Support Costs and Funding
Department of Veterans Affairs

<i>Expenditures</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Requested 1974-75</i>	<i>Requested percent increase</i>	<i>Budget-year distributed gen. administra- tive expense</i>
Program Organization					
I. Farm and Home					
Loans.....	\$2,819,281	\$3,710,742	\$3,600,279	(3)	\$268,480
II. Veterans Claims and Rights	447,184	517,197	538,153	4	13,131
III. Educational As- sistance.....	215,180	246,614	252,699	2.5	5,628
IV. Home and Hospi- tal	8,869,194	10,235,635	10,605,237	3.6	232,371
V. General adminis- tration (distrib- uted to other programs)	(422,135)	(491,285)	(519,610)	5.8	—
TOTAL	<u>\$12,350,839</u>	<u>\$14,710,188</u>	<u>\$14,996,368</u>	<u>1.9</u>	<u>\$519,610</u>
<i>Source of Funds</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Requested 1974-75</i>	<i>Percent increase</i>	
General Fund Item					
188	\$708,653 ^a	\$914,139 ^a	\$1,023,223	11.9	
General Fund Item					
191	4,246,666	5,286,519	5,255,986	(0.6)	
Farm and Home					
Building Fund					
Item 189	372,016 ^a	328,839 ^a	268,480	(18.4)	
Farm and Home					
Building Fund					
(continuing ap- propriation)	2,447,265	3,381,903	3,331,799	(1.5)	
Federal grants ^b	2,400,569	2,770,398	3,082,425	11.3	
Federal reimburse- ments ^c	293,658	200,000	200,000	—	
Other Reimburse- ments (fees, etc.)	<u>1,882,012</u>	<u>1,828,390</u>	<u>1,834,455</u>	<u>0.3</u>	
TOTAL	<u>\$12,350,839</u>	<u>\$14,710,188</u>	<u>\$14,996,368</u>	<u>1.9</u>	

^a Includes allocation for salary increase.

^b Payments for veterans billeted at the Veterans' Home and Hospital.

^c Medicare payments to the Veterans' Home and Hospital.

B. Property Acquisition

The loan program differs from conventional private financing in that the department acquires the property desired by the veteran, retains title to it and then sells it to the veteran on a contract of sale. The title passes to the veteran only after he has completely paid off the contract. The department does its own appraising, plan review, applicant evaluation, acquisition processing, title review, escrow instructions and fund disbursement.

Because the amount of lendable funds is dependent upon bond sales

DEPARTMENT OF VETERANS AFFAIRS—Continued

(which in the past have been erratic, primarily because of constitutional interest-rate limits), the amount of lendable funds and therefore the number of loans have fluctuated widely. Table 2 shows workload and bond sales data for this program for fiscal years 1964-65 through 1973-74.

Table 2
Loan Application Workload and Bond Sales
Department of Veterans Affairs

<i>Year</i>	<i>Applications received</i>	<i>Loans made</i>	<i>Purchase commitments^a</i>	<i>Bond sales (millions)</i>	<i>Unsold bonds (millions)</i>
1964-65	11,523	7,655	—	—	—
1965-66	11,184	7,559	—	\$50	\$200
1966-67	9,739	6,652	—	125	75
1967-68	7,919	5,882	318	—	—
1968-69	12,497	7,451	230	75	—
1969-70	5,863	2,135	5,768	—	—
1970-71	5,216	4,646	3,465	100	100
1971-72	4,140	2,806	—	100	—
1972-73	14,197	7,576	—	50	200
1973-74 (est.)	15,000	11,800	—	200	—

^a Loans which were processed and ready for issuance subject to the availability of loan funds.

The substantial increases in loan applications in 1972-73 and 1973-74 reflected in Table 2 result from four factors: (1) funding became available from a \$250 million bond issue authorized by popular vote in June 1972, (2) the limiting of loan eligibility to a period of 20 years after discharge (effective in November 1972 pursuant to Chapter 637, Statutes of 1970), stimulated applications for those veterans approaching the cutoff period, (3) the raising of the maximum loan limit to \$25,000 on December 27, 1972, pursuant to Chapter 947, Statutes of 1972, and (4) the rising mortgage interest rates on other types of home loans which made the 4.25 percent rate of the Cal-Vet Program exceedingly attractive. Chapter 1015, Statutes of 1973 (AB 613), which extends the period of loan eligibility from 20 years to 25 years after discharge effective January 1, 1974, expands the number of veterans eligible for loans and therefore will contribute to a continuing high level of loan applications. The high level of demand for loans is expected to continue in the budget year and will probably outstrip the supply of funds. Such a situation existed previously as indicated by "purchase commitments" in Table 2. Early in 1974 the department anticipates that sufficient applications will have been received to encumber all currently available loan funds. Assuming AB 2647, which could place a \$350 million veterans bond act on the June 4, 1974, ballot, is chaptered and the resulting bond act is approved by the voters, additional moneys would be available for this program.

To meet the increased workload indicated in Table 2, 47 positions (21 professional and 26 clerical) were administratively added in the current year and the department is requesting that they be continued in the budget year. Because six positions will be terminated pursuant to the nine-month vacancy provisions of Section 20 of the 1973 Budget Act, the net increase for this program is 41 positions.

C. Loan Service

We recommend that the billing cycle for this program be placed on a yearly (rather than monthly) basis for a savings of at least \$100,000 annually.

Currently the department mails approximately 115,000 bills monthly to veterans with home loans. With an increase in first-class postage to 10 cents per ounce scheduled for March 2, 1974, the department would be able to realize substantial savings of approximately \$100,000 annually if the billing cycle is changed and a coupon payment booklet utilized. Additional savings would be realized from the elimination of some printing and mail handling costs. Some EDP reprogramming costs would be incurred for this conversion, thus offsetting a portion of the first-year savings.

II. VETERANS CLAIMS AND RIGHTS

The support budget request for this division is \$538,153, which is \$20,956 or 4 percent above expected expenditures of \$517,197 in the current year. These costs are paid by the General Fund.

The population of California includes in excess of three million veterans who are qualified to participate in both state and federal programs. This number (includes some 800,000) Vietnam veterans. The program of the division is discussed under the following activities.

A. Claims Representation

Claims representation is actually a form of joint venture involving the department, county veteran service offices and various veterans organizations. Collectively, their purpose is to provide assistance to veterans in preparing and submitting claims to the federal Veterans Administration as well as to the department or any agency providing some form of assistance to veterans.

Monetary benefits paid to California veterans by the Veterans Administration have approximated \$260 million annually while the state cost to assist in the recovery has been around \$500,000.

B. Cal-Vet Eligibility

All of the services offered by the department are based on a clear demonstration of eligibility of the applicant veteran or dependent. Consequently, it is an important function of the department to establish or help to establish the facts in each case. This includes questions of residency, period of active service, and other factors. Veterans who have received or are now receiving a bonus from another state are not eligible.

C. County Subvention

It was mentioned earlier that the assistance provided in establishing veterans claims and rights involved a joint venture including the county veteran service offices which operate in 55 of the state's counties. The state has recognized that the cost of the service rendered by the county offices is to some degree chargeable to the state and as a result the Legislature has provided subvention funds which are allotted to the counties on the basis of a formula in which the state's share has represented about 18 percent of the cost experienced by the counties. For the last several years, the Legislature has subvented \$500,000 annually for this purpose. The state

DEPARTMENT OF VETERANS AFFAIRS—Continued

financial aid is based on Section 972 of the Military and Veterans Code, which permits the department to set its aid levels but limits the contribution toward the designated county service officer to a maximum of \$75 per month.

For fiscal years 1964-65 through 1972-73, the \$500,000 subvention was made from the Veterans' Farm and Home Building Fund. However, Chapter 268, Statutes of 1973, specifies that this fund shall not be used to provide the annual subvention for support of county veterans' service offices. Therefore, in the current year and in future years this subvention will be supported from the General Fund.

III. EDUCATIONAL ASSISTANCE TO VETERANS' DEPENDENTS

Educational assistance to veterans is now largely the responsibility of the federal government. The state no longer provides funds for direct assistance to veterans in pursuing educational betterment. However, the state continues to assume a responsibility for assisting in the cost of education for veterans' dependent children, wives of totally disabled veterans and widows of deceased veterans.

The support budget request for this division is \$252,699, which is \$6,085 or 2.5 percent above expected expenditures of \$246,614 in the current year. Such support costs are provided by the General Fund.

The budget-year workload is expected to approximate the 1973-74 level of 6,600 students receiving some \$2,085,100 in grants from the General Fund.

IV. VETERANS' HOME AND HOSPITAL

The state-owned facility at Yountville has a capacity of 1,489 domiciliary beds and 854 for general medical, surgical and chronic purposes plus all of the necessary supporting facilities such as dining rooms, nurses' and employees' quarters, recreational facilities, etc. In the past there has been a steady downward trend in the domiciliary population at the home while there has been a continuing waiting list for the hospital facilities. Of the eight domiciliary buildings on the reservation, only four are partially occupied by veteran members. However, in the past three years this domiciliary population has remained fairly constant at about 500. Table 3 summarizes the workload statistics over a four-year period.

Table 3
Selected Workload Data Veterans' Home and Hospital

<i>Category</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Domiciliary membership	484	485	510	510
Hospital patient-days	151,120	148,861	150,000	150,000
Annex patient-days	140,536	138,585	140,000	140,000
Domiciliary outpatient visits	13,571	13,842	13,900	13,900
Clinical services performed	158,798	159,918	160,000	160,000
Physical therapy treatments (visits)	11,380	11,320	11,500	12,000
Physical therapy modalities	22,348	23,721	24,000	25,000
Occupational therapy treatments	9,416	10,611	11,000	12,000

In September 1970 the home instituted, for the first time, a charge against members dependent upon type of service and ability to pay. The

maximum charges are (1) \$60 a month for the domiciliary type of care versus an average monthly cost to the home of \$290, (2) \$90 a month for nursing or chronic care against an average monthly cost of \$382, and (3) \$120 per month for hospital care against an average monthly cost of \$928. The average home costs noted above are based on 1971-72 data. Current cost data are not available, but it will be recognized that the charge to the veteran represents a diminishing percentage of the cost from domiciliary to hospital care. Nevertheless, these charges have reduced the annual State General Fund costs of operating the entire facility. In addition, the federal government continues to make contributions based on the nature of each member's occupancy.

The total support budget proposed for the home is \$10,605,237, which is \$369,602 or 3.6 percent above expected expenditures of \$10,235,635 in the current year. The support costs are funded from three sources: the General Fund, federal funds and member fees. Table 4 summarizes support costs, by source of funds, for a three-year period.

Table 4
Sources of Veterans' Home Funding

	<i>Actual 1972-73</i>	<i>Percent of total</i>	<i>Estimated 1973-74</i>	<i>Percent of total</i>	<i>Proposed 1974-75</i>	<i>Percent of total</i>
General Fund....	\$4,292,955	48.4	\$5,436,847	53.1	\$5,488,357	51.8
Federal	2,694,227	30.4	2,970,398	29.0	3,282,425	31.0
Member fees	<u>1,882,012</u>	<u>21.2</u>	<u>1,828,390</u>	<u>17.9</u>	<u>1,834,455</u>	<u>17.2</u>
TOTAL	\$8,869,194	—	\$10,235,635	—	\$10,605,237	—

The operation of the facilities is divided into three broad categories:

A. Residential Care and Services

This service represents the lowest level and is used principally by fully ambulatory veterans who are housed, clothed, fed, and provided with recreational facilities, occupational therapy facilities and outpatient clinical facilities as required. When a domiciliary member requires hospitalization, he is transferred for the required services and then returned to his quarters. As has been noted, domiciliary requirements are low and three of the eight buildings are totally closed. Four are occupied by veteran members at a very low occupancy rate and the eighth building is under lease to both the Napa school system and the State Department of Fish and Game, which has its regional headquarters in the building. This returns a minimal income to the General Fund.

B. Hospital Care and Services

The hospital at this facility is a fully accredited medical-surgical institution with a wide range of specialties including surgery, neuropsychiatry, radiology, dentistry, and social services. The hospital provides services not only for the domiciliary veterans but for seriously ill veterans who come directly from the outside into the hospital.

DEPARTMENT OF VETERANS AFFAIRS—Continued**C. Rehabilitation Care and Services**

This is an activity which provides services to the domiciliary veterans, to the chronically ill or nursing-home-type members, and to some degree to those in the hospital. The services include occupational therapy, physical therapy, in some cases light work assignments, arts and crafts and counseling. Because the average population age is continuing to increase despite the influx of younger veterans, the need for many of the services continues to increase, particularly physical therapy.

V. GENERAL ADMINISTRATION

General Administration provides overhead administrative leadership, coordination of programs, fiscal and personnel management and all of the other conventional "housekeeping" services incidental to the operation of a department of this size.

The proposed expenditure of \$519,610 for this division is \$28,325 or 5.8 percent above expected expenditures of \$491,285 in the current year. These costs are charged back to each of the programs previously described and are tabulated at the beginning of this analysis in Table 1. During the current year, 1.2 positions (1 clerk-typist II and 0.2 temporary help) were administratively added in the director's office on a workload basis and are requested for continuation in the budget year.

Department of Veterans Affairs**EDUCATIONAL ASSISTANCE TO VETERANS' DEPENDENTS**

Item 190 from the General

Fund	Budget p. 74	Program p. I-480
Requested 1974-75		\$2,085,100
Estimated 1973-74.....		2,085,100
Actual 1972-73		2,084,910
Requested increase: None		
Total recommended reduction		None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Analysis of this item is included with that for the main administrative support, Item 188.

Department of Veterans Affairs
VETERANS' HOME OF CALIFORNIA

Item 191 from the General
Fund

Budget p. 74 Program p. I-480

Requested 1974-75	\$5,255,986
Estimated 1973-74.....	5,286,519
Actual 1972-73	4,246,666
Requested reduction \$30,533 (0.6 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Analysis of this item is included with that for the main administrative support, Item 188.

Department of Veterans Affairs
COUNTY VETERANS' SERVICE OFFICES

Item 192 from the General
Fund

Budget p. L-20 Program p. I-479

Requested 1974-75	\$500,000
Estimated 1973-74.....	500,000
Actual 1972-73	449,999
Requested increase None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In Item 188 we discussed the role of the county veterans' service offices. We believe these offices are essential to provide the veteran a point of contact and a fund of expertise to help him obtain those services and benefits to which he is legally entitled. The county veterans service offices provide assistance which is instrumental in obtaining monetary benefits paid by the federal Veterans Administration to California veterans. In fiscal year 1972-73, these benefits exceeded \$245 million. In the current year and budget year such benefits will approximate \$260 million. Much of these benefits represents assistance which might otherwise have had to be rendered directly by the state or the county, and to that degree there has been relief to state and county taxpayers. This subvention item funds approximately 18 percent of the costs of the county offices.

For fiscal years 1964-65 through 1972-73, the subvention was paid from the Veterans' Farm and Home Building Fund. However, Chapter 268, Statutes of 1973, specified that this fund shall not be used to provide such subventions. Therefore, in the current year and in future years this sub-

COUNTY VETERANS' SERVICE OFFICES—Continued

vention will be paid from the General Fund.

Business and Transportation Agency
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Item 193 from the General
Fund

Budget p. 79 Program p. I-493

Requested 1974-75	\$7,969,010
Estimated 1973-74.....	7,685,017
Actual 1972-73	6,803,549
Requested increase \$283,993 (3.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Department of Alcoholic Beverage Control, a constitutional agency established in 1954, is headed by a director who is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor. Headquartered in Sacramento, the department maintains a northern division office in San Francisco, which supervises nine northern district offices and southern division office in Pasadena, which supervises 10 southern district offices. Departmental staff is presently authorized at 443.3 positions.

The State Constitution provides that the department shall have exclusive power in accordance with laws enacted by the Legislature to license the manufacture, importation and sale of alcoholic beverages in California, and to collect license fees on account thereof. The department is given discretionary power to deny, suspend or revoke licenses for good cause.

Responsibilities of the agency are discharged under a single program entitled, "Administration of the Alcoholic Beverage Control Act" which consists of three elements: (1) licensing, (2) compliance, and (3) administration. Each element, together with selected workload data, is described below.

Licensing Element

The objective of licensing premises wherein alcoholic beverages are produced, sold, or consumed is to prevent unqualified persons from engaging in the sale, manufacture or importation of such beverages and to prevent such operations in locations where the peace and quiet of the neighborhood would be disturbed and police problems aggravated. Licensing involves the investigation of applicants' background, character, and financing to assure that those who qualify will be less likely to engage in disorderly or unlawful conduct. The department processes applications from individuals, partnerships and corporations for 52 different licenses.

If a license is denied or its issuance is protested, the matter may be brought before a hearing officer of the Office of Administrative Hearings. The hearing officer prepares a proposed decision which, if adopted by the