

POLITICAL REFORM ACT OF 1974Item 333 from the General
Fund

Budget p. 931

Requested 1977-78	\$3,117,917
Estimated 1976-77	3,107,062 ^a
Actual 1975-76	3,047,440 ^a
Requested increase \$10,855 (0.3 percent)	
Total recommended reduction	Pending

^a Governor's Budget as printed reflects incorrect amount.**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

1. *Legislative Counsel Funding. Transfer \$28,000.* Recommend funds proposed for Legislative Counsel be deleted from this item and transferred to Item 12. 934
2. *Political Reform Audit Program.* Withhold recommendation on Franchise Tax Board's request for 113.5 personnel-years and \$2,505,760 for the Political Reform Audit Program in 1977-78 pending further analysis of ongoing campaign audit activities. 935
3. *Allow Earlier Audits.* Recommend legislation amending Political Reform Act to allow earlier audits of candidates defeated in primary elections. 936
4. *Attorney General Funding.* Withhold recommendation on Attorney General's request for \$171,587 pending review of workload data. 936
5. *Cost-of-living Increases.* Recommend Fair Political Practices Commission report on allocation of cost-of-living increases. 937

GENERAL PROGRAM STATEMENT

The Political Reform Act of 1974, an omnibus elections measure, includes provisions relating to (1) campaign expenditure reporting and limitations, (2) conflict-of-interest codes and related disclosure statements required of public officials, (3) the state ballot pamphlet, (4) regulation of lobbyist activity, and (5) establishment of the Fair Political Practices Commission (FPPC).

The implementation of these provisions required the budgeting of funds for five state agencies. Support for one of these agencies, the Fair Political Practices Commission, is provided directly by the Political Reform Act of 1974. Funds for the other state agencies and any additional funds for the commission are provided by the Legislature through the normal budget process.

Chapter 1075, Statutes of 1976, requires a separate budget item indicating (1) the amounts to be appropriated to agencies other than the commission, (2) any additional amounts required to be appropriated to the commission, and (3) for information purposes, the continuing appropriation provided the commission by the Political Reform Act of 1974.

POLITICAL REFORM ACT OF 1974—Continued

The departments which will expend funds in support of the act, the estimated expenditures and the general functions performed are displayed in Table 1. Two totals are shown to reflect (1) the amount appropriated in this item, which does not include the continuing appropriation to the FPPC, and (2) the total amount available in support of the Political Reform Act of 1974, including the continuing appropriation to the FPPC.

Table 1
Support for Political Reform Act of 1974

Agency	Function	Estimated 1976-77	Proposed 1977-78	Percent of
				Total Available 1977-78
Legislative Counsel	Related to statewide ballot pamphlet	\$25,000	\$28,000	0.6%
Secretary of State	Document filing and copying	385,755 ^a	402,570	9.1
Franchise Tax Board	Auditing Statements	2,469,710	2,505,760	56.6
Attorney General	Enforcement	163,390	171,587	3.9
Fair Political Practices Commission	Administration of Act	63,207	10,000	} 29.8
Fair Political Practices Commission	Administration of Act	(1,217,710)	(1,306,603)	
Total amount appropriated this item		<u>\$3,107,062</u>	<u>\$3,117,917</u>	
Total amount available in support of the Political Reform Act of 1974		<u>\$4,324,772</u>	<u>\$4,424,520</u>	<u>100.0</u>

^a Governor's Budget as printed reflects incorrect amount.

ANALYSIS AND RECOMMENDATIONS**LEGISLATIVE COUNSEL DUTIES**

We recommend that \$28,000 budgeted in support of the Legislative Counsel be deleted from this item and transferred to Item 12.

The Political Reform Act of 1974 requires that the Legislative Counsel prepare and proofread the texts of all proposed statewide ballot measures and the provisions which these measures would repeal or revise. The proposed budget includes \$28,000 which the Counsel's Office informs us is used to support one deputy Legislative Counsel position to attend meetings of the Fair Political Practices Commission and provide opinions as requested with respect to the Political Reform Act of 1974. However, the act does not require the Legislative Counsel to perform these functions. Therefore, it would be more appropriate to budget these funds under Item 12, the Legislative Counsel Bureaus support item, rather from this item. The duties which are assigned the Counsel's Office by this act are of a relatively minor nature and should require no added funds. Our recommended budget change will more accurately reflect costs attributable to the Reform Act.

SECRETARY OF STATE DUTIES

Responsibilities assigned the Secretary of State by the Political Reform Act of 1974 include the filing of campaign expenditure statements and the registration of lobbyists. In addition, Chapter 415, Statutes of 1976, requires

that the Secretary of State print and make available information listed in lobbyist registration statements. This new requirement and the continuation of work performed in accordance with the Political Reform Act are estimated to cost \$402,570 in the budget year. This represents an increase of 4.4 percent over anticipated current year costs of \$385,755.

FRANCHISE TAX BOARD DUTIES

Political Reform Audit

We withhold recommendation on the request for 113.5 personnel-years and \$2,505,760 for the Franchise Tax Board's Political Reform Audit program in 1977-78 pending further analysis of campaign audit activities.

The act requires that the Franchise Tax Board audit statements and reports of lobbyists, candidates, campaign committees and elected officials meeting criteria specified in the act. The board has requested an increase of \$36,050 (1.4 percent over current year levels) and no additional positions for the 1977-78 budget year.

Field Audit Workload Estimates

Lobbyist Audits. The Franchise Tax Board's original audit staffing proposal for 1976-77 estimated an average of 94 field audit hours for each lobbyist audit. The board reduced this estimate to 71 hours per lobbyist audit at the Legislature's budget hearings in March 1976. In our 1976-77 Supplemental Analysis of the Franchise Tax Board, we estimated that the board would need only 46 hours per lobbyist audit. Based on one year's experience with lobbyist audits, (through June 1976), the board revised its estimate to 43 hours per audit, and because of the deadlines imposed by the budgetary process, used this estimate in preparing its 1977-78 budget.

One of the major issues in the determination of the appropriate level of auditing effort of lobbyist statements was the question of the "materiality" of audit findings. The board's position on auditing requirements was based on a literal interpretation of the act which required a determination of the completeness and accuracy of candidate and lobbyist financial statements. The board's auditing procedures were designed to disclose any error or omission of data, regardless of its significance.

On June 3, 1976, the Fair Political Practices Commission adopted a regulation which states, in part "the (audit) report of the Franchise Tax Board shall include, to the extent feasible, specific findings regarding errors which *materially* affect disclosure or required record keeping" (2 Cal. Adm. Code, Sec. 18914). This "materiality standard" appears to have had a significant effect on auditing times. Our analysis of 200 lobbyist audits initiated after the materiality standard was adopted indicates that the time required for lobbyist audits had been reduced to an average of 17 hours for field audit and review. This reduction in average audit time was a result not only of the new auditing regulations but also of a more experienced auditing staff and a smaller number of previously unaudited lobbyists.

POLITICAL REFORM ACT OF 1974—Continued**Campaign Audit Workload Requirement Pending**

In our 1976-77 supplemental analysis we requested that the Department of Finance evaluate the Political Reform Audit program workload standards and staffing requirements and report to the Legislature by April 1, 1977. Preliminary findings by the Department of Finance indicate that the Franchise Tax Board's workload projections as presented in the budget overestimate their campaign audit workload volume. The department is currently developing additional data with which to improve its preliminary estimates.

The Franchise Tax Board has estimated that campaign audits would require an average of 54 hours to complete. We estimated in our 1976-77 Supplemental Analysis that these audits could be completed on the average in 39 hours. We have analyzed the campaign audits initiated since the adoption of the materiality standard in June 1976. However, these audits were primarily of special elections campaigns and did not include regular 1976 election campaign audits which, by law, the board was not allowed to initiate until January 1977. We defer recommendation on this program until we have had an opportunity to review the Department of Finance report in April 1977 and to further analyze campaign audit activity.

Amendment to Political Reform Act Desirable

We recommend legislation amending the Political Reform Act of 1974 to allow the Franchise Tax Board to commence in August audits of candidates who were defeated in June primary elections.

Currently, the Political Reform Act requires that Franchise Tax Board auditors commence their audits of all primary election candidates *at least* seven months after the June election (i.e., January of the following year). We believe it would be desirable to amend the law to allow the Franchise Tax Board to commence campaign audits of candidates who lose in the June primary election (and choose not to run as a write-in candidate in the November general election) upon receipt of their final primary campaign statements in August. This change would reduce audit workload scheduling problems. It may also result in some audit time savings by allowing the work to be performed at a time when campaign documentation is more readily available, thereby simplifying the auditor's task of verifying campaign expenditures and contributions. We believe this change would further the purposes of the act and would not need electorate approval.

ATTORNEY GENERAL DUTIES

We withhold recommendation on \$171,587 requested for the Attorney General's Office pending review of workload data which would support this level of expenditure.

The Political Reform Act of 1974 requires the Attorney General to enforce the criminal provisions of the act with respect to state agencies, lobbyists and state elections. In addition, the act provides that upon request of the Fair Political Practices Commission, the Attorney General shall provide the commission legal advice and representation without

charge. Current year expenditures to provide the required services are estimated at \$163,390, and \$171,587 is requested for the budget year, an increase of 5 percent.

We have requested that the Attorney General's office provide workload data to support the requested funds. This data is being prepared and should be available for our review prior to the budget hearings.

FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission was established by the Political Reform Act of 1974 and is responsible for the administration and implementation of the Act. The commission consists of five members, including the chairman and one other member who are both appointed by the Governor. The Attorney General, the Secretary of State and the State Controller each appoint one member. The commission is supported by a staff hired under its authority and receives a statutory General Fund allocation of \$1 million adjusted annually for cost-of-living changes.

In accordance with the Political Reform Act of 1974, the commission's statutory budget for 1977-78 is \$1,306,603. The Governor's Budget proposes to provide an additional \$10,000 to continue at the same level funds appropriated for the current year by Chapter 129, Statutes of 1976, to perform additional responsibilities.

Allocation of Cost-of-Living Increases

We recommend that, prior to the legislative hearings on the budget, the commission provide the Joint Legislative Budget Committee with a schedule displaying in detail the manner in which it has allocated, and plans to allocate, annual cost-of-living increases provided in accordance with the Political Reform Act of 1974.

Annual cost-of-living increases for most state agencies are based on price increases determined by the Department of Finance for various items of expense. In contrast, the Fair Political Practices Commission is provided an automatic annual cost-of-living adjustment determined according to provisions contained in the Political Reform Act of 1974. In addition to this independently determined increase, the commission has shared in funds provided for general salary increases and special bonuses. Table 2 displays actual and estimated cost-of-living and other increases provided the commission.

Table 2
Display of Increases

Fiscal Yr.	Cost-of-living (Statutory)		General Salary and Other Amount	Net Increase Amount
	Percent Increase	Amount		
1975-76	10.2	\$102,000	\$18,000	\$120,000
1976-77	10.5	115,710	53,207	168,917
1977-78	7.3 ^a	88,893 ^a	(undetermined)	(undetermined)

^a Estimated

In terms of a percentage increase, the statutory cost-of-living increases provided the commission are higher than net cost-of-living increases pro-

POLITICAL REFORM ACT OF 1974—Continued

vided many state agencies. The commission should provide the Legislature, in sufficient detail, a disclosure of the manner in which it has allocated these increases and plans to allocate the estimated 1977-78 increase. This will enable the Legislature to determine whether it is necessary to continue providing the commission optional increases in addition to the automatic statutory increase. Therefore, the information should be provided prior to consideration of the commission's budget or the general salary increase item.

AGRICULTURAL LABOR RELATIONS BOARD

Item 334 from the General

Fund	Budget p. 931
Requested 1977-78	\$8,797,000
Estimated 1976-77	6,964,612
Actual 1975-76	2,771,895
Requested increase \$1,832,388 (26.3 percent)	
Total recommended reduction	\$562,200

SUMMARY OF MAJOR RECOMMENDATIONS

	<i>Analysis page</i>
1. Board Opinions. Withhold recommendation pending receipt of additional justification from Agricultural Labor Relations Board.	940
2. <i>Hearing Costs: Reduce by \$562,200.</i> Recommend board use recording equipment rather than hearing reporters for most unfair labor practice hearings.	943

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board was established by Chapter 1, Statutes of 1975, Third Extraordinary Session, for the purpose of guarantying agricultural workers the right to join employee organizations, to bargain collectively with their employers and to engage in concerted activities through representatives of their own choosing. Agricultural workers are currently excluded from coverage under the National Labor Relations Act which guarantees similar benefits to other workers in the private sector. To fulfill its objectives, the board provides services through the following programs:

1. General administration, which provides such services as budget, accounting, personnel and support services to the board, the general counsel and four regional offices.
2. Board administration, which includes the five-member Agricultural Labor Relations Board and the board's executive secretary. The board establishes policy, procedures and regulations for purposes of carrying out the Agricultural Labor Relations Act and holds hearings to adjudicate disputes between farm workers and their employers.

involving such matters as representation elections and unfair labor practices charges by employers or workers.

3. General counsel administration, which through the office of the general counsel:
 - a. Conducts secret ballot elections for purposes of enabling farm workers to select representatives of their own choosing;
 - b. Investigates and prosecutes unfair labor practice charges before the board or the administrative law judges; and
 - c. Defends all board actions in the courts and obtains court orders when necessary to carry out decisions of the board regarding such matters as providing remedies for unfair labor practices.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the Agricultural Labor Relations Board proposes a General Fund appropriation of \$8,797,000, which is \$1,832,388 or 26.3 percent above estimated expenditures in the current year (an increase of 52.2 personnel-years).

Table 1
Budget Summary
Agricultural Labor Relations Board

	Estimated 1976-77	Proposed 1977-78	Change from Current Year	
			Amount	Percent
<i>Funding</i>				
General Fund	\$6,964,612	\$8,797,000	\$1,832,388	26.3%
<i>Program</i>				
Administration (distributed to other programs)	(\$462,174)	(\$490,380)	(\$28,206)	6.1%
Personnel-years	(16.8)	(16.9)	(0.1)	—
Board administration				
Policies and procedures	\$100,033	\$75,212	\$-24,821	-24.8
Personnel-years	2.8	2	-0.8	—
Hearings and board review	\$3,212,178	\$4,270,360	\$1,058,182	32.9
Personnel-years	82.4	108.1	25.7	—
General counsel administration				
Representation cases	\$1,014,598	\$1,614,586	\$599,988	59.1
Personnel-years	40.8	59.1	18.3	—
Unfair labor practices	\$2,013,395	\$2,050,468	\$37,073	1.8
Personnel-years	78.4	79.4	1.0	—
Court Litigation	\$624,408	\$786,374	\$161,966	25.9
Personnel-years	15.3	23.3	8.0	—
Total	\$6,964,612	\$8,797,000	\$1,832,388	26.3%
Personnel-years	219.7	271.9	52.2	—

The board proposes a net increase of 18.6 new positions. This results from a total of 55.6 proposed new positions partially offset by 37 positions to be abolished through workload and administrative adjustments. The difference between the net increase of 18.6 new positions and 52.2 personnel-years represents a sharp decline in salary savings in the budget year. Salary savings are unusually high in the current year (equivalent to 31.4 positions) because of a large number of vacancies caused by the board's closure in April, 1976, when it had exhausted its 1975-76 support appro-

AGRICULTURAL LABOR RELATIONS BOARD—Continued

priation, an emergency fund loan of \$1,250,000 and an additional \$130,000 emergency allocation. The board's field operations were terminated on February 6, and work did not resume until November 1, 1976, because of the lack of funding.

Of the 55.6 new positions, 18.4 are proposed as replacements for 37 positions which are to be abolished through administrative adjustments and the remaining 37.2 are requested to handle workload increases projected by the board. Table 2 shows, by function, the proposed utilization of the 37.2 positions and also identifies other elements comprising the requested budget increase of \$1,832,388. These elements are discussed below.

Table 2
Budget Increases
Agricultural Labor Relations Board

	<i>Number of Positions</i>	<i>Total Costs</i>
A. Hearings and board review		
1. Unfair labor practice hearings		
a. One-time increase for backlog	2.8	\$268,000
b. Expected on-going workload	12.3	613,000
2. Board opinions	10.2	262,000
3. Extended certification	5.5	175,000
B. General counsel administration		
1. Unfair labor practice cases	6.4	164,000
C. Projected cost-of-living increases (about 5 percent)	—	350,388
	37.2	\$1,832,388

Budget Increases

We withhold recommendation on 7.7 proposed new attorneys and 2.5 clerical positions for board opinions pending receipt of additional justification from the board.

Board Opinions. The board requests \$262,000 for 7.7 additional attorneys, 2.5 clerical support positions and related expenses to assist in writing a projected 789 decisions in the budget year. Without this augmentation, the board believes it could write only 484 decisions, leaving a backlog of 305. This workload projection is based on the assumption that 90 percent of the decisions of hearing officers will be appealed to the board. Such appeals are expected to be filed in 98 percent of the cases in the current year, down slightly from 100 percent in 1975-76.

Under the proposal, each attorney would assist the board in writing an average of 54 decisions each year. We are withholding recommendation on this element because the proposed workload standard appears to be far below the standards utilized by other similar state administrative adjudication boards. For instance, each attorney assigned to the Cal-OSHA Appeals Board assists the board in writing approximately 100 decisions each year, while attorneys assigned to the Workers' Compensation Appeals Board assist in writing approximately 312 decisions annually. We have therefore asked the board for additional justification for the proposed new positions. We recognize the possibility that the Agricultural Labor Rela-

tions Board may need comparatively more legal assistance than would be expected because four of the five board members lack backgrounds in the highly specialized field of labor law. This is in contrast to the National Labor Relations Board whose members are usually appointed because of their expertise in labor law.

Unfair Labor Practices Workload. The board is proposing to increase expenditures for consultant services by \$268,000 for 2.8 administrative law judges and related expenses to handle a one-time backlog from the current year of 44 unfair labor practice hearings. The board is also requesting \$613,000 for 5.3 administrative law judges, seven clerks and related expenses to handle an additional 103 budget-year hearings as permanent, ongoing workload. The average hearing costs approximately \$6,000. Almost half of the cost is for hearing reporters and transcripts. Five additional attorneys plus clerical support are requested at a cost of \$164,000 to enable the General Counsel to meet the workload resulting from these hearings.

Extended Certification. The board proposes five additional attorneys and a part-time position of temporary help at a cost of \$175,000 to help the board determine whether certification should be extended in cases where the employer refuses to bargain in good faith with a union that has won an election. Under Section 1155.2(b) of the Labor Code, a union that has won an election may file a petition 90 to 60 days prior to the expiration of its initial 12-month certification to extend the certification period for an additional year. The board may approve the request if it determines that the employer has refused to bargain with the union in good faith. Although the board has had no experience with this procedure, it estimates that it will receive 250 such petitions in the budget year.

Workload Estimates Uncertain

Because of the turbulent history of the agricultural labor relations program, its lack of a full year of operating experience and the still unsettled, emotion-charged environment in which the board must attempt its work, it is very difficult to evaluate staffing and budgetary requirements. A workload "norm" has yet to be established. Farm labor and farm management have yet to develop a full understanding of how the program can be made to function for their mutual benefit. In short, the program has not matured. This is a period of testing and distrust, and until both parties gain understanding and acceptance of the objectives of the law, the board will incur higher operating costs than would otherwise be experienced.

Workload and Staffing Standards Untested. The budget increase requested by the board is primarily attributable to projections of increased workload which are difficult to substantiate. The board's staffing proposal is supported by workload and staffing standards which it developed as we recommended last year. The standards are based on the board's limited operating experience and rest on the assumption that it will conduct 1,000 representation elections, receive 1,150 unfair labor practice charges and that objections will be filed in 60 percent of the elections resulting in the need to hold 600 hearings. It also rests on the assumption that the 1,150 unfair labor practice charges will result in 308 hearings. The hearings

AGRICULTURAL LABOR RELATIONS BOARD—Continued

alone are expected to cost \$1,095,600, primarily for reporter fees, transcripts and interpreters. There are insufficient data to validate the board's workload and staffing standards because, as previously noted, it has not yet had a full year of operation.

Election Workload Could Skyrocket. By law, the board is required to hold an election within seven days of receiving a petition from a union or group of employees when it has reasonable cause to believe that a bona fide question of representation exists. The election must be held when employment is not less than 50 percent of the seasonal peak. Employers may negotiate only with an organization which has been certified as the winner of a representation election. By contrast, the National Labor Relations Act allows an employer voluntarily to recognize a union for purposes of collective bargaining without the need of a representation election.

The number of election petitions could greatly exceed the 1,000 projected by the board in the budget year and could involve any of the 30,000 California farms estimated by the board which employ 50 or more workers at some point during the year. In 1975, three-fourths of the 8,687 conclusive elections (i.e., elections which were certified) held by the National Labor Relations Board (NLRB) involved 59 or fewer employees. The process of holding elections and negotiating contracts in the agricultural industry is very uneconomical in contrast to other types of industries covered under the NLRB because most agricultural employment is concentrated in peak periods which may last only a few weeks corresponding to the harvest seasons of the various crops. As the workers move from farm to farm, the process must be repeated if the new employment is to be covered by a contract. To cope with the short harvest seasons, many growers hire farm labor contractors for harvesting purposes. Farm labor contractors cannot be recognized as the employer under the Agricultural Labor Relations Act, although they are so recognized under most other provisions of the Labor Code. The board believes that the farm labor unions, because of limited resources for contacting and organizing workers, will be able to require elections at no more than 1,000 farms. Potentially, however, the election workload could be considerably higher. The number of unfair labor practice charges probably also would increase commensurately with any increase in the number of elections because elections give rise to charges alleging the denial of access to workers for recruitment purposes or engaging in prejudicial activities which affected the outcome of the election.

Legislation May be Needed. Costs for holding elections may become unreasonably high if the number of election petitions greatly exceeds the 1,000 estimated by the board. Presently, the farm labor unions appear to be concentrating their organizing efforts on the larger farms. If the focus should extend to smaller farms, it may be necessary to make some basic changes in the law, either to (1) allow growers to recognize unions for collective bargaining purposes without first conducting an election, (2) encourage multi-employer negotiations, or (3) recognize the farm labor contractor, rather than the individual farmer, as the employer. We will monitor this workload carefully.

Level of Voluntary Compliance is Critical to Costs. The board's workload is also influenced by the willingness of parties to labor disputes to comply voluntarily with the law. The board's estimate of budget-year workload is based on the assumption that 60 percent of the elections will result in objections requiring costly hearings, a decline from 72 percent in 1975-76 and from 95 percent during the first few months of the board's operation. Hearing costs average \$6,000 per unfair labor practice hearing and \$600 per election objection hearing. The former requires transcripts and generally lasts about five days, while the latter is typically concluded in one day and does not require transcripts.

The board's workload also rests on the assumption that 25 percent of all unfair labor practice complaints will be settled prior to hearings. In contrast, under the NLRB which has existed since 1935, about 91 percent of the unfair practice cases and 83 percent of the representation cases are settled prior to hearings.

Staff Competence is Unknown Factor. The board's workload will also be influenced by the degree to which its staff develops a professional attitude of strict objectivity in its dealings with both growers and farm workers. Parties to disputes will demand more hearings and appeal more decisions if they feel that the board has dealt with them in a prejudicial manner. Unfortunately, only a few of the board's current employees have experience in labor relations programs requiring strict neutrality such as with the NLRB, the Federal Mediation and Conciliation Service, and the State Conciliation Services or in the field of labor arbitration. Relatively few of the existing 58 field examiners have previous direct employee relations experience. Most were hired because of their backgrounds in community work related to agriculture, such as with migrant worker camps.

Only 12 of the 29 existing field attorneys have more than one year of experience in the practice of law. Eight attorneys were hired as graduate legal assistants because they had not passed the bar. The board states that its entry salaries are too low to attract *experienced* people, although on a class-by-class basis state legal salaries exceed attorney salaries paid by the federal government. Moreover, the board has been unable to find persons having both employee relations experience and the ability to speak one of the foreign languages typically used by farm workers. Most such workers do not speak English effectively.

Recording Equipment Should be Used

We recommend a reduction of \$562,200 reflecting savings obtainable from the board's utilization of tape recording equipment for unfair labor practice hearings rather than hearing reporters.

The board is requesting \$1,095,600 to cover hearing costs consisting of (1) \$120,000 for utilization of ad hoc hearing reporters on a contractual basis at approximately \$75 per day, (2) \$80,000 for travel expenses for hearing reporters, (3) \$737,000 for transcripts, (4) \$107,000 for translators who are proposed to be hired on a contractual basis, and (5) \$51,600 for rental of facilities for holding hearings in various locations throughout the state.

The board's per day cost of \$1,200 for unfair labor practice hearings is

AGRICULTURAL LABOR RELATIONS BOARD—Continued

double the estimated per-day cost of \$600 for representation cases. This results because the board uses hearing reporters and written transcripts for unfair practice hearings and recording equipment for representation cases. Unfair labor practice hearings are averaging \$6,000 and five days in length while representation cases are averaging \$600 and one day in length. Each unfair labor practice hearing is expected to require (1) \$375 for hearing report fees (\$75 per day at five days per hearing), (2) \$250 for travel expenses for hearing reporters, and (3) \$2,550 for the hearing transcript (200 pages per day for five days at \$2.55 per page).

We believe the board could generate significant savings by adopting recording procedures rather than utilizing hearing reporters. Several judicial agencies including the court system of the State of Alaska and the Cal-OSHA Appeals Board have reported significant program savings by substituting modern recording equipment for the more expensive hearing reporter procedure without affecting the quality of the judicial process. Further, a 1973 Sacramento County court study financed by an Office of Criminal Justice Planning grant, concluded that recording equipment is more accurate and less costly than hearing reporters.

The board believes that it is unable to utilize tape recording in lieu of written transcripts in unfair labor practice hearings because the Labor Code requires all testimony in such proceedings to "be reduced to writing." We believe that the board is in error on this issue because the Evidence Code, which governs the unfair labor practice hearings, includes tape recordings within its definition of "writing" (Section 250).

We therefore believe the board should be required to utilize tape recordings in all appropriate cases. Our recommendation would leave \$374,800 (in addition to \$158,600 budgeted for translators and hearing facilities) to allow the board to purchase recording equipment on a one-time basis and to utilize hearing reporters and written transcripts in certain cases where the use of recording equipment may be impractical and to generate written transcripts from tape recordings in appropriate cases using regular clerical staff.

We also believe that the board should adopt the policy of the Cal-OSHA Appeals Board by making a copy of the tape recording of a proceeding available at cost to any party to a dispute who may want one to aid in the preparation of an appeal. Any party who insists on receiving a written copy should be required to reimburse the board for generating a written copy of the tape. Copies of Cal-OSHA proceedings may be purchased on 90-minute cassette tapes for \$5.50 each.

The board should also require those parties to the disputes who refuse to utilize tape recordings when they are appropriate to share the costs of hearing reporters and written transcripts.

Board Meetings Closed to the Public

We understand that the board for a period of several months has excluded the public from its proceedings involving judicial matters, such as appeals on unfair labor practice and representation cases. We have asked the Legislative Counsel for an opinion on the legality of this practice as well as its long-range implications on the validity of board decisions. The

opinion should be available in time for the subcommittee hearings on this item.

EDUCATIONAL EMPLOYMENT RELATIONS BOARD

Item 335 from the General Fund	Budget p. 939
Requested 1977-78	\$2,392,880
Estimated 1976-77	2,236,201
Actual 1975-76	296,968
Requested increase \$156,679 (7.0 percent)	
Total recommended reduction	None

**EDUCATIONAL EMPLOYMENT RELATIONS BOARD
(Contingency)**

Item 336 from the General Fund	Budget p. 939
Requested 1977-78	\$750,000
Estimated 1976-77	750,000
Actual 1975-76	-
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 961, Statutes of 1975, (SB 160) repealed the Winton Act and established new procedures governing employment relations between public school employers and employees. This legislation also established the three-member Educational Employment Relations Board (EERB) to (1) administer secret ballot elections for the determination of a negotiating representative in school districts, (2) rule on appropriateness of bargaining units established by certificated or classified employees, (3) adjudicate unfair labor practices between employee and employer organizations, and (4) establish negotiating procedures and regulations.

Table 1 presents expenditures for the EERB.

**Table 1
Expenditures for the
Educational Employment Relations Board**

Elements	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
I. Board operations	\$296,968	\$629,160	\$754,010	\$124,850	19.8%
II. Election administration	-	1,041,109	1,035,187	-5,922	-.6
III. General counsel	-	800,642	831,216	30,574	3.8
IV. Impasse proceedings	-	515,290	522,467	7,177	1.3
V. Administration	-	(305,802)	(449,337)	143,535	46.9
Totals	\$296,968	\$2,986,201	\$3,142,880	\$156,679	5.2%

EDUCATIONAL EMPLOYMENT RELATIONS BOARD—Continued**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

Estimated expenditures for EERB in 1976-77 fall \$44,983 short of the \$3,031,184 authorized in the 1976-77 Governor's Budget due to salary savings from mid-year hiring. The 1977-78 request is for \$3,142,880 composed of \$2,392,880 in Item 335 and \$750,000 established in Item 336 as a contingency. The 1977-78 budget contains a variety of offsetting augmentations and reductions, including salary increases, an increase of \$140,000 for transcript reproduction of board hearings, and \$114,975 for travel as a result of election monitor activity. Savings are realized as a result of budgeted salary savings, reduced temporary help, and equipment reductions.

Recent Activities

EERB began full operation on July 1, 1976. The first months of operation were occupied with the organization of a central staff and three regional offices. The total authorized staff of 93.5 positions includes an executive director, three regional directors, 19 legal counsels, six employment relation representatives, 27.5 temporary personnel (for election supervision), and related professional and clerical personnel.

Initial activities of the staff and board members included the development of regulations elaborating provisions in the new law, assistance in the determination of appropriate bargaining units in the school districts, and the supervision of elections of exclusive representatives. Table 2 presents a summary of labor relation activities which have occurred since the passage of the Educational Employment Relations Act.

Table 2**EERB Activity Under the Educational Employment Relation Act, Chapter 961, Statutes of 1975, (SB 160)**

Total number of districts (including county offices, and community colleges) in the state	1,173
Total number with Chapter 961 activity	1,036
Number of voluntary unit recognitions (classified and certificated)	1,289
Number of unit recognitions requiring election (classified and certificated)	88
Number of challenges to unit recognition by employer or employee organizations	779
Number of hearings by EERB on unit disputes	91
Number of impasses declared in contracts formed under Chapter 961	101
Number of impasses which went to fact finding	6

Table 2 indicates a number of activities related to the first year of operation under a collective bargaining law. Labor activity was found in practically all districts in the state (1,036 districts out of 1,173). A large number of bargaining units were recognized without dispute or necessitating an election (1,289 voluntary recognitions). However, in 779 unit organization processes, disputes were encountered. In most cases, these disputes centered about what constituted an appropriate bargaining unit or challenges by the employer that a unit did not have a majority support. For example, a recurring dispute among classified employees in the small-

er districts has been whether to include all classified employees in one unit, or to form smaller units based on employee function. A recent decision by the board suggests that future classified bargaining units will be broken down into three categories: office staff (clerical), operations (cafeteria, janitorial, transportation), and paraprofessionals (classroom aides).

EERB reports that the current fiscal year and 1977-78 should involve the most intensive unit formation activity. Following this initial period, the board's workload should shift from the supervision and adjudication of bargaining unit determination to the review of unfair labor practices and contract negotiation disputes.

DEPARTMENT OF FINANCE

Item 337 from the General Fund

Budget p. 942

Requested 1977-78	\$9,561,689
Estimated 1976-77	8,595,111
Actual 1975-76	7,137,219
Requested increase \$966,578 (11.3 percent)	
Total recommended increase	\$52,484

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>Health and Welfare. Reduce \$19,517.</i> Recommend two new positions be authorized at a lower classification.	948
2. <i>Demographic Research. Reduce \$58,312.</i> Recommend three new positions be eliminated as unnecessary.	949
3. <i>Executive. Reduce \$47,000.</i> Recommend funding for the unfilled deputy director position be deleted.	950
4. <i>Position Overbudgeting.</i> Recommend department report on its new policies and procedures to eliminate specified position overbudgeting in applicable state agencies.	951
5. <i>Economic Development Program. Augment \$177,313 from Item 341.</i> Recommend transfer to the Department of Finance the functions and budgeted funds of the Commission for Economic Development (Item 341).	952

GENERAL PROGRAM STATEMENT

The Department of Finance is responsible for (1) advising the Governor on the fiscal condition of the state, (2) assisting in preparation and enactment of the Governor's budgetary and legislative programs, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

ANALYSIS AND RECOMMENDATIONS

The proposed 1977-78 total budget for this department is \$10,000,693. This includes \$9,561,689 from the General Fund, an increase of \$966,578 or 11.3 percent over the current year. Reimbursements of \$439,004 comprise

DEPARTMENT OF FINANCE—Continued

the balance of the funding shown in Table 1. The table sets forth programs, funding sources, personnel positions and proposed changes.

Table 1
Finance Budget Summary

Programs	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
I. Budget preparation and enactment	\$2,039,702	\$2,154,764	\$2,412,788	\$258,024	12.0%
II. Budget support and direction ..	569,273	621,134	629,237	8,103	1.3
III. Assessment of state programs ..	3,813,664	4,851,383	5,420,389	569,006	11.7
IV. Development of supportive data	1,025,215	1,106,003	1,230,334	124,331	11.2
V. Executive administration	182,216	289,510	307,945	18,435	6.4
Totals	\$7,630,070	\$9,022,794	\$10,000,693	\$977,899	10.8%
<i>Funding Sources</i>					
General Fund	\$7,137,219	\$8,595,111	\$9,561,689	\$966,578	11.3%
Reimbursements	492,851	427,683	439,004	11,321	2.7
Totals	\$7,630,070	\$9,022,794	\$10,000,693	\$977,899	10.8%
<i>Personnel-Years</i>	314.4	335.4	351.4	16.0	4.8%

Table 1 suggests an increase of 16 new positions is being requested for 1977-78. This is misleading because positions that were administratively established by the agency are included in the current year total. Consequently 37 positions are actually before the Legislature for review and approval. These proposed positions are identified and analyzed later.

The increases shown in Table 1 for programs I, III and IV are related primarily to proposed personnel increases. All programs receive authorized price increases.

Requested Positions

Table 2 sets forth the 37 positions for which Legislative approval is requested for 1977-78.

Table 2 shows that a number of the new positions are fully reimbursed. Ten positions in the fiscal management audit activity are reimbursed by the Office of Criminal Justice Planning for audit of federal grant programs. Two accounting systems analyst positions will be reimbursed on a contract basis by other state agencies receiving assistance in developing accounting systems and three clerical services positions are added to reduce costs of printing the Governor's Budget and Legislative Change Book. These latter costs will be reimbursed from the appropriation for this activity (Item 27).

Health and Welfare Unit Increase

We recommend that the two positions for the health and welfare unit be authorized at the staff services analyst level for a General Fund savings of \$19,517.

Two new workload positions are requested in the health and welfare unit consisting of a principal program budget analyst (annual salary of \$21,936) and an associate budget analyst (annual salary of \$17,364). While we do not question the workload need for two additional positions, we do question the salary level proposed.

Table 2
Proposed Personnel Increases

<i>Program/Element</i>	<i>Position Title</i>	<i>Funding Source</i>	<i>Number Requested</i>
Health and Welfare Unit	Princ. prog. budget analyst	General	1
	Assoc. budget analyst	General	1
Financial and Economic Research Unit	Research manager II	General	1
	Research analyst I	General	1
State Data Processing Management Office	DP manager II ^a	General	1
Fiscal Management Audits	Sr. management auditor	General	2
	Asst. management auditor	General	8
	Clerk-typist	General	2
	Sr. management auditor	Reimbursement	1
	Assoc. management auditor	Reimbursement	5
	Asst. management auditor	Reimbursement	3
Accounting Systems	Stenographer	Reimbursement	1
	Staff administrative analyst	Reimbursement	2
	Sr. administrative analyst	General	1
	Staff administrative analyst	General	1
Clerical Services (Governor's Budget)	Clerk-typist II	Reimbursement	3
	Research analyst I	General	1
Demographic Research	Staff services analyst	General	1
	Student assistant	General	1
	Total proposed staff		37

^a Justification provided in support of this position indicates it will be limited to December 31, 1978.

The health and welfare unit consists of 14 budgeted analyst positions of which four are career executive assignment classes and another four are at the senior analyst level. In addition, only one of the 14 is budgeted at the entry class of the journeymen series (staff services analyst).

For these reasons we believe there is no justification for adding new workload positions at the higher levels and we recommend that these be budgeted at entry journeymen class.

Demographic Research Increase

We recommend that the research analyst I, staff services analyst and student assistant positions proposed for the demographic research unit be eliminated for a General Fund savings of \$58,312.

Justification for these three positions is totally related to a provision in Chapter 323, Statutes of 1976, which states, "Annually the Department of Finance shall transmit to each community college district an estimate of its annual percentage change in population." Further, the law states:

"the department may request data from any agency to be used to prepare the population estimate required by this section. If any local agency fails to supply the requested data, the department is not re-

DEPARTMENT OF FINANCE—Continued

quired to provide an estimate for the school district affected, but may do so using the method deemed most appropriate by the department after first notifying the community college district."

Chapter 323 provided \$36,000 to administer this and other specified Education Code sections.

Three positions were administratively established during the current year at an estimated General Fund cost of \$62,565. In justifying the three positions, the department acknowledges that part of the workload posed by the legislation was temporary start-up costs and part ongoing, i.e., collecting administrative records which reflect the changes in the population defined by the legislation.

Our recommendation that the request be disapproved is based on four arguments. First, the legislation did not intend the level of funding suggested by department's budget proposal (\$58,312). Assuming start up design costs will be met by the current year expenditures, we believe ongoing costs should be less. Second, the department relates ongoing costs solely to the collection of information records whereas the legislation directs no more than requesting information and provides for alternative estimating procedures where the information is not received. We do not see how this constitutes a major new workload mandate. Third, this year we provided this unit with one limited-term analyst position in support of the new Education Code Section 20066 (b) which stated "enrollment projections for each individual college shall be made cooperatively by the Department of Finance and the Community College district." These changes required the development and implementation of a new demographic model to allow automated forecasts of enrollments. We question why this new forecast procedure would not satisfy community college needs. Finally, we suggest the relatively large staff permanently assigned to the demographic research section (17.9 positions) could absorb any future ongoing workload once the basic information collection design is established.

Deputy Position Remains Unfilled

We recommend that salary savings be increased to eliminate the funding for one unfilled deputy director position for a General Fund savings of \$47,000.

We reported last year that two of the three deputy director positions, which were exempt from civil service requirements, had remained unfilled since early 1975. These positions were established originally to provide high level departmental policy and management leadership. Instead, the department chose to rely on Career Executive Assignment (CEA) appointments to perform these duties. As a result, we noted that the budget provided duplicate funding; that is, for the CEA positions as well as the two deputy director positions.

Our recommendation last year to eliminate this duplicate funding was not approved based on an understanding that the positions were considered necessary and would be filled. Since that time one position has been filled, but the other remains vacant.

We see no justification to budget funds for a vacant position, the duties of which are performed by other positions. Our recommendation would retain the authorization for this deputy in the budget but eliminate the duplicate funding.

Problems With Budget Detail

Several years ago the Department of Finance reduced its review function for much of the line item budget detail and delegated this responsibility to the agency administrators and individual departments. Although the Department of Finance increased its emphasis on program review, the individual departments were expected to continue to develop and justify the budget request in the same detail as before. These requirements are specified in the State Administrative Manual (SAM).

In our review of the proposed budget we have discovered cases when supporting detail schedules and justifications were either not prepared in accordance with SAM or were inadequately prepared. Examples of these can be found under our analyses of Items 37, 63 and 350. Further examples are in the capital outlay items where there was inadequate information submitted for a large number of projects.

In addition, our review uncovered a number of examples of inappropriate budgeting. These include:

1. Authorized positions were budgeted at salary levels higher than the actual salaries of the incumbents who hold these positions. (Item 261)
2. New positions were budgeted above the entry level. (Items 105, 114 and 241)
3. The price of replacement equipment was not offset by the trade-in value of items to be replaced. (Item 161)
4. Minor equipment was double budgeted. (Item 165)
5. Positions were continued in the budget for an activity which is proposed to be deleted. (Item 274)
6. Utility costs were overestimated. (Item 165)

When compared to prior years, these types of examples appear to be increasing. We are concerned with the apparent trend of departments to deemphasize their budgeting responsibility.

Position Overbudgeting

We recommend that the Department of Finance report during the budget hearing on its new policies and procedures to eliminate specified position overbudgeting in applicable state agencies for the 1977-78 fiscal year and thereafter.

We identified one agency (Department of Benefit Payments, Item 261) that overbudgeted using an administrative technique which we believe should be prevented on a statewide basis. The technique involves temporarily downgrading large numbers of position classifications during the year for salary purposes while basing the budget request on the higher budgeted position classification. Thus, the difference between the salary level actually paid an incumbent and the higher salary assigned to the budgeted classification of the position constitutes the amount of overbudgeting.

This technique also results in increased administrative costs because of

DEPARTMENT OF FINANCE—Continued

the large number of documents that must be prepared for processing each year by the Controller. We also understand that salary increase and fringe benefit allocations may be distributed on the overbudgeted salary base for some agencies employing this technique. For some large agencies the overbudgeting can be significant. For example, we estimated \$1.2 million in the Department of Benefit Payments. Many agencies simply do not use temporary downgrades. This avoids any potential overbudgeting.

Although we were aware of other agencies employing these overbudgeting techniques we did not identify and compute the savings in each case because we were informed that the Department of Finance is aware of the problem and has developed corrective policies. Our recommendation would require the department to (1) explain its new control policies and (2) report on its application of these new policies to all 1977-78 budget requests.

Economic Development Program

We recommend an augmentation of \$177,313 from Item 341 (Commission for Economic Development) to fund the transfer of functions as recommended in our analysis of Item 341.

In our analysis of Item 341 (Commission for Economic Development) we discuss the history, ineffectiveness and inability of the commission to meet its statutory responsibility for providing economic development guidance. We note also that under existing law, the commission's statutory life is scheduled to end June 30, 1977. We recommend that the commission's life not be extended and that it not be funded.

However, because we feel some beneficial economic development activities should be undertaken, we (1) identify the scope of these activities and (2) recommend in our analysis of Item 341 that they be accomplished by the Department of Finance. Thus, approval of this recommendation is contingent upon our recommendation under Item 341.

Computer Support

The department plans to expend \$188,524 in the budget year for continued support of its data processing systems. This operation primarily assists the staff of the Budget Division and the departments in the preparation of the Governor's budget.

The Teale Data Center provides the computing support, and the computer programs for each subsystem are largely an outgrowth of an earlier effort to develop a more comprehensive "Budget Data System." This original system was designed to be more comprehensive in order to serve as a financial management system for the Governor, the department and the Legislature. However, it was not implemented as planned, largely because the conceptual design anticipated computer software support which was not available until just recently. Also, the financial management procedures of state agencies proved to be more complex and uncoordinated than assumed by the system designers.

STATEWIDE ELECTRONIC DATA PROCESSING**Management of Statewide EDP**

The Department of Finance is responsible for statewide coordination and control of electronic data processing (EDP) for all state agencies except the University of California, the State Compensation Insurance Fund, the community college districts, agencies provided for by Article VI of the Constitution, and the Legislature. Its responsibilities are prescribed in the Government Code and Section 4 of the Budget Act of 1976. The State Data Processing Management Office (SDPMO) in the Department of Finance consists of 13 authorized positions, primarily systems analysts. The effort is under the direction of a state data processing officer, appointed by the Governor. It is estimated that the magnitude of the state's total EDP expenditure over which the department has specified responsibility is about \$135 million annually. The expenditure level for this unit in the 1977-78 fiscal year has been budgeted at \$366,453.

A Time for Review

In the 1976-77 Analysis we noted that the Department of Finance had redirected the EDP control function to make it more effective and that this had resulted in substantial improvement in a number of areas. Although total state funds expended on EDP represent a small portion of the state's total budget, the extent to which the effectiveness of state programs depend on EDP is substantial and increasing annually. Therefore, it is important that the state's EDP resources be used effectively and the State Data Processing Management Office must provide the coordination and leadership necessary for this to occur.

We believe that the Legislature and executive branch departments have cooperated with Finance toward the establishment and maintenance of an improved EDP environment. The Legislature has agreed to modifications sought by Finance with respect to Section 4 of the Budget Acts of 1975 and 1976, and further changes are now requested in the Budget Bill. Departments have cooperated by participating in a rotational program whereby departmental staff and SDPMO staff are exchanged on a temporary basis. Other cooperative efforts include the development of departmental information system plans and scheduled system design review sessions on major new EDP systems.

However, despite these accomplishments and progress in establishing two operating data centers (Teale and Law Enforcement) significant issues continue to exist which, if unresolved, will inhibit the state's most effective use in future years of EDP technology. These issues include (1) implementing new systems which are both responsive to management needs and cost effective, (2) the selection and retention of qualified personnel, (3) the involvement of appropriate management in data processing projects, and (4) the effective use of computers to improve the productivity of various state programs. One other contributing factor to the current situation is the very rapid advances in technology which have occurred over the last few years. The advent of powerful "mini" and "micro" computers, coupled with significant advances in capability of large-scale machines, make it imperative that the state more thoroughly

DEPARTMENT OF FINANCE—Continued

evaluate the proper mix of computing hardware in decisions regarding departmental workloads.

Some of these problems have been discussed in two previous comprehensive reports on statewide EDP issued by our office in 1967 and 1973. In our judgment, it is time for another review and we anticipate preparing a comprehensive report including a review of the Finance EDP management function. This report should be available in late 1977.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 338 from the General

Fund

Budget p. 949

Requested 1977-78	\$140,655
Estimated 1976-77	133,710
Actual 1975-76	108,605
Requested increase \$6,945 (5.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy conducts studies to promote economy and efficiency in state government. Commission members are reimbursed for related expenses but receive no salary. Of the 13 commissioners, nine are public members appointed by the Governor and Legislature, two are state Senators, and two are Members of the Assembly. The commission's permanent staff consists of an executive secretary and a secretary. Additional staff is obtained as needed from other agencies or by contract with outside consultants.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The commission is requesting \$17,776 for an additional 1.9 personnel-years in the budget year. It is also requesting \$4,536 for additional office space. These increases are requested to accommodate the commission's anticipated higher level of activities in 1977-78 and are largely offset by reductions in amounts budgeted for consultant and professional services. The commission initiated a major study of the Department of Health in 1975. In 1976 the commission completed the study initiated in 1975 and initiated six new studies covering such areas as social security, the Department of Motor Vehicles, the Department of Transportation and unused school sites. The commission plans to complete these six studies in 1977 and proposes to initiate at least four more studies in 1977. The proposed areas of study include the Department of General Services, the Fair Political Practices Commission, "Sunset" legislation, and government contracting with the private sector for services.

COMMISSION ON INTERSTATE COOPERATION

Item 339 from the General
Fund

Budget p. 950

Requested 1977-78	\$81,595
Estimated 1976-77	90,000
Actual 1975-76	None
Requested decrease \$8,405 (9.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Commission on Interstate Cooperation provides for the state's participation as a member of the Council of State Governments, a national association whose goal is to strengthen the role of state government in the federal system and promote interaction among the states. Through organizations affiliated with the national body, the state commission has opportunities to confer with officers of other states and of the federal government and formulate proposals for interstate cooperation.

The amount budgeted in this item provides the state's membership fee for the Council of State Governments. It represents the difference between the council's total state assessment (which is based on a population formula) and the amount required for the National Governor's Conference, which is contained in the budget of the Governor's Office, and the amount required for the National Conference of State Legislatures as contained in the budget of the Senate.

CALIFORNIA ARTS COUNCIL

Item 340 from the General
Fund

Budget p. 951

Requested 1977-78	\$3,981,956
Estimated 1976-77	1,391,824
Actual 1975-76	786,801
Requested increase \$2,590,132 (186.1 percent)	
Total recommended reduction	\$78,796

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Staff Appointments. Recommend legislation to (1) provide for appointment of executive director by the Arts Council and (2) reduce exempt positions from six to two. 960
2. *Special Consultants. Reduce by \$45,900.* Recommend deletion of three special consultants from program services. 961
3. Consultant Services. Recommend consultants be shown as a separate component of operating expenses in future 961

CALIFORNIA ARTS COUNCIL—Continued

- budgets.
4. Advisory Panels. Withhold recommendation on \$16,320 for travel expenses of 24 advisory panels. 961
 5. *Bilingual Arts Program Developer. Reduce by \$17,896.* 962
Recommend deletion of proposed new position. Recommend bilingual services be obtained on either a temporary help or consultant basis.
 6. Clerical Support. Recommend council budget for clerical support on a pooled workload basis, rather than by post assignment. 962
 7. Grants Program. Withhold recommendation on the following elements totaling \$2,045,000: (a) Artists in Communities/Artists in Schools, (b) Artists in Social Institutions, (c) Alternative Education, (d) Sponsor Development, (e) Design and Graphic Assistance, (f) Cultural News Service, (g) Response to Institutions, and (h) Regional Assistance. Also withhold recommendation on six proposed new positions totaling \$71,614 and \$51,347 in operating expenses related to grant program expansion. 962
 8. *Council Ombudsman. Reduce by \$15,000.* Recommend deletion of ombudsman in planning and evaluation program to eliminate duplication of effort between ombudsman and staff. 965
 9. Evaluation. Recommend program evaluation be conducted by an independent agency. The Office of the Legislative Analyst and the Program Evaluation Unit of the Department of Finance should be apprised of the development of evaluation plans so that the information needs of the legislative and executive branches can be satisfied. 966

GENERAL PROGRAM STATEMENT

The California Arts Council, successor to the California Arts Commission, began operation in January 1976. The legislation creating the Arts Council, the Dixon-Zenovich-Maddy California Arts Act of 1975, directed the Arts Council to (a) encourage artistic awareness and expression, (b) assist local groups in the development of art programs, (c) promote the employment of artists in both the public and private sector, (d) provide for the exhibition of artworks in public buildings, and (e) ensure the fullest expression of our artistic potential.

In carrying out this mandate, the Arts Council has focused its efforts on the development of a grants program to support artists in various disciplines. The program contains four categories: (1) Arts/Artists in Communities, (2) Organizational Grants, (3) Fellowships and Projects, and (4) Information and Assistance. Each of these categories and its components is discussed below.

ARTS/ARTISTS IN COMMUNITIES

Artists in Communities/Artists in Schools

The communities element is designed to help urban and rural communities discover their own modes of expression by placing artists in community centers for a six- or twelve-month residency. The schools element is designed to place working artists in schools where the creative process can be observed, shared and become an integral part of the curriculum.

Artists in Social Institutions

Designed to make art available to inmates, clients, patients and staff of prisons, half-way houses, welfare offices, farm labor camps, and mental health centers, this element develops apprenticeships in the training of artistic skills, provides employment for artists and enhances the living environment of social institutions.

Alternatives in Education

This element provides an alternative education in the study of art and demonstrates the use of art in the teaching of traditional academic subjects primarily in the elementary grades.

Arts/Artists in Public Places

This element presents the performance and exhibition of art in easily accessible public places.

ORGANIZATIONAL GRANTS

Organizational Grants

This element provides grant support for California arts organizations engaging in the performing, visual and literary arts.

FELLOWSHIPS AND PROJECTS

Sponsor Development

Sponsor development (new in the budget year) is a pilot project to (1) develop a network of program presentors and touring artists and (2) train sponsors to book, produce and report on touring concerts and exhibitions.

Design and Graphic Assistance

This pilot project (new in the budget year) will fund the hiring of a graphic artist to assist state agencies in developing design materials. Training assemblies will be held for interested state agencies.

Special Projects

This grant element funds projects for which no other private or public support is available.

INFORMATION AND ASSISTANCE

The Cultural News Service

This service develops statewide registries of artists, facilities, sponsors, donors, patrons, employment opportunities and art materials, produces a monthly publication and conducts educational conferences.

CALIFORNIA ARTS COUNCIL—Continued**Response to Institutions**

Response to Institutions, a component of the Cultural News Service, provides consultants to art organizations and cultural centers for short periods of time.

Regional Assistance

Regional assistance, also a component of the Cultural News Service, funds workshops tailored to the interests and needs of each area of the state and provides information on grant support available on a local, state and national basis.

Planning and Evaluation

This element (1) supports information workshops, public forums, and conferences throughout the state to receive input and exchange ideas about art in California, (2) provides evaluation of council programs, and (3) encourages interaction between the Arts Council and other state agencies.

ANALYSIS AND RECOMMENDATIONS

The council proposes a state appropriation of \$3,981,956, an increase of \$2,590,132 or 186.1 percent over estimated current-year expenditures. This increase is primarily attributable to a \$2,438,964 increase in grant support with a related increase of \$89,510 for new personnel and \$51,347 for operating expenses and equipment. Table 1, which summarizes the proposed budget, reflects a total expenditure program of \$4,196,956, including federal funds. The reduction in federal funds reflects the difficulty of anticipating the level of federal support at this time. Ultimate funding from this source probably will be higher. The amount shown represents only the block grant received by California (as well as all the other states) from the National Endowment for the Arts (NEA). The council plans to use this grant for an expanded theater touring program, supplies for visual artists, and an incentive award to a California organization to encourage promotion of the arts.

The program services component of the council's operating expenses and equipment item includes \$16,320 to pay the travel costs of 24 advisory panels. These panels are assigned to each grant program for the purpose of reviewing grant applications for recommendation to the council. The state-funded portion of the grant program is detailed on a category basis in Table 2. The major portion of program support, 57.6 percent, is devoted to the Arts/Artists in Communities grant category. As shown in Table 2, the sponsor development and graphic seminars projects are new elements proposed for the budget year, while the remaining 10 elements represent a continuation of current-year efforts.

New Positions

The council is proposing a net increase of seven new positions in the budget year, including the reclassification of a senior clerk typist to a staff services analyst. The remaining new positions consist of two arts program developers, one stenographer, two clerk typists II's and two personnel-

Table 1
Budget Summary
California Arts Council

	<i>Current Year 1976-77</i>	<i>Budget Year 1977-78</i>	<i>Change from Current year</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Funding</i>				
General Fund	\$1,391,824	\$3,981,956	\$2,590,132	186.1%
Federal funds	525,202	215,000	-310,202	-59.1
Total.....	\$1,917,026	\$4,196,956	\$2,279,930	118.9%
<i>Program</i>				
Personal Services	\$195,731	\$287,476	\$91,745	46.9%
Personnel-years.....	11	18	7	63.6
Operating Expenses and Equipment	\$180,057	\$239,480	\$59,423	33.0
Grants Program				
State.....	1,016,036	3,455,000	2,438,964	240.0
Federal	525,202	215,000	-310,202	-59.1
Total.....	\$1,917,026	\$4,196,956	\$2,279,930	118.9%
Personnel-years.....	11	18	7	63.6

Table 2
State Grant Funding
California Arts Council

	<i>Current Year 1976-77</i>	<i>Budget Year 1977-78</i>	<i>Change from Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Arts/Artists in Communities</i>				
Artists in communities/				
Artists in schools	\$217,000	\$1,000,000	\$783,000	360.8%
Artists in social institutions	5,000	240,000	235,000	4,700.0
Alternative education	109,000	250,000	141,000	129.4
Arts/Artists in Public Places.....	109,000	500,000	391,000	358.7
Subtotal.....	\$440,000	\$1,990,000	\$1,550,000	352.3%
<i>Organizational Grants</i>				
Organizational grants	207,000	500,000	293,000	141.5
Subtotal.....	\$207,000	\$500,000	\$293,000	141.5%
<i>Fellowships and Projects</i>				
Sponsor development	—	100,000	100,000	—
Graphic seminars.....	—	5,000	5,000	—
Special projects.....	135,036	350,000	214,964	159.2
Subtotal.....	\$135,036	\$455,000	\$319,964	236.9%
<i>Information and Assistance</i>				
Cultural news service	172,000	350,000	178,000	103.5
Response to institutions	12,000	50,000	38,000	316.7
Regional assistance	25,000	50,000	25,000	100.0
Planning and evaluation	25,000	60,000	35,000	140.0
Subtotal.....	\$234,000	\$510,000	\$276,000	117.9
Totals.....	\$1,016,036	\$3,455,000	\$2,438,964	240.0%

years of temporary help. The addition of these positions will increase council staff from 11 to 18 positions.

One arts program developer will be responsible for translating into Spanish all materials which are released to the public from the Arts Council. The other arts program developer will serve as a community coordina-

CALIFORNIA ARTS COUNCIL—Continued

tor to develop projects within the arts/artists in communities program. The stenographer position will manage increased workload generated by the expanded grant program and serve as support staff for the staff services analyst in charge of contract coordination and the administrative analyst in charge of the budget. The two clerk typists are designed as secretaries for the two deputy directors and support for the art program developers. Finally, the two temporary help positions, filled by graduate student assistants, will aid the technical staff in the areas of program, legislation and research.

Administrative Costs**Exempt Positions**

We recommend legislation to (1) provide for appointment of the executive director by the Arts Council, rather than the Governor, and (2) reduce exempt positions from six to two.

The Governor, in conformance with Section 8754 of the Government Code, has the authority to appoint the director and two deputies for the Arts Council staff. In addition, the Governor appoints the nine members of the council with the advice and consent of the Senate. The three staff members, as well as the nine council members, serve at the pleasure of the Governor for unspecified terms. The Constitution of California provides that each appointed staff member may in turn appoint an exempt assistant. As a result, six of the current Arts Council staff of eleven are exempt positions. Although we recognize that the unique staffing needs of an arts organization are not necessarily compatible with the constraints of a civil service system, we believe that this number of exempt positions is excessive, particularly in view of the fact that the nine-member council exists to give policy direction and guidance to the staff.

Other state agencies do not have such a large ratio of exempt positions. For instance, the California Highway Patrol has a total of two exempt positions (the commissioner and the deputy commissioner) for a program with 7,592.2 personnel-years in the current year and a total budget of \$204,582,106. Similarly, the Department of the Youth Authority has two exempt positions (the director and executive assistant) for a total program of \$122,363,091 and 4,193.8 personnel-years in the current year.

Based on our preliminary analysis of current and past council operations, we believe that there are organizational and program efficiencies to be gained if major staff changes are avoided at the time of shifts in administration. As currently constituted, 55 percent of the council's staff is serving directly or indirectly at the Governor's pleasure. In addition, the staff and council members have little incentive to work interdependently, in that most of the staff and all of the council members are responsible to the Governor. We therefore recommend legislation to (1) enable the Arts Council to appoint its own director, as is the standard practice with most plural state bodies, and (2) reduce total appointed staff from three to one (the executive director appointed by the council), thus reducing the number of exempt staff positions from six to two.

Consultant Services—Delete Positions

We recommend the deletion of three special consultants, one for liaison with the Departments of Corrections and the Youth Authority, one for liaison with the Department of Education, and one proposed to work with galleries and museums, for a savings of \$45,900 in program services.

The council proposes to utilize three consultants, each for a six-month period, at a cost per person of \$15,300 including salary, staff benefits, communication, and travel expenses. The consultants will perform the following tasks: one will develop cooperative programs with the state departments of Corrections and the Youth Authority; one will provide liaison with the Department of Education; and one will develop new and improved methods of working with and assisting galleries and museums. Employment of private consultants to provide liaison between state agencies appears to be a duplication of what should be an ongoing staff function for program development. Similarly, coordination with museums and galleries appears to be more appropriately accomplished on a full-time staff basis. We therefore recommend deletion of these three consultants.

Consultant Services—Future Budgets

We recommend that the California Arts Council itemize consultant services as a separate component of operating expenses in the future, rather than including it in program services as done currently.

In the Governor's Budget, the council's program services are proposed as an operating expense of \$95,000. A detailed analysis of this figure reveals that 83 percent of this amount, or \$78,680, is scheduled for consultant services (five consultants for a six-month period at a cost of \$76,500 and short-term contracts totaling \$2,180). The remaining \$16,320, or 17 percent, is scheduled to pay the travel expenses of the previously mentioned advisory panels. Inclusion of consultant services under program services does not accurately reflect the level of personnel support for the council's programs. These services should be shown as a separate component of budgeted operating expenses.

Advisory Panels

We withhold recommendation on \$16,320 of program services' funds proposed for travel expenses of 24 advisory panels, pending receipt of information on their functions and costs.

In order to process the large number of grant applications received, the council utilizes advisory panels (generally composed of four members) to review and evaluate grant applications and make recommendations to the council. The panelists serve without compensation but are reimbursed for necessary travel and expenses. While we recognize the need for assistance in the evaluation of grant proposals, we have several concerns. It is not clear how the panel pool is established or how members are selected for a particular panel (by whom, using what criteria). We believe that the professional affiliations of panelists should be made public in order to reduce the possibility of conflicts of interest with potential grant recipients. Finally, the panel's role in the decisionmaking process should be clearly defined, especially as to whether staff or council members have the authority to veto panel recommendations. The council advises that 24

CALIFORNIA ARTS COUNCIL—Continued

panels are required for the budget year. With four panelists attending, at an average cost of \$150 per trip per person, expenses should total \$14,400 rather than the \$16,320 budgeted.

Bilingual Arts Program Developer

We recommend deletion of a proposed bilingual arts program developer and recommend that needed bilingual translation be obtained on either a temporary help or consultant basis, from other budgeted resources, for a savings of \$17,896 including staff benefits.

The council proposes a new bilingual arts program developer to translate into Spanish all materials released to the public from the Arts Council. The duties also will include program development and meeting with community groups and social institutions to discuss programs that relate to Spanish-speaking groups.

While we agree with the need for bilingual information, the council has not demonstrated that the translation workload would be high enough to justify a full-time position solely for this function. A preferable alternative would be to obtain bilingual services on a temporary help or part-time consultant basis as required.

Clerical Support

We recommend that the council budget for clerical support on a pooled workload basis, rather than by post assignment.

In its internal budget documents, the council indicates, as noted earlier, that three proposed new clerical positions will be assigned directly to specific staff members, including the two deputy directors, one junior staff analyst, and one administrative analyst. Such utilization of clerical staff in a small organization generally is inefficient and tends to result in workload imbalance. We therefore recommend that the council budget its clerical support on a pooled workload basis consistent with the practice of other state agencies.

Grant Expenditures Lack Supporting Data

We withhold recommendation on the following grant projects totaling \$2,045,000: (a) Artists in Communities/Artists in Schools, (b) Artists in Social Institutions, (c) Alternative Education, (d) Sponsor Development, (e) Design and Graphic Assistance, (f) Cultural News Service, (g) Response to Institutions, and (h) Regional Assistance pending receipt of detailed information on project scope and the basis of planned expenditures.

In addition, we withhold recommendation on six proposed new positions totaling \$71,614 and \$51,347 in operating expenses related to the expanded grant program, until the requested program information is received.

We are withholding recommendation on the major portion of the council's program pending the receipt of information identifying the basis on which the additional grant funding is to be used in each project. While it may be necessary to accept the thrust of the council's program at least partially on faith, recognizing that creative concepts often are not quan-

tifiable or measurable in traditional terms and that many council projects have just started in the current year we, nevertheless, are concerned that the council develop a workable budget proposal to achieve its goals. This should be done by identifying how individual dollar components of each proposed grant element are to be spent, including the administrative support required, and detailing how these components relate to the total program. The internal budget documents supplied by the council generally lack this detail. Our information needs for particular grants are discussed below.

(a) Artists in Communities/Artists in Schools

The council proposes to increase funding for this element from \$217,000 to \$1 million in the budget year. Information has not been provided to indicate how this money is to be utilized including, for example, the number of schools and community centers that will participate, the geographic areas to be served, the number of artists to be involved, and the monitoring and personnel requirements for grant administration.

In past years, federal funds have been available to support portions of this program. It is unclear, as of this writing, whether federal funds will be utilized in the budget year. In addition, 50 part-time consultants have been employed by the schools element in the current year. The council advises that it has not decided whether this practice will continue in the budget year. We are concerned about the role of these consultants in relation to the resident artist and the teacher, as well as the administrative coordination required to operate the program. We therefore withhold recommendation pending submission of the requested information.

(b) Artists in Social Institutions

A \$235,000 funding increase (from \$5,000 to \$240,000) is proposed for this element, which is a three-year pilot project currently in its second year. The requested increase is to be utilized as follows: (1) \$100,000 for twenty \$5,000 grants to artists working in social institutions, (2) \$100,000 for offenders and other selected participants to teach art skills in the outside community and rent workshop space for this purpose, and (3) \$35,000 for two pilot target areas where program number (2) above will be implemented and monitored by a panel of local people. The program information supplied by the council does not identify the mechanics of these projects. We lack information on the number, locations and space requirements of the workshops as a basis for evaluating the \$135,000 funding request. Also lacking are criteria to be used in selecting program participants as well as information on the administrative support requirements for the total project. We therefore withhold recommendation.

(c) Alternative Education

The council proposes to increase its support of the alternative education element from \$109,000 to \$250,000 in the budget year. The council advises that this program has focused primarily on primary age children in private schools or organizational settings rather than in public schools. It is not clear how the additional \$141,000 is to be utilized in terms of reaching children of other ages in different organizational settings. We lack infor-

CALIFORNIA ARTS COUNCIL—Continued

mation on the number of grants to be awarded, the geographical distribution of awards; the number of artists and children to be involved and administrative staffing requirements. Pending clarification of these matters, we withhold recommendation.

(d) Sponsor Development

This pilot program, supported by \$100,000 in the budget year, proposes to develop a network of sponsors and touring artists and train sponsors to book, produce and report on touring concerts and exhibitions. The council estimates that approximately 100 to 250 sponsors and 200 to 500 artists would be included. The benefits to be realized by this program, according to the council, are "growth in number of presentations, audience development, and political support from wide geographic areas."

We lack sufficient information on the need for this service. It is our understanding that such training is available at large educational institutions such as UC Berkeley and UCLA. Thus, it appears that the training portion of this project would be duplicative of educational programs which already receive General Fund support. The council has not indicated the portion of the proposed \$100,000 to be devoted to the training function. If additional training seminars are needed, we believe they should be presented on a cost reimbursement basis as a public service, rather than financed by the General Fund. We therefore withhold recommendation pending clarification of these issues.

(e) Design and Graphic Assistance

The council proposes funding of \$5,000 to sponsor training workshops to assist interested state agencies in the development of design materials. The interest in this program on the part of state agencies has not been demonstrated. We withhold recommendation pending submission of information on (1) the number of state agencies willing to participate in this program, (2) council staffing and material requirements, and (3) a detailed description indicating the manner in which the workshops will be initiated and carried out.

(f) Cultural News Service

The Cultural News Service (CNS) was designed by the council's communications subcommittee to assimilate and distribute arts information and began operation as a grant-supported function on November 1, 1976. Support for CNS is proposed to increase from \$172,000 in the current year to \$350,000 in the budget year.

We believe the information function served by CNS is essentially an ongoing administrative responsibility which is inappropriate to fund as a grant program. The CNS has its own staff of four (a coordinator, an associate coordinator, a program analyst and a secretary) costing \$69,110, its own office facilities and overhead (\$80,000), and its own arts program (\$200,890) including community centers, conferences, newsletters, TV production, and two separate program components totaling \$100,000 (Response to Institutions and Regional Assistance) discussed below. Existence of CNS does not eliminate public inquiries to the council. The council must still

have the capability to respond. In fact, the council currently has contracted a liaison person to work with CNS and requires that all major CNS decisions be subject to the approval of the council executive director and the council itself. We are concerned that the administrative costs to operate CNS may be diverting funds which could be used to support additional artists. In our judgment, the CNS public information service would be more appropriately incorporated as a regular staff function able to address public inquiries directed to the council, thus reducing overall administrative costs. We withhold recommendation on this item pending clarification from the council as to why CNS should not be incorporated as a staff function.

(g) Response to Institutions

Support for this separately budgeted component of CNS is scheduled to increase from \$12,000 to \$50,000 in the budget year. This project assists art organizations and cultural centers by making art-related information and expert consultant services available to them. We lack information as to why this item is budgeted separately, and why it would not be more appropriately incorporated as a council rather than CNS function. The nature and extent of requests from art organizations and cultural centers, as well as administrative staffing requirements, also is unclear. We therefore withhold recommendation.

(h) Regional Assistance

CNS's regional assistance program is proposed to increase from \$25,000 in the current year to \$50,000 in the budget year. The Arts Council has divided the state into five regions, called bio-regions, based on natural geographical boundaries. The regional assistance project will conduct not less than one informational and educational conference in each of the five bio-regions of California. We lack clarification as to why this is a CNS rather than a council staff function, particularly in light of the fact that the executive director and council must approve the format, content, attendance, and all other matters relating to such conferences or workshops in accordance with the CNS contract. In our judgment, these conferences appear to be a duplication of effort with the planned forums and workshops scheduled under the council's planning and evaluation program. We withhold recommendation on this item pending clarification of these matters and the staffing requirements for scheduled conferences.

Other Positions Related to Grant Expansion

In addition, we withhold recommendation on six proposed new positions totaling \$71,614 and \$51,341 in operating expenses related to the expanded grant program, until the requested program information is received.

Planning and Evaluation

We recommend deletion of a council ombudsman in the planning and evaluation program for a savings of \$15,000.

As part of its planning and evaluation efforts, the council plans to conduct workshops, public forums, and conferences throughout the state to

CALIFORNIA ARTS COUNCIL—Continued

discuss present and future programs of the council as well as present and future needs of the arts community. In order to carry out this program, the council proposes that a statewide council ombudsman meet with individual artists, arts organizations, legal groups and other interested people. The council will contract with a maximum of three people in the budget year for this function.

In our view, this proposal is an expansion of the council's program responsibilities. These activities and the role of an ombudsman would appear to fall more appropriately under the council's normal operations, rather than as a grant program, since staff must make recommendations to the council regarding program allocation. We also are concerned that concentration on these workshop activities may detract from program evaluation. Based on apparent duplication of effort between the ombudsman and staff, we recommend deletion of this component of planning and evaluation.

Evaluation

We recommend that program evaluation of projects funded by the council be conducted by an independent agency. The Office of the Legislative Analyst and the Program Evaluation Unit of the Department of Finance should be apprised of the development of evaluation plans so that the program information needs of the legislative and executive branches can be satisfied.

The Arts Council's program is new and innovative in its approach as well as scope. In evaluating its projects, we believe the following information is desirable for each element: (1) delineation of objectives, both immediate and future, (2) discussion of how the project will operate, indicating the staffing and materials required, (3) explanation of the needs and/or problems addressed by the project, (4) indication of the geographical location of projects, (5) specification of the groups of people and communities which are being impacted, (6) prediction of the overall accomplishments of the project, and, (f) itemization of project expenditures by personal services, operating costs, and program expense. The availability of this information will facilitate analysis of the Arts Council's program for legislative and public review.

The council's current-year budget includes \$25,000 for planning and evaluation. The council advises that all current-year programs could be evaluated for \$10,000 to \$15,000. We have discussed these figures with several evaluation experts, including a specialist with the Ford Foundation, and believe the estimate is too conservative for an evaluation of all 10 programs. We request the council to keep us apprised of its evaluation plan as it is developed.

In the budget year, the council has proposed \$60,000 for planning and evaluation, including \$15,000 for an ombudsman as discussed earlier. We lack information concerning the allocation of the remaining \$45,000 between the information workshop, program evaluation and interagency activities components of planning and evaluation, but the council advises that the major portion of available funding will be apportioned to informa-

tion workshops. We are concerned that this concentration of effort may place independent evaluations of council programs in jeopardy. We therefore recommend that an independent agency conduct the evaluation of council projects and that the Office of the Legislative Analyst and the Program Evaluation Unit of the Department of Finance be apprised of the development of evaluations plans so that the program information needs of the legislative and executive branches can be satisfied.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 340.1 from the General

Fund

Budget p. 954

Requested 1977-78	\$789,157
Estimated 1976-77	378,139
Actual 1975-76	29,139
Requested increase \$411,018 (108.7 percent)	
Total recommended reduction	\$15,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Contract Services. Reduce by \$15,000.* Recommend contract services be eliminated. 968
2. Broadcast Station Grants. Recommendation withheld on proposed augmentation pending additional justification of the need for such expansion and clarification of distribution policies. 969

GENERAL PROGRAM STATEMENTS

The California Public Broadcasting Commission (CPBC) was established effective January 1, 1976, by Chapter 1227, Statutes of 1975, as an independent entity in state government in order to encourage the growth and development of public broadcasting. The commission is to assume all educational television responsibilities held formerly by the Department of General Services. Specified duties and powers of the commission include (1) making grants to public broadcasting stations, (2) facilitating statewide distribution of public television and radio programs, (3) applying for, receiving and distributing funds, (4) conducting research, (5) promulgating regulations, and (6) reporting annually to the Governor and Legislature.

The 11-member commission is composed of (1) the Superintendent of Public Instruction, (2) the Director of the Postsecondary Education Commission, (3) two appointees of the Senate Rules Committee, (4) two appointees of the Speaker of the Assembly and (5) five appointees of the Governor.

CPBC has an authorized staff of three; the executive director, an associate governmental program analyst (administratively reclassified from a staff services analyst level during the current year) and a senior stenographer.

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

ANALYSIS AND RECOMMENDATIONS

Contract Services

We recommend contract services be eliminated for a General Fund Savings of \$15,000.

The budget includes \$15,000 for contract services in 1977-78. This is \$1,000 below the \$16,000 estimated for this purpose in 1976-77. It is our understanding that \$16,000 was used to reimburse the Assembly Rules Committee for the first six months salary of the interim executive director and to provide an annual salary level higher than that budgeted. Even though the interim director was appointed permanent director of the commission on August 3, 1976, we are informed the incumbent remains on the payroll of the Legislature and that a new contract to continue the reimbursement procedure will be established for the remainder of this fiscal year. We question the propriety and need for this unusual funding mechanism.

Because the salary for an executive director is included in the 1977-78 Budget request, contract services funds can no longer be justified for augmenting the budgeted salary level and should be deleted.

Broadcast Station Grants

Last year's budget proposal would have provided the commission a total of \$130,000 for both administration and grants during the current year. This funding level represented the carry-forward balance of the special legislation and appropriation which created the CPBC (Chapter 1227, Statutes of 1975). The Legislature subsequently approved an augmentation of which \$250,000 was scheduled for grants to public broadcasting stations.

The Governor reduced the Legislature's augmentation which then provided a total of \$225,213 for grants. In reducing the item the Governor stated,

"I am not yet persuaded the state should assume a major role in support of public broadcasting. Despite this reservation, I will approve this item as reduced to give the Public Broadcasting Commission an opportunity to demonstrate its value and the social justification to the taxpayer."

Because the carry-forward balance available from Chapter 1227 was more than anticipated, the budget indicates the commission now will be able to provide \$254,713 in grants to public broadcasting stations during the current year. Based on a formula in the enabling legislation, distribution should be as follows:

<i>Stations</i>	<i>Percent</i>	<i>Amount</i>
Television	83.25%	\$212,049
Radio	16.75	42,664
Totals	100.00%	\$254,713

Distributions to date are as follows:

<i>Television</i>	<i>Amount</i>
Aid to KEET (Eureka public television station)	\$15,000
Special Events Grant Fund	20,000
Statewide Public Affairs Series	150,000
Subtotal	<u>\$185,000</u>
 <i>Radio</i>	
Sacramento Radio Bureau	40,000
<i>Undistributed</i>	<u>29,713</u>
Total	<u>\$254,713</u>

Broadcasting Station Grant Augmentation

We withhold recommendation on the proposed augmentation for grants of \$390,600 pending additional justification of the need for such an expansion and clarification of the commission's policies for distributing these funds.

The budget proposes an expanded level of \$645,300 for grants to public broadcasting stations. This is an increase of \$390,587 or 153.3 percent over the 1976-77 authorized level of \$254,713.

We have several questions and concerns relating to the need for and distribution of such a large augmentation for new grants.

1. Although the budget justification submitted with the augmentation request suggests how the additional funds *could* be spent, it does not show (a) how the public would be benefited by such expenditures more than by the programming that would otherwise be available, (b) what public benefits would be lost if the augmentation were not approved, (c) that a need for grant funds actually exists at the requesting station and (d) that funding has been requested and was not available from other sources.

2. There is a possibility that these grant funds may merely duplicate or replace other funds. For example, a number of public broadcasting radio stations are owned and operated by public institutions of higher education and already receive substantial General Fund support through parent agencies. Other station funding may come from federal, private foundation, subscription and state sources.

3. It is questionable whether there will be an adequate number of quality projects to match the expanded level. Of the seven radio grant proposals during 1976-77, the commission found only one proposal that met CPBC guidelines and was suitable for funding. Of the fourteen television proposals, seven qualified under the guidelines and only three were recommended for funding because the others fell short of the commission's goal of "high impact statewide public affairs programming."

The disappointing overall quality and quantity of grant applications may be the result of start-up problems of the program. However, we believe some evidence of high quality, high benefit proposals which cannot be funded under existing levels should be clearly demonstrated by the commission *before* major funding increases are granted.

4. To be able to spend the higher amount of grants, the commission may be required to expand its clients, with a potential for reduced quality of programming. Initially, commission policy limited those eligible to re-

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

ceive grants to a qualified public broadcasting station. Under this rule, independent program producers were required to apply for grants through these stations. This resulted in reasonable assurance that independently produced programs would actually be carried by a public broadcasting station.

It has come to our attention that the commission is exploring a new policy of providing direct grants to independent producers. If this occurs, we are concerned that these expenditures may produce programming that will never be used by public stations.

We believe that these questions and concerns should be addressed prior to any increase in funding for grants. We therefore withhold recommendation pending further information from the commission clarifying its policies.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 341 from the General Fund

Budget p. 956

Requested 1977-78	\$177,313
Estimated 1976-77.....	172,570
Actual 1975-76	146,350
Requested increase \$4,743 (2.7 percent)	
Total recommended reduction	\$177,313

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Funding. Reduce \$177,313.* Recommend deletion of General Fund support for the commission. Further recommend transfer of the \$177,313 to Item 337, the Department of Finance, to fund proposed economic development program.

972

ANALYSIS AND RECOMMENDATIONS

The commission was created in 1972 to provide guidance for statewide economic development. It is composed of legislative and private sector members and chaired by the Lieutenant Governor. Its statutory responsibilities include considering and recommending economic development programs and annually reporting activities, findings and recommendations to the Legislature and the Governor. In addition, the law requires the commission to provide policy guidance to the State Department of Commerce. However, that responsibility cannot presently be fulfilled because that department has not been funded since the 1974-75 fiscal year.

The commission's staffing and expenditures are summarized in Table 1.

Table 1
1975-76 through 1977-78

	<i>Personnel-years</i>			<i>Expenditures</i>		
	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Proposed</i> 1977-78
Personal services	3.5	3	3	\$82,414	\$92,859	\$91,858
Operating expense and equipment				63,936	79,711	85,455
Total General Fund costs.....				\$146,350	\$172,570	\$177,313

Statutory Life to Expire

Under existing law, the commission's statutory life is scheduled to end June 30, 1977. The proposed 1977-78 budget is, therefore, contingent upon enactment of legislation extending this termination date.

Past Record Disappointing

In our annual review of its activities for each of the last three years, we found that the commission has been unable to meet its statutory responsibility of providing economic development guidance. These activities included sponsorship of fact-finding conferences and various task force activities in areas of housing construction, economic planning, tourism, rural economy, taxation and international trade. These activities generated some useful private sector-government dialogue concerning existing problems and potential areas for action. But, in most cases, they did not result in specific recommendations for goals and programs, or in proposed legislation for implementation. Consequently, the commission, in its four years of existence, has had no tangible results to demonstrate its capability to (1) provide effective economic development guidance and, more importantly, (2) initiate program development and implementation.

On the basis of this record, we determined that the commission lacked the capability to provide effective economic development guidance to warrant state fiscal support. Therefore, we recommended the deletion of General Fund support for the commission in each of the last three years, but our recommendations were not accepted. Instead, the commission's budget was more than doubled in 1975-76 and that higher figure was continued in 1976-77. It is now proposed to be continued in the budget year, contingent upon the extension of the commission's life beyond the existing June 30, 1977 deadline.

Current-Year Activities Show Little Promise for Progress

In response to legislative mandate in the 1976 Budget Act, the commission's chairman outlined three general objectives and nine specific programs to achieve them. Some of these programs, such as recommendations for legislation have been implemented. But most of them are just getting underway or are still in the planning stage and, consequently, cannot be evaluated at this writing.

While we acknowledge this first attempt by the commission to provide economic development objectives and programs, we do not believe it will produce the desired results for the following reasons:

1. These objectives and programs were developed in response to grievances and specific requests from the private sector. They were not developed in response to professionally assessed economic development

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

problems;

2. The commission lacks professional staff support and has been unable to draw upon available professional research assistance from governmental agencies or from the private sector. This has resulted in a lack of professional understanding of the state's economic development problems and the capability of dealing with them; and

3. There is an inability to generate active participation and support from the administration and from the Legislature for its activities.

Analysis of its past and current record of performance indicates that the commission, in its present form and composition, has not and most likely will not be able to resolve the problem areas outlined above. Therefore, we believe it will not be able to fulfill its statutory responsibilities effectively in the foreseeable future.

Need for a Basic State Economic Development Program

We recommend deletion of the proposed General Fund support of \$177,313 for the commission.

We further recommend that this amount be made available for augmentation of Item 337, Department of Finance, to fund a basic economic development program.

We believe that there is a limited, basic role for state government in economic development which, if implemented effectively, would provide needed, but currently nonexistent functions in this area.

We suggest that this basic role and these functions be implemented with the following program, administered by the Department of Finance, using the funds deleted from the Commission for Economic Development.

Proposed Activities. We believe that activities under this role should be limited to (1) professional assessment of the state's economic situation and problems, (2) formulation of specific economic development objectives and programs to implement those objectives, (3) provision of useful economic development data and (4) research, correspondence and technical assistance functions. The first two of these functions, to be best undertaken by an appropriate, professional advisory group, would provide the needed direction (goals, objectives) for state government to formulate an achievable economic development program. The other two functions, to be best performed by the professional staff of the Department of Finance, would provide staff support for the proposed basic economic development efforts. These efforts are considered the most effective and cost-efficient economic development activities for state government, without overlapping or duplicating existing governmental and private sector economic development efforts. The Department of Finance is the agency most closely linked to the Governor's fiscal policies and programs and is therefore best situated to benefit from and implement the economic data and objectives produced by this effort.

Advisory Group. This body would (1) assess periodically the state's economic situation and problems, (2) suggest economic development objectives addressing these problems, (3) guide the Department of Finance staff in development and implementation of economic development pro-

grams and (4) advise, upon request, the Governor and the Legislature on economic matters. We perceive this group to be small (maximum 15 members), composed of professional economists and economic development specialists representing the various sectors of the state's economy, including business, industry, finance, labor, academia and government. Its role should be limited to an advisory capacity and it should be accessible to the Governor and to the Legislature.

To provide this advisory assistance in the most efficient manner, we suggest expansion of an existing Economic Advisory Group responsible to the Director of Finance, rather than creating a new entity.

Format and Location of Staff Support. To provide professional staff support, we suggest expansion of the staff and functions of the existing Financial and Economic Research Unit of the Department of Finance to include the desired economic development activities. This approach would provide for effective, professional staff support and would permit the most efficient use of existing and required new staff, without overlap or duplication of efforts.

Suggested Functions. Responsibilities of the expanded unit should include the following:

1. General staff support to the advisory group.
2. Formulation of programs to implement development objectives of the advisory group.
3. Coordination of economic development efforts among state agencies.
4. Establishment of a central source for development and dissemination of pertinent economic development data and information.
5. Research, technical assistance and correspondence activities.
6. Special economic development studies, as requested by the advisory group.
7. Reporting annually to the Governor and to the Legislature with recommendations for legislation and administrative actions.

Federally Funded Economic/Job Development Projects

In addition to the basic program described above, there are various federally and jointly funded economic and job development projects currently administered through several state departments. These include major projects such as job programs under the Employment Development Department, and economic development programs under the Department of Housing and Community Development. An estimated \$113 million in federal and state matching funds is presently committed to the various state-administered economic and job development programs.

Currently, these programs are fragmented, uncoordinated, overlapping and often working at cross purposes.

Under our analysis of the Employment Development Department (Items 257 to 259) we have recommended a study to define and evaluate the state's role in these activities and to determine the most effective method of coordinating them.

MILITARY DEPARTMENT

Item 342 from the General Fund

Budget p. 957

Requested 1977-78	\$7,409,696
Estimated 1976-77	7,022,629
Actual 1975-76	6,416,080
Requested increase \$387,067 (5.5 percent)	
Total recommended reduction	\$75,238

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Chaplain Position. Reduce by \$40,729.* Recommend deletion of proposed staff chaplain position and related expenses. 976
2. *Policy and Liaison Officer. Reduce by \$34,509.* Recommend deletion of proposed Assistant Chief of Staff, Policy and Liaison and related expenses. 977

GENERAL PROGRAM STATEMENT

The purpose of the Military Department is to provide a military organization in California with the capability to: (1) protect the lives and property of the people in the state during periods of natural disaster and civil disturbances, (2) perform other functions required by the California Military and Veterans' Code or as directed by the Governor, and (3) provide military units ready for federal mobilization. The Military Department consists of three major units: the Army National Guard, Air National Guard, and the Office of the Commanding General.

Army National Guard

The troop strength of the Army National Guard is determined by the Department of the Army to meet the current contingency plans of the United States as developed by the Joint Chiefs of Staff with concurrence of the Governor. The Army National Guard currently consists of 21,000 officers and enlisted personnel in 181 company-size units.

Air National Guard

The Air Guard consists of four flying bases providing tactical airlift, tactical air support, air rescue and recovery, and air defense capabilities as well as communications units at six locations in the state. The Department of the Air Force allocates the units and the 5,270 authorized personnel throughout the state with the concurrence of the Governor.

Office of the Commanding General

The Office of the Commanding General is composed of state active-duty personnel and state civil service employees. The office has two elements: (a) command management and (b) military support to civil authority. Command management determines overall policies and exercises general supervision over those activities necessary to accomplish depart-

mental objectives. The military support element collects data and prepares plans, procedures, and orders for the deployment of California National Guard personnel and resources to assist state and local authorities in responding to natural or man-caused emergencies. Also included in this activity is the California Specialized Training Institute (CSTI) at Camp San Luis Obispo, which is a federally funded training course in civil disturbance management, officer survival and internal security, and school security offered to civilian and military personnel.

ANALYSIS AND RECOMMENDATIONS

The total proposed budget for the Military Department is \$131,688,294. Of this amount, approximately 93.5 percent is federally funded with the remaining 6.5 percent from the General Fund. The proposed General Fund appropriation of \$7,409,696 for departmental support is \$387,067 or 5.5 percent above the current year.

Table 1 shows the funding proposal by program area for departmental support. The decrease for the Office of the Commanding General results from the transfer of current-year costs (primarily communications expenses) from that element to the army and air national guard elements in the budget year. Based on current-year staffing adjustments, the Governor's Budget reflects a net increase of 6.0 positions (from 544.4 to 550.5). After deducting the equivalent of 13.4 personnel-years in salary savings, the budget provides for utilization of 537.1 personnel-years in the budget year, an increase of 5.9 from the current level of 531.2. California Cadet Corps positions are not included in these totals but are shown in Item 344.

Table 1
Military Department
Budget Summary

Program	Estimated 1976-77	Proposed 1977-78	Change From Current Year	
			Amount	Percent
I. Army National Guard	\$4,291,724	\$4,660,211	\$368,487	8.6%
II. Air National Guard	586,799	666,991	80,192	13.7
III. Office of the Commanding General ..	2,144,106	2,082,494	-61,612	-2.9
Total	\$7,022,629	\$7,409,696	\$387,067	5.5%
Positions	544.5	550.5	6.0	1.1%

Staff Changes

State authorized positions in the Military Department are funded either (1) entirely by the state, (2) by the federal government through reimbursements paid to the state, or (3) by a combination of state and federal funds. Positions which are financed *directly* by the federal government do not appear in the Governor's Budget. As reflected in Table 2, the department is requesting a total of 58 new positions, most of which were established administratively in the current year.

MILITARY DEPARTMENT—Continued

Table 2
Military Department
Proposed New Positions

	<i>Number of Positions</i>	<i>Salary Costs</i>	<i>Percent State Funded</i>	<i>Percent Federal Funded</i>
I. Army Division				
Custodian I.....	1	\$4,416 ^a	100%	-
Firefighters	8	85,377 ^b	-	100%
Carpenters, draftsmen and logistics workers	4	59,117 ^b	-	100
II. Air Division				
Maintenance mechanic.....	1	14,784	25	75
Building maintenance worker	1	7,116	25	75
Security guards	15	149,220 ^b	-	100
III. Office of the Commanding General				
A. Command Management				
Chaplain	1	33,184	100	-
Policy and liaison officer (lieutenant colonel)	1	27,568	100	-
Machine operator	1	9,036	100	-
B. California Specialized Training Institute				
Administrative, instructor, and clerical positions	25	459,537 ^b	-	100
Total	58	\$849,355		

^a Proposed for half-year funding only.

^b Established administratively in prior years and proposed for continuation in the budget year contingent upon the receipt of anticipated federal funding.

The custodian for the Army Division, the maintenance mechanic and the building maintenance worker for the Air Division and the machine operator I for Command Management are needed for increased workload and are proposed to be funded fully or partially from the General Fund. The four categories of positions in Table 2 which are proposed on the basis of 100 percent federal funding were established in prior years and are proposed for continuation in the budget year, contingent upon the receipt of anticipated federal funds. These include the firefighters, carpenters, draftsmen and logistics support positions in the Army Division, the security guards in the Air Division and the 25 positions in the California Specialized Training Institute.

Chaplain Position Not Needed

We recommend deletion of the proposed chaplain position for General Fund savings of \$40,729 annually.

The chaplain position is proposed to manage and direct the efforts of 38 volunteer field chaplains who are currently serving part-time in the California National Guard, to help recruit additional chaplains for the service, and to provide a unified statewide program of human relations. The department reports that the 38 field chaplains "have not been receiving direction from one source, but acting in a decentralized, independent manner which is not consistent with good management principles." The department further states that the guardsmen require "continuous,

moral-spiritual training which must be supervised by a qualified and trained chaplain" because they "may face immediate personal danger at any given moment or upon activation."

Most guardsmen are engaged solely in training activities. Occasionally, they may be called upon to back up police or firemen during state declared emergencies. Increased chaplain services would be more appropriate in time of actual war. We also believe that chaplain positions should be funded by the federal government as the function relates to the federal defense mission rather than to any state mission performed by the National Guard. We understand that state funds are sought for the position because the federal government will not allocate funds for such purposes.

Policy and Liaison Officer Not Justified

We recommend deletion of the proposed policy and liaison officer (lieutenant colonel) for General Fund saving of \$34,509.

The department proposes to add a policy and liaison officer to (1) assist the commanding general in reviewing legislation affecting the department, (2) direct the handling of requests for information about the National Guard from the public, private organizations and governmental officials, (3) oversee the guard's tour program, (4) review and evaluate departmental programs and policies, (5) ensure operational effectiveness, and (6) maintain liaison with various public and private groups which are interested in national guard programs.

We believe these activities would duplicate functions performed by existing high level positions and that the new position would therefore be an unwarranted addition to the present administrative staff. The Commanding General already has a chief of staff, a deputy chief of staff, two assistant chiefs of staff (one for the army and one for the air guard), a public affairs officer, a command sergeant major and a personal staff aide. In addition, there are five deputy chiefs of staff responsible for personnel and administration, operations and training, logistics and resources management.

Military Department
MILITARY RETIREMENT

Item 343 from the General
Fund

Budget p. 959

Requested 1977-78	\$778,892
Estimated 1976-77	778,892
Actual 1975-76	690,864
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This program applies only to military personnel ordered to state active duty prior to October 1, 1961, who have served 20 or more years, at least 10 of which have been on active duty. The benefits under this program are similar to those of the federal military retirement system. The law provides that persons ordered to active duty subsequent to October 1, 1961, are members of the Public Employees' Retirement System (PERS).

There are currently 45 people retired under this program. No increases are proposed because no new retirements are anticipated in the budget year. Nine more people will be eligible to retire under this program in future years.

Military Department
CALIFORNIA CADET CORPS

Item 344 from the General
Fund

Budget p. 960

Requested 1977-78	\$318,204
Estimated 1976-77	249,682
Actual 1975-76	134,290
Requested increase \$68,522 (27.4 percent)	
Total recommended reduction	\$13,735

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Positions. Reduce by \$13,735.* Recommend deletion of proposed 0.5 warehouse position and 0.3 captain coordinator position and related expenses. 979

GENERAL PROGRAM STATEMENT

The objective of the California Cadet Corps is to develop in youth the qualities of leadership, patriotism and citizenship under conditions of military discipline. The program provides training in basic military subjects,

first aid, survival and marksmanship, taught by credentialed teachers through the regular educational system. The Legislature appropriated additional funds in the current year to allow the program to expand from 68 to 102 participating junior and senior high schools and to increase enrollment from 3,200 to 4,800 cadets. The Military Department currently provides 4.7 positions for statewide coordination and program direction in addition to supplying uniforms, rifles, awards and other materials.

ANALYSIS AND RECOMMENDATIONS

We recommend that the proposed 0.5 warehouse and 0.3 captain coordinator positions be deleted for General Fund savings of \$13,735.

The Military Department is requesting \$318,204 for this program in the budget year, which is an increase of \$68,522 or 27.4 percent over current-year expenditures. The increase is primarily attributable to increased costs for replacing uniforms and general price increases for other supplies, postage and freight. The increase also includes 0.5 warehouseman's position to handle additional workload in managing cadet supplies because of the expansion of the program and 0.3 captain coordinator personnel-years to make full-time an existing 0.7 personnel-years approved in prior years. These positions will result in additional General Fund costs totaling \$13,735 annually.

New Positions Not Justified. The department reports that the captain coordinator position should be full-time to assist with summer camp, summer schools and national rifle matches and to facilitate at least four staff visits per year per school. We believe, however, that the existing 2.7 coordinator positions (one major and 1.7 captains) provide sufficient personnel for covering the summer cadet programs and for visiting individual cadet programs during the regular school year.

As we pointed out last year in recommending against an additional captain coordinator position, (although it was approved by the Legislature), there is little need for the department to visit a school three times yearly if it has participated in the program for a number of years and if the instructor has demonstrated the ability to teach the course properly. Except for a few minor adjustments, this program is taught in the same way with the same types of materials each year. Three or four visits per school per year should be reserved only for newly formed cadet programs and those which have demonstrated deficiencies in the past. Any reduction in the psychological value of such visits to the cadets or the instructors could be offset by correspondence and regional meetings to make better use of existing departmental staff.

Because of the additional staffing authorized last year, we believe the increased workload in the warehouse could be absorbed within existing resources. This could be accomplished by substituting the existing 0.7 coordinator position for the requested 0.5 warehouseman position.

PUBLIC UTILITIES COMMISSION

Item 345 from the General
Fund, and Item 346 from the
Transportation Rate Fund

Budget p. 963

Requested 1977-78	\$21,964,168
Estimated 1976-77	21,152,025
Actual 1975-76	18,997,941
Requested increase \$812,143 (3.8 percent)	
Total recommended reduction	Pending

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
345	Public Utilities Commission	General	\$13,315,654
346	Public Utilities Commission	Transportation Rate	8,648,514
		Total	\$21,964,168.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Budget. Withhold recommendation pending receipt and analysis of PUC responses to reorganization recommendations contained in a major management study. 982
2. Transportation Rate Fund. Recommend legislation to abolish the Transportation Rate Fund and deposit related revenue in the General Fund. 984
3. Utilities Reimbursement. Recommend legislation to provide that all public transportation and utilities reimburse the General Fund for appropriate regulation expense. 985

GENERAL PROGRAM STATEMENT

The Public Utilities Commission (PUC), created by constitutional amendment in 1911, is responsible for the regulation of privately owned public utilities. The term "public utility" includes such entities as electric, telephone, gas, warehouse, truck, bus, airline companies and pipeline corporations. For operating purposes, however, the PUC distinguishes between regulation of "transportation" companies and regulation of the remaining "utilities." The commission's primary objective is to insure adequate facilities and services for the public at reasonable and equitable rates consistent with a fair return to the utility on its investment.

The commission is composed of five members appointed to staggered six-year terms by the Governor with the advice and consent of the Senate. The commissioners annually elect one of their members as president. The executive director serves as the administrative head of the commission.

The commission has approval authority on all changes in operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities and may also initiate investigations of utility companies on its own volition. In all such cases, data are accumulated by the staff, hearings are held, deci-

sions rendered, and compliance secured through enforcement procedures. Appeal of commission decisions may be made only to the California Supreme Court, whose review power is limited to questions of law.

The commission is headquartered in San Francisco with an area office in Los Angeles and some staff located in 14 transportation division field offices throughout the state.

ANALYSIS AND RECOMMENDATIONS

Table 1 sets forth program expenditures, funding sources, positions and proposed changes:

Table 1
PUC Budget Summary

Programs	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
Regulation of utilities	\$7,526,117	\$9,092,514	\$9,535,113	\$442,599	5.9%
Regulation of transportation	9,857,179	9,803,845	10,101,384	297,539	3.0
Administration	2,648,053	3,698,426	3,472,972	(225,454)	(6.1)
TOTALS	\$20,031,349	\$22,594,785	\$23,109,469	\$514,684	2.3%
Funding Sources					
General Fund	\$10,800,236	\$12,727,481	\$13,315,654	\$588,173	4.6%
Transportation rate fund	8,197,705	8,424,544	8,648,514	223,970	2.7
Reimbursements	999,093	1,420,965	1,122,929	(298,036)	(21.0)
Federal funds	34,315	21,795	22,372	577	2.7
TOTALS	\$20,031,349	\$22,594,785	\$23,109,469	\$514,684	2.3%
Positions	842.3	895.5	885	(10.5)	(1.2%)

Although Table 1 shows a reduction of 10.5 positions for 1977-78, the figure is misleading because the 1976-77 position count is 25.5 above the 870 originally authorized in the budget as a result of administratively established positions. However, when the 1977-78 request of 885 is compared to the 870 originally authorized in 1976-77, there is a net increase of 15. This is comprised of 22 new positions to be reviewed by the Legislature for the first time and a reduction of seven previously authorized ones.

Although 25.5 positions were administratively established in 1976-77, only 12.5 of these are reported as such in the budget. In addition, a reduction of two authorized positions in 1977-78 is not specifically identified in the budget document. For this reason it is difficult to reconcile authorized positions from one budget to the next. We believe this reporting problem should be corrected in future budget presentations.

Table 1 also shows a moderate budgeted increase in all programs except administration which decreases in relation to a reduction in reimbursements. These reductions are caused primarily by the elimination of (1) nine reimbursed positions related to developing a specific environmental impact report and (2) five reimbursed energy conservation team positions for which contract support funds are no longer available.

Requested New Positions

The commission is requesting 22 new positions which include the continuation of some positions that were administratively established during the current year and are proposed for continuation in the budget year. The positions, by program activity and funding source, are shown in Table 2.

PUBLIC UTILITIES COMMISSION—Continued

Table 2
PUC Proposed New Positions

<i>Program Activity</i>	<i>Position Title</i>	<i>Funding Source</i>	<i>Number Requested</i>
I. Energy Supply Team ^a			
	Legal counsel II.....	GF	3
	Financial examiner I.....	GF	1
	Senior utilities engineer.....	GF	1
	Legal stenographer.....	GF	2
	Clerk typist II.....	GF	1
	Stenographer.....	GF	1
II. Consumer Relations Branch			
	Customer service representative.....	GF	3
	Clerk typist II.....	GF	2
III. DATA Processing			
	DP technician.....	GF	1
IV. BART Safety Consultants ^b			
	Manager.....	Reimb	1
	Special consultant.....	Reimb	1
	Senior RTCS specialist.....	Reimb	1
	Stenographer.....	Reimb	1
V. End-Use Priorities Program ^b			
	Associate utilities engineer.....	GF	1
	Stenographer.....	GF	1
VI. Regulatory Lag			
	Examiner I.....	GF	1
Total new positions requested.....			22

^a The Governor's Budget indicates future funding will be reimbursed from other state agencies. Although not shown in the budget, the Department of Finance has informed us that these positions will be established on a limited term (6-30-78) basis.

^b Limited term positions (6-30-78).

In addition to the positions shown in Table 2 it should be noted that the Governor's Budget also would add \$100,000 from the General Fund for special consultants and \$34,449 from reimbursements for temporary help. We have withheld our recommendation on the budget request at this time for the reasons discussed below.

Major Report Recommends Improved PUC Efficiency and Effectiveness

We withhold recommendation on the budget request pending receipt and analysis of PUC responses to recommendations contained in a recent major management study funded by the Legislature.

For many years the California Public Utilities Commission has been recognized as one of the national leaders among economic regulatory bodies. However, within the last dozen years, environmental awareness, energy shortages, social aspects of regulatory decisions, court decisions, inflation and workload pressures have changed the demands placed on the PUC. A major report on these impacts has just been completed and our review of the related recommendations suggest they warrant immediate and careful evaluation. Because of its importance, we provide hereafter summaries of the report's history, potential for implementation, findings, and recommendations.

Although the final report was published in September 1976, neither the 1977-78 budget change proposals submitted by the PUC nor the Governor's Budget include any reference to the recommended changes.

The PUC is currently developing its responses to this study which should be available prior to the budget hearings. As a result, we withhold recommendation at this time on the Governor's Budget request in anticipation of staffing and funding adjustments which may be necessary to implement specific recommendations during 1977-78.

Summaries of CMP Reports

History. Based on a proposal submitted in July 1975, the Senate Committee on Public Utilities, Transit and Energy contracted with the management consultant firm of Cresap, McCormick and Paget (CMP) to conduct an organization study of the PUC. The purpose of the study was to determine the "optimum organizational structure and functions to be performed by the commission." The study was conducted in two phases at a total cost of approximately \$115,000. A phase one report was published on March 1, 1976, and the final phase two report was presented at a special public hearing of the Senate committee on October 4, 1976. A follow-up committee hearing was held on January 18, 1977 at which time the PUC indicated its responses to the recommendations would be ready for presentation in March.

Implementation Potential. The phase one report did not contain specific recommendations but provided a foundation for the more detailed phase two study and its recommendations. However, one important finding in the first report, which was not addressed in the subsequent report, focuses on the increasing overlap between the responsibilities of the PUC and those of other regulatory agencies. The authors conclude that "the present situation is one of considerable confusion and duplicated effort and that a major overhaul of organizational mandates would seem due." A one-page report summary compares current PUC mandates with ten other public agencies sharing or duplicating the same or similar mandates. We believe appropriate clarifying legislation should be developed to eliminate any existing confusion and duplication.

The phase two report contains 33 recommendations with supporting arguments. The authors felt four could not be undertaken without enabling legislation whereas 22 could be accomplished administratively by the commission within six months and the remaining seven within 12 months.

Findings. Some of the findings upon which the CMP recommendations are based include the following:

1. Total elapsed processing time for all major rate case applications before the PUC has averaged 17 months, one of the highest averages for all commissions and well above the national average of nine months.

2. The commission operates on three basic premises: (a) to arrive at an optimum solution for the company and the public in each rate case; (b) to utilize a legalistic, adversary process which considers each case as a new problem and takes whatever time is necessary to weigh all the facts and (c) to avoid any commitment to develop and apply a generic body of

PUBLIC UTILITIES COMMISSION—Continued

policy in lieu of a case by case approach.

3. Recent attempts by the Legislature to strengthen the administrative responsibilities of the executive director have not substantially altered PUC administration and are not likely to do so in the future without other supporting organizational changes.

4. The PUC too often organizes its staff on an industry basis rather than organizing similar work skills by function.

5. Public service and safety responsibilities have been weakened under existing organizational and operating procedures.

6. "Regulatory lag" has increased more as a result of the complexity of rate increase cases (as measured by the number of required hearing days) than in numbers of cases. Past recommendations for streamlining the hearing process have not been tested or implemented.

Recommendations. The 33 recommendations in the phase two report parallel several which have been made by previous major studies (e.g., the Commission on California State Government Organization and Economy, December 1974). They include controversial changes in the legal status and responsibility of the commission president, the nature of the roles played by individual commissioners in the appointment of staff and in the hearing process, and a maximum 12 month rate case deadline.

However, most of the recommendations are administrative and organizational and can be evaluated and implemented independently or in related groups.

Recommended new activities include the establishment of a policy analysis branch, development of a comprehensive case monitoring system, creation of a public counsel section, consolidation of consumer services and expansion of electronic data processing utilization and training.

Transportation Rate Fund

We recommend legislation to abolish the Transportation Rate Fund and deposit related revenues in the General Fund.

The PUC is supported primarily by the General Fund and the Transportation Rate Fund. The Rate Fund finances only those commission activities relating to the rates, charges, and practices of highway freight carriers.

Transportation Rate Fund revenues are derived from a fee on the gross operating revenues of highway freight carriers. Currently, this fee is set at one-third of 1 percent of such revenues. Additional Rate Fund revenue is produced by a \$4 quarterly "filing fee" paid by all highway carriers when filing their quarterly reports on gross operating revenue. Other revenues are derived from a miscellany of penalties, application fees for permits and certificates, registration fees and from the sale of documents.

Last year our recommendation for legislation to abolish the Transportation Rate Fund and shift its revenue directly to the General Fund received favorable consideration by the fiscal committees but the necessary implementing legislation was not introduced.

In its 1974 study of the Public Utilities Commission, the Commission on California State Government Organization and Economy also recommended abolishing the Rate Fund and commented that "the special inter-

ests who make payments into special funds are prone to consider the special funds as 'their' money and to assert a strong influence in its expenditure." The Governor made a similar assessment of special funds in his 1976 State of the State Address in which he advocated elimination of special funds and transfer of their deposits to the General Fund. We have opposed historically the creation of special funds in state government and will continue to recommend, when appropriate, the abolition of such funds.

Utilities Regulation Reimbursement

We recommend legislation to establish an equitable public transportation and utilities fee schedule to provide General Fund revenue to offset the cost of PUC regulation.

Public service companies must be viewed differently than other businesses. The use of public property or of natural resources belonging to the public, the privilege of monopoly or semi-monopoly and the dependence of industry, business and agriculture on their services historically have justified special mechanisms for public oversight and control. Under these special conditions, PUC regulations are intended to supervise public transportation and utilities in conformance with public policy. For example, current policy provides that Californians are to receive transportation and utilities services at "cost" which includes a reasonable rate of return on equity capital. The PUC is charged with the responsibility of controlling both the rates charged customers and the rate of return to the company. Consequently, we believe direct costs of regulating public transportation and utilities, as incurred by the PUC, should be considered like other general management expenses.

Our recommendation would support legislation that would (1) recognize direct regulation costs as an appropriate operating expense of all public utilities and transportation companies and (2) establish a fee schedule mechanism to provide General Fund revenues to offset such costs. There is precedence for this change in that the existing Transportation Rate Fund, as previously discussed, does serve to reimburse, from authorized fees and revenues, PUC costs of regulating specified segments of public transportation. Implementation of our recommendation would correct the inconsistency of charging some transportation companies for PUC regulation but not similarly charging other transportation segments and utility companies.

We reported in our Analysis last year the PUC was seeking legislation similar to that recommended here. We understand this legislation has not yet been introduced.

The fiscal implication of this legislation would be a shift of approximately \$13 million from taxpayers in general to public transportation and utility company expense. These expenses would, in turn, be shifted ultimately to users in the form of rate increases under existing policies which require consumers to pay an appropriate share of the "cost" of providing services.

COMMISSION ON THE STATUS OF WOMEN

Item 347 from the General Fund

Budget p. 969

Requested 1977-78	\$231,120
Estimated 1976-77.....	207,593
Actual 1975-76	150,508
Requested increase \$23,527 (11.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women, successor to a limited-term agency established in 1965, is a 17-member body consisting of two statutory members (the Superintendent of Public Instruction and the Chief of the Division of Labor Standards Enforcement), one public member and three Assemblymen appointed by the Speaker of the Assembly, one public member and three Senators appointed by the Senate Committee on Rules, and seven public members appointed by the Governor. The public members have staggered, four-year terms of office.

The commission's program focuses on legislation, education, employment and counseling. It includes the following activities:

- (1) Examination of all bills in the Legislature which affect women's rights.
- (2) Maintenance of an information center on the current needs of women.
- (3) Consultation to organizations working to assist women.
- (4) Study of women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society.
- (5) Development of action projects which respond to the unique needs of particular groups of women, including women in county jails and minority women.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The commission is proposing a General Fund expenditure of \$231,120, which is \$23,527 or 11.3 percent above the current General Fund support level. This increase largely is attributable to additional program funding, including \$11,340 for seven training workshops to develop job finding skills of minority women and \$5,100 for consultants and operating expenses to assist in the development of legislation of concern to women.

In the current year, a grant of \$59,227 from the Office of Criminal Justice Planning will finance 2.3 administratively established positions. Approximately 0.4 of these (two part-time research assistants), will continue in the budget year to the August 31, 1977, grant termination date. In addition, \$13,500 is available in the current year from an Intergovernmental Personnel Act grant to continue a recruitment program involving local commissions on the status of women.

Public Information Workshops

A reduction in grant support accounts for the significant decrease in reimbursements from \$72,727 to \$18,736 in the budget year. Of the proposed amount, \$9,536 is a carry-over from the Office of Criminal Justice Planning grant, and \$9,200 is to provide four public information workshops. These workshops, to be held in San Jose, San Diego, Los Angeles and Fresno will focus on new laws in the credit, employment, health benefit and related areas which have a special impact on women.

INTERGOVERNMENTAL BOARD ON ELECTRONIC DATA PROCESSING

Item 348 from the General Fund

Budget p. 971

Requested 1977-78	\$115,806
Estimated 1976-77	110,898
Actual 1975-76	63,560
Requested increase \$4,408 (4.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The primary statutory responsibilities of the Intergovernmental Board on Electronic Data Processing include the establishment of policies, goals and objectives relative to intergovernmental information systems, and the development of a methodology to achieve appropriate coordination and review of such systems. Also under its statutory authority, the board may recommend legislation to insure the protection of individual privacy and the confidentiality of information contained in intergovernmental information systems.

The board consists of 14 members appointed by the Governor. It elects its own chairman. Members serve without compensation except the chairman who is reimbursed for expenses incurred in the performance of his duties.

A technical advisory committee consisting of representatives of state and local government provides substantial staff assistance to the board.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's Budget request of \$115,306 represents a 4.0 percent increase (\$4,408) over estimated current year expenditures. This expenditure level provides support for an executive director, two technical positions and clerical support. In past analyses we have supported the concept of a state-funded agency with specific statutory responsibilities to ensure that information systems serving both local and state government are developed and operated in the most cost-effective manner.

Although this is a difficult and complex task, both our office and the Legislature have expressed considerable concern over a lack of progress.

INTERGOVERNMENTAL BOARD ON ELECTRONIC DATA PROCESSING—Continued

Therefore, last year the fiscal committees approved an increased level of support to permit the board to acquire more staff. A new executive director was appointed and the staff positions were filled during the current year.

Tangible Results Expected

Past and current board activities such as developing a manual of guidelines for information system development, determining the feasibility of transferring systems between jurisdictions, reviewing state-proposed systems with intergovernmental implications and providing direct assistance to local agencies having specific management or technical problems are proper board activities which in most cases have been difficult to evaluate in terms of real benefit. Therefore, we believe that during the budget year the board must use its added staff to demonstrate that it can have a substantial impact on efforts to improve local-state information systems.

There are a number of specific areas with major intergovernmental implications where effective board involvement could produce meaningful results. In our judgment, the board can bring an independent and perhaps more objective perspective to these areas. Three examples are immediately apparent:

1. The Department of Justice is preparing to upgrade its computer system to meet increased information demands from local criminal justice agencies. Under Item 38 of this Analysis we discuss this effort and point out the need to develop a method of evaluating the cost-effectiveness of such an upgrade and the services which are provided to local law enforcement agencies.

2. The Department of Benefit Payments has for a number of years attempted to make local-state welfare information systems more cost-effective, and the results have been mixed. In this regard, Los Angeles County is implementing a major new system which should be assessed in terms of its potential use as a model for other counties.

3. The transfer of data from local school districts to the Department of Education has been a continuing problem, and House Resolution 87 was adopted in 1976 as an indication of legislative concern about the problem.

In addition to the above, and despite a recent executive order by the Governor which establishes some provisions for the protection of individual privacy in certain state agencies, the privacy issue has not been resolved fully. In this regard, the board has specified statutory authority to recommend legislation to insure the protection of individual privacy and the confidentiality of information contained in intergovernmental information systems.

Board involvement in these or similar areas will provide an opportunity to demonstrate effectiveness in the budget year. It will then be possible to evaluate the benefits of maintaining a state funded agency dedicated to this particular purpose.

NATIVE AMERICAN HERITAGE COMMISSION

Item 349 from the General
Fund

Budget p. 972

Requested 1977-78	\$66,000
Estimated 1976-77	33,000
Actual 1975-76	—
Requested increase \$33,000 (100 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Operational Requirements. Recommendation withheld pending determination of operational requirements. 989

ANALYSIS AND RECOMMENDATIONS

The nine member Native American Heritage Commission was established on January 1, 1977, by Chapter 1332, Statutes of 1976. Commission members are appointed by the Governor and serve without compensation but are reimbursed for actual and necessary expenses. The commission's responsibilities and powers are directed toward the identification, cataloging and preservation of places of special religious or social significance to Native Americans in order to ensure the free expression of Native American religion. The commission is required to review current and administrative statutory protections for Native American sacred places located on public lands and report its findings to the Legislature by January 1, 1979.

Operational Requirements Determination

We withhold recommendation pending determination of actual operational requirements.

The Governor's Budget reflects the \$33,000 current year appropriation provided by Chapter 1332. However, because the commission has just been established, no detail is available to support the \$66,000 proposed for the budget year.

MOTION PICTURE DEVELOPMENT COUNCIL

Item 350 from the General
Fund

Budget p. 974

Requested 1977-78	\$74,968
Estimated 1976-77.....	73,158
Actual 1975-76	None
Requested increase \$1,810 (2.5 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Budget Detail. Withhold recommendation for operating expense and equipment pending receipt of required supporting detail. 990
2. Reimbursements. Recommend council submit for review, permit fee schedule and plan for identification of reimbursements and expenditures. 991

GENERAL PROGRAM STATEMENT

The Motion Picture Development Council was created by Chapter 1226, Statutes of 1974, to serve as an advisory body to the the Division of Economic Development in the former Department of Commerce. The council consists of 12 members of which 10 are public members with specific qualifications and two are members of the Legislature, one appointed by the Senate Rules Committee and one by the Speaker of the Assembly. The council's functions include: (1) preparing and distributing materials promoting the production of motion picture films within California, (2) assisting film companies secure locations and related permits, (3) establishing fees and granting permits for the use of state-owned property in making commercial motion pictures, (4) coordinating the activities of any city or county groups performing similar functions and (5) accepting federal funds, and other private or public funds for authorized activities.

The council has an authorized staff of two; the executive secretary and a stenographer.

ANALYSIS AND RECOMMENDATIONS

Budget Detail Lacking

We withhold recommendation on the operating expense and equipment category pending receipt of required supporting budget detail.

Section 6120 of the State Administrative Manual requires each agency to prepare specified worksheets and summary schedules for justifying major categories of operating expense and equipment. Although this information is not printed in the Governor's Budget, certain worksheets or schedules must be prepared and made available for review. When requested, these schedules were not available.

Based on existing information, current year estimated expenditures ap-

pear to be inaccurate and do not provide a realistic base upon which to evaluate the increases and authorizations proposed for the budget year. We have requested that the agency provide these required documents and expect to have a final recommendation during the budget hearings.

Plan for Fees and Reimbursements Required

We recommend that the council submit for review prior to the budget hearings its (1) permit fee schedule policy, (2) estimated reimbursement plan and (3) expenditure plan for these reimbursements.

Existing law (Government Code Section 14998.7) states "any state agency having management and control over state property . . . shall permit such property to be used for the purpose of making motion pictures upon approval by the Director of General Services and the payment of the fees established by the Motion Picture Development Council." Under this law, which became effective January 1, 1977, the fees are to be placed in a special deposit fund to (1) reimburse the operating departments for any additional costs relating to the filming and (2) support the council.

The Governor's Budget stated last year that it was planned for the council to be self-supporting by 1977-78. This year the budget states General Fund support is proposed until such time as actual fee revenues available to the council can be determined.

The council collected historical permit information from state agencies during 1976 and began issuing permits January 1, 1977. We believe permit and fee policies are fundamental considerations for the Legislature in determining an appropriate 1977-78 budget and expenditure schedule. New revenue resulting from these policies can be used to (1) expand the budgeted program or (2) reduce the General Fund appropriation. We believe these choices should be reviewed by the Legislature prior to approval of the council's budget.

CALIFORNIA HORSE RACING BOARD

Item 351 from the Fair and Ex-
position Fund

Budget p. 975

Requested 1977-78	\$757,168
Estimated 1976-77	693,853
Actual 1975-76	638,945
Requested increase \$63,315 (9.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Horse Racing Board regulates all horseracing meetings in the state where pari-mutuel wagering is conducted. The board consists of three members appointed by the Governor and a staff of 28.7 authorized personnel-years in 1976-77. The board's activities are funded by taxes on pari-mutuel wagering generated at the horseracing meets regulated by the board. Table 1 displays the board's activities by program.

CALIFORNIA HORSE RACING BOARD—Continued

Table 1
Horse Racing Board Program Activities

Program	Actual		Estimated	
	1974-75	1975-76	1976-77	1977-78
Licensing and Enforcement				
Personnel-years	19.8	19.5	20.2	20.2
Licenses issues	17,834	17,922	18,500	19,000
Disciplinary hearings	133	121	130	130
Program cost.....	\$393,000	\$439,000	\$459,000	\$501,000
Fees collected.....	\$402,000	\$447,000	\$470,000	\$500,000
Administration				
Personnel-years	7.3	8	8.5	9
Costs	\$174,000	\$200,000	\$260,000	\$306,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The 1977-78 budget request is for \$757,168, an increase of \$63,315 or 9.1 percent above the current year expenditures.

The board has requested \$29,900 for one-time moving expenses and an additional \$17,528 for ongoing expenses for a total of \$47,428 in 1977-78 in order to relocate the board's administrative offices from Los Angeles to Sacramento. We believe that relocating the board's operations to Sacramento will improve the ability of review agencies to observe the activities of the board. To further this objective, we suggest that the three member board maximize the number of public hearings held in Sacramento. Currently, these hearings are conducted in various locations throughout the state, making it difficult for review agencies based in Sacramento to observe the board's policymaking activities.

Maximization of State Horseracing Revenues

In our 1976-77 Analysis we recommended that the Department of Finance conduct a study and submit to the Legislature a report proposing regulatory and legislative changes necessary to maximize state horseracing revenues subject to the overall intent of the Horse Racing Law. We indicated that current Horse Racing Law established a legislative commitment to the objective of revenue maximization but that other provisions in the law may not be consistent with this objective. These provisions included limits on competition among racing associations and the structure of the state tax on pari-mutuel wagering.

Pursuant to our recommendation, the Conference Committee requested the study and asked the Department of Finance to report to the Joint Legislative Budget Committee by December 1, 1976. A one-month extension was granted by the committee upon request of the Department of Finance and the report was received too late to evaluate in this Analysis. However we will prepare a supplementary analysis of the report in time for committee hearings on this budget item.

BOARD OF OSTEOPATHIC EXAMINERS

Item 352 from the Contingent Fund of the Board of Osteopathic Examiners

Budget p. 978

Requested 1977-78	\$157,595
Estimated 1976-77	171,520
Actual 1975-76	111,404
Requested reduction \$13,925 (8.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The five-member Board of Osteopathic Examiners was established in 1922, for the purpose of regulating the practice of osteopathy. The board licenses osteopaths through an examination process and takes appropriate disciplinary action for violations of laws, rules or regulations. The board's office is in Sacramento and is staffed by one executive secretary and two clerical positions. Support services are provided by the Department of General Services. In August 1976, the board started contracting with the private sector for its legal services. Therefore, it will no longer be represented by the Attorney General.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board proposes an expenditure of \$157,595 which is a net reduction of \$13,925 or 8.1 percent below estimated current year expenditures. During the current year the board is experiencing unusually high costs in its license enforcement program. This trend is not expected to continue into the budget year.

BOARD OF CHIROPRACTIC EXAMINERS

Item 353 from the Board of Chiropractic Examiners' Fund

Budget p. 980

Requested 1977-78	\$232,283
Estimated 1976-77	239,041
Actual 1975-76	193,822
Requested reduction \$6,758 (2.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Chiropractic Act of California, an initiative adopted in 1922, established the five-member Board of Chiropractic Examiners. The primary responsibility of the board is to protect the users of chiropractic services by assuring adequate training and minimum performance standards for chiropractors practicing in California. The board seeks to accomplish its

BOARD OF CHIROPRACTIC EXAMINERS—Continued

goals by licensing, continuing education, and enforcement of the Chiropractic Act.

On March 1, 1976 the board formally withdrew from the Department of Consumer Affairs. Although it continues to receive data processing and investigative service from Consumer Affairs, all other support services are provided by the Department of General Services.

As a result of a ballot proposition in the November 1976, general election, the board will increase from five to seven members and both new members will be from the general public, that is, not licensed chiropractors.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In fiscal year 1977-78 the board proposes to expend \$232,283 which is \$6,758 or 2.8 percent below estimated expenditures for the current year. In the current year the board is seeking to clarify "scope of practice" for its licensees and as a result is incurring extraordinary legal costs.

**BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF
SAN FRANCISCO, SAN PABLO AND SUISUN**

Item 354 from the Board of Pilot Commissioners' Special Fund

Budget p. 981

Requested 1977-78	\$46,925
Estimated 1976-77	45,439
Actual 1975-76	32,575
Requested increase \$1,486 (3.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for supplying qualified pilots for vessels entering or leaving those bays. The three-member board (appointed by the Governor) administers a single program of licensing and regulating pilots by conducting pilot examinations and acting on disciplinary complaints. The board maintains an office in San Francisco staffed by one full-time secretary to provide support for the board and the Pilotage Rate Committee. This committee is composed of five members appointed by the Governor. Its function is to prepare recommendations on pilotage rates for the Legislature.

Both the board and committee are supported by the Board of Pilot Commissioners' Special Fund. Revenue for this fund is derived from a percentage assessment on pilot fees which are collected directly by the pilots from ships they serve. The law provides for a maximum assessment of 5 percent on pilotage fees to be paid to the fund. The current assessment is 2 percent.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board proposes to expend \$46,925 which is \$1,486 or 3.3 percent above estimated expenditures for the current year. This increase reflects rising operating and equipment costs.

**CALIFORNIA INFORMATION SYSTEMS
IMPLEMENTATION COMMITTEE**

Item 355 from the General
Fund

Budget p. 983

Requested 1977-78	\$41,625
Estimated 1976-77	36,356
Actual 1975-76	30,681
Requested increase \$5,269 (14.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Information Systems Implementation Committee is a statutory body comprised of 12 designated members of the Legislature and the executive branch. It is responsible for recommending specific legislative and executive actions necessary to implement the state's electronic data processing (EDP) policies. These policies are set forth in Government Code Chapter 7 (commencing with Section 11700), and Chapter 8 (commencing with Section 11775). An additional responsibility added by Chapter 542, Statutes of 1976, requires the committee to make recommendations for the effective use of EDP systems in productivity measurements.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$41,625 requested for the 1977-78 fiscal year will provide for the continuation of one committee consultant and associated operating expenses. The consultant assists the committee in its efforts to review the use of EDP by state agencies and to prepare the committee's reports to the Governor and the Legislature due February 1 of each year.

During the current year the committee has received testimony regarding various electronic data processing activities including the pending Department of Motor Vehicles computer replacement, statewide data communications planning, the computing program of the California State University and Colleges, and EDP proposals within the Health and Welfare Agency.

These hearings which occur monthly when the Legislature is in session have provided a useful forum for discussion of matters relating to the use of EDP (expenditures now total \$135 million for data processing). For example, a direct result of the committee's hearings on statewide data

**CALIFORNIA INFORMATION SYSTEMS
IMPLEMENTATION COMMITTEE—Continued**

communications planning, at which our office and others testified, was the establishment of a new civil service classification to provide highly technical data communications expertise to the state. The position was established in the Communications Division within the Department of General Services so as to enable the state to make more effective use of modern data communications technology.

In our judgment, the committee's hearings are valuable because they provide more frequent public reviews of the state's major data processing activities and problems. Hearings are well attended by representatives of the computing industry, and this increased vendor awareness can benefit the state by providing more effective competition for state business. The work of the committee has also helped to bring a degree of stability to a complex program which in the past became so controversial and fragmented that it still requires an active role for the committee. We believe that support is warranted.

**COMMISSION ON PEACE OFFICER STANDARDS AND
TRAINING**

Items 356-357 from the Peace
Officers' Training Fund

Budget p. 984

Requested 1977-78	\$13,492,449
Estimated 1976-77	10,931,386
Actual 1975-76	10,751,944
Requested increase \$2,561,063 (23.4 percent)	
Total recommended reduction	50,000

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
356	Commission on Peace Officer Standards and Training (Support)	Peace Officers' Training	\$2,340,057
357	Assistance to Cities and Counties for Peace Officers Training	Peace Officers' Training	11,152,392
			<u>\$13,492,449</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Staff Reorganization. Reduce Item 356 by \$50,000.* Recommend deletion of assistant director and senior stenographer positions transferred to executive office in staff reorganization. 999

GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is a 10-member body appointed by the Governor with the Attorney General serving as an ex-officio member. The commission is responsible for raising

the level of professional competence of city, county and special-district peace officers by establishing minimum recruitment and training standards and by providing management counseling services to local law enforcement agencies.

The commission, which in past years had been structured under five programs, reorganized in December 1976 to function under the following four programs. The reorganization is discussed later in this analysis.

ADMINISTRATION DIVISION PROGRAM

This program includes the executive section element, which provides overall direction and supervision to the POST program, and the Administration Division, which processes the training reimbursements to participating police agencies. It issues "general certificates" (basic, intermediate, advanced, management and executive) for attaining specified levels of college credits, POST-course credits and years of law enforcement experience. The division also maintains records of education, training and experience on all participating law enforcement personnel. Certain functions previously performed in the technical services division (eliminated in the reorganization) are now performed by the executive section. These include providing research assistance to other divisions, managing selected special project activities, formulating directives and researching legislatively mandated programs.

STANDARDS AND TRAINING DIVISION PROGRAM

This program monitors the quality and suitability of commission (POST) certified courses. Division consultants evaluate course content and preparedness of instructors of some 125 educational institutions and police academies sponsoring approximately 415 certified courses. The division also recommends certification of training institutions and courses, provides training and educational counseling to some 405 participating local law enforcement agencies, formulates and proposes improved instructional techniques, reviews qualifications of candidate instructors, coordinates with local advisory committees to identify needs for new and diversified police training and recommends decertification of institutions and courses failing to meet commission standards.

LAW ENFORCEMENT MANAGEMENT SERVICES DIVISION PROGRAM

This program (formerly called administrative counseling) conducts surveys, makes recommendations, provides implementation assistance and prepares special studies to improve management and operational techniques of local law enforcement agencies. It also absorbed the Center for Police Management and the library functions which were a part of the former technical services division.

ASSISTANCE TO CITIES AND COUNTIES PROGRAM

This program provides assistance to all police agencies for mandatory training of peace officers pursuant to Chapters 477 and 478, Statutes of 1973, and to cities and counties that qualify for state aid for peace officer training pursuant to Chapter 1823, Statutes of 1959. Each jurisdiction participating in the program is reimbursed by the commission from the Peace

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

Officers' Training Fund for some of the costs of training all personnel, except volunteers and part-time employees.

ANALYSIS AND RECOMMENDATIONS

The commission and its local assistance program are supported by the Peace Officers' Training Fund, which derives its revenues from a penalty assessment of \$5 for each \$20 (or fraction thereof) of *criminal* fines and from 25 percent of the penalty assessment of \$5 for each \$20 (or fraction thereof) of *traffic* fines levied by municipal and justice courts. The remaining 75 percent of the penalty assessment on traffic fines is deposited in the Driver Training Penalty Assessment Fund. Table 1 illustrates commission revenues from the preceding sources.

Table 1
Peace Officers' Training Fund Revenues
from Penalty Assessments

<i>Year</i>	<i>Penalties on Criminal Fines</i>	<i>Penalties on Traffic Fines</i>	<i>Total</i>
1971-72.....	\$3,621,527	\$5,625,026	\$9,246,553
1972-73.....	3,226,272	5,438,132	8,664,404
1973-74.....	2,764,714	6,189,026	8,953,740
1974-75.....	3,082,229	8,157,294	11,239,523
1975-76.....	3,496,584	8,312,945	11,809,529
1976-77 (estimated).....	3,420,000	8,580,000	12,000,000
1977-78 (estimated).....	3,520,000	8,880,000	12,400,000

Current-Year Revenues Understated

Since July 1, 1976, the Peace Officers' Training Fund has been earning interest on its idle cash balances through participation in the Surplus Money Investment Fund. The budget reflects \$300,000 in anticipated interest earning for the budget year but does not reflect any earnings for the

Table 2
Budget Summary

<i>Program</i>	<i>Current Year</i>	<i>Proposed</i>	<i>Change from Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
Administration.....	\$916,052	\$859,940	\$-56,112	-6.1%
Personnel-years.....	36	35	-1	-2.8
Standards and Training.....	\$787,265	\$797,967	\$10,702	1.4
Personnel-years.....	23	21	-2	-8.7
Law Enforcement				
Management Services.....	\$675,677	\$682,150	\$6,473	1.0
Personnel-years.....	21	19	-2	-9.5
Subtotal.....	\$2,378,994	\$2,340,057	\$-38,937	-1.6%
Assistance to Cities and Counties.....	\$8,552,392	\$11,152,392	\$2,600,000	30.4
Total Expenditures.....	\$10,931,386	\$13,492,449	\$2,561,063	23.4%
Personnel-years.....	80	75	-5	-6.2

current year. This omission results in the understatement of current-year revenues and current and budget-year balances available for appropriation by the amount of current year interest earnings. We estimate that these earnings will approximate \$300,000, which is equal to the amount estimated by the commission for the budget year.

Table 2 summarizes the commission's \$13,492,449 budget request, indicating expenditure levels by program area and proposed dollar and position changes from the current year.

The \$38,937 net decrease in the commission's staffed programs (Administration, Standards and Training, and Law Enforcement Management Services) reflects the deletion of five positions, partially offset by salary adjustments and increased operating expenses. The \$2.6 million increase in the local assistance program reflects (1) continuation of at least the current-year salary reimbursement level of 60 percent of eligible officers' salary adjusted for anticipated salary increases, (2) the full-year effect of higher per diem and mileage allowances, and (3) implementation of a program to provide salary reimbursements for job specific technical training courses as suggested in our analysis last year.

Staff Reorganization

We recommend deletion of the assistant director and senior stenographer position recently assigned to the executive office for a savings of \$50,000 (Item 356).

As noted earlier, the staff reorganization, which was effective in December 1976, resulted in the deletion of the technical services division by transferring its functions to the other three divisions. Despite the deletion of one of the four divisions, the budget reflects the continuation of all four division chief positions (all classified as assistant directors) with one of them transferred to the executive office, which is a part of the administration program. As a result, this program now has two assistant directors (one of whom heads the Administration Division) in addition to the executive director.

It is not clear what functions are being performed by the second assistant director. We believe that this position is not cost-effective and that the administration program does not need two such high-level positions. The commission's staff is relatively small, and the availability of the three line division chiefs provides adequate office supervision for those occasions when the executive director is absent. The functions which were transferred to the executive office from the technical services division have not increased the responsibilities of the administration program significantly. Such functions, and four other positions (three professional and one clerical) which were transferred from the technical services division to the executive office, can be adequately supervised by the senior law enforcement consultant (bureau chief) transferred from the Standards and Training Division as part of the reorganization. Therefore, we recommend deletion of one assistant director position and related clerical support for a savings of \$50,000.

OFFICE OF CRIMINAL JUSTICE PLANNING

Items 358 -361 from the General Fund

Budget p. 989

Requested 1977-78	\$4,426,740
Estimated 1976-77	3,944,105
Actual 1975-76	3,812,380
Requested increase \$482,635 (12.2 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
358	Office of Criminal Justice Planning—Support	General	\$186,298
359	State Operations—Deobligated Block Grant Match	General	100,000
360	State Operations—Cash Match	General	1,619,989
361	Local Assistance—Cash Match	General	2,520,453
			<u>\$4,426,740</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Crime and Violence in Schools. Recommend OCJP fund a Department of Education project to reduce crime and violence in schools. 1004

GENERAL PROGRAM STATEMENT

Chapter 1047, Statutes of 1973, created out of the staff arm of the California Council on Criminal Justice (CCCJ) the Office of Criminal Justice Planning (OCJP) to be administered by an executive director appointed by the Governor. The council, which remains as a separate entity and acts as the supervisory board to OCJP, consists of 37 members: the Attorney General, the Administrative Director of the Courts, 19 members appointed by the Governor and 16 members appointed by the Legislature. Prior to Chapter 1432, Statutes of 1976, the Governor appointed 15 members and the Legislature appointed 12 members.

The Office of Criminal Justice Planning is designated the state planning agency for administering the federal block grant programs authorized under the Federal Omnibus Crime Control and Safe Streets Act of 1968, as amended in 1976. Its statutory responsibilities are to (1) develop, with the advice and approval of the council, a comprehensive statewide plan for the improvement of criminal justice and delinquency prevention throughout the state; (2) define, develop and correlate programs and projects for the state criminal justice agencies; (3) receive and disburse federal funds and perform all necessary staff services required by the council; (4) develop comprehensive procedures to insure that all local plans and all state and local projects are in accord with the state plan; (5) render technical assistance to the Legislature, state agencies and units of local government on matters relating to criminal justice; and (6) conduct evaluation studies of the programs.

Support for Criminal Justice Planning

Funding for OCJP operations and state agency and local awards is derived largely from an annual federal block grant consisting of planning and "action" funds (designated Part B funds and Part C funds, respectively) which is awarded to the state by the federal Law Enforcement Assistance Administration (LEAA). Unlike previous years when, due to a higher staffing level, OCJP consumed its legal maximum (60 percent) of the federal planning grant (Part B funds), only about one-third of these funds will be allocated to the state planning agency in the current and budget years. The remaining two-thirds will be distributed to the 21 criminal justice planning regions. Through this grant the federal government pays 90 percent of the state and 100 percent of the regional planning expenses. In the current year, a maximum of 26.6 percent of the federal action grant (Part C funds) can be allocated to the state and at least 73.4 percent (subject to CCCJ approval of individual grants) must be allocated to local agencies for the general purpose of improving the criminal justice system. LEAA has not yet advised OCJP of the minimum required allocation to local governments for the budget year.

Two additional categories of federal monies are available to the state through LEAA. One category (Part E action grants) is for improvements in state and local correctional facility and institutional programs and is not divided between the state and localities under a set formula. The federal funds pay 90 percent of all Part E action grants. The state pays 10 percent, if applicable to a state project. For local grants, the local project proponent pays 10 percent.

The second additional category of federal funds is available under the Juvenile Justice and Delinquency Prevention Act of 1974 (identified as Part JJ in the Governor's Budget). These funds are available to finance improvements in the juvenile justice system. A minimum of two-thirds of Part JJ funds must be allocated to local agencies with the balance available to the state agencies.

Construction projects funded from Part C or JJ block grants require a 50/50 state or local/federal match. The state pays 50 percent, if applicable to a state project, but for local grants the state pays 25 percent and the local project proponent pays 25 percent, for Part C funds. For Part JJ funds the local project proponent is required to pay the entire nonfederal share.

OCJP is divided into the four following program areas:

Planning and Operations (Item 358)

This program, through a staff of 13 personnel-years, administers four main activities (1) planning, which analyzes crime and the criminal justice system and prepares the annual state comprehensive plan for submission to the federal Law Enforcement Assistance Administration; (2) evaluation, which analyzes grant programs and projects to determine whether a causal relationship exists between grant-funded activities and the reduction or control of crime; (3) monitoring, which insures that projects are being performed within the terms of the grant contract; and (4) technical assistance, which provides staff to assist grantee agencies in carrying out funded projects and encourage the use of proven methods.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**Administration (Item 358)**

This program, which utilizes the remaining 28.5 authorized personnel-years, provides executive and management services, including CCCJ liaison, personnel, accounting, business services and budgeting. The program also provides technical guidance on legal, fiscal and affirmative action questions to grantees. The grant audit function, required by federal law, is being performed under an interagency agreement by the Department of Finance.

State and Private Agency Awards (Items 359 and 360)

This program provides for awards of Safe Streets Act funds to state and private agencies to stimulate improvements within the criminal justice system.

Local Project Allocation (Item 361)

This program provides grants for regional criminal justice planning and action projects undertaken by local jurisdictions with the aim of improving law enforcement and the criminal justice system at the local level.

Table 1 shows the proposed funding, by source, for each of these four programs.

Table 1
Office of Criminal Justice Planning
Program Expenditures
1977-78

<i>Program</i>	<i>Federal Funds</i>	<i>State General Fund</i>	<i>Total</i>
Planning and operations.....	\$659,441	\$73,271	\$732,712
Administration.....	1,017,243	113,027	1,130,270
State agency awards.....	15,479,374	1,719,989	17,199,363
Local agency awards.....	52,654,988	2,520,453	55,175,441
Totals.....	\$69,811,046	\$4,426,740	\$74,237,786

ANALYSIS AND RECOMMENDATIONS

Table 2 summarizes OCJP expenditure levels for the current and budget years, indicating the sources of funding by category, expenditure levels by program area, and proposed changes from the current year.

As shown in Table 2, the proposed OCJP expenditure program of \$74,237,786 represents a \$2,734,034 decrease from estimated current-year expenditures. General Fund costs increase by \$482,635 from \$3,944,105 in the current year to \$4,426,740 in the budget year. The increase primarily reflects the budgeting of the full 10 percent match requirement for state agency grant awards. Last year it was anticipated that \$3 million of these awards would go to private agencies which do not receive the state matching funds. It was also anticipated that \$2,700,000 would be awarded to the Department of Motor Vehicles and \$59,400 to the Department of Conservation which would be matched from their respective special fund sup-

Table 2
Budget Summary

<i>Funding</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change from Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund.....	\$3,944,105	\$4,426,740	\$482,635	12.2%
Federal funds.....	72,142,363	69,811,046	-2,331,317	-3.2
Reimbursements	885,352	—	-885,352	-100.0
Totals	\$76,971,820	\$74,237,786	\$-2,734,034	-3.6%
<i>Programs</i>				
Planning and operations	\$1,609,344	\$732,712	\$-876,632	-54.5%
Personnel-years	13	13	—	—
Administration	\$1,074,828	\$1,130,270	\$55,442	5.2%
Personnel-years	27	28.5	1.5	5.6
Subtotal	\$2,684,172	\$1,862,982	\$-821,190	-30.6%
Personnel-years	40	41.5	1.5	3.8
State agency awards.....	\$15,759,398	\$17,199,363	\$1,439,965	9.1%
Local project allocations	58,528,250	55,175,441	-3,352,809	-5.7
Total	\$76,971,820	\$74,237,786	\$-2,734,034	-3.6%
Personnel-years	40	41.5	1.5	3.8

port appropriations. To the extent that awards are not made to private and state special fund agencies in these amounts, such federal funds will not be spent in the current year because state matching funds are not available. However, these federal fund balances will be carried over to the budget year.

New Positions

OCJP is requesting eight new positions (six technical and two clerical), partially offset by the deletion of 4.5 positions for an increase of 3.5 from the currently authorized staffing level of 39. After adjusting for salary savings and current-year staffing changes, the budget reflects a net increase of 1.5 positions with an additional salary cost of \$24,714.

Current-Year Emergency Fund Allocation

Last year the Governor's Budget provided less than the required 10 percent hard cash match for OCJP because, at that time, it was anticipated that federal Juvenile Justice and Delinquency Prevention Act funds expended for the state planning agency would not require any match. However, it was later determined that a 10 percent state cash match would be required. The Governor's Budget reflects a \$30,121 allocation from the Emergency Fund to provide the full 10 percent cash match for the current-year operation of OCJP. Budget Bill language in both the current year (Item 43) and budget year (Item 359) prevent OCJPs expenditure of General Fund amounts above the minimum match requirements.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**Three-Year Matching Appropriations**

“Safe Streets Act” funds are available for three fiscal years; however, state matching funds, in recent years, have been appropriated for only one year. This creates accounting and fiscal management difficulties for OCJP. This year’s Budget Bill makes portions of the basic matching appropriations contained in Items 360 and 361 available for one, two and three years to coincide with the availability of federal funds. Additionally, a separate Budget Bill item is proposed to match expired block grant funds which have been “recycled” to the state for specific purposes by LEAA. A \$100,000 appropriation is proposed (Item 359) for this purpose.

Additional Program Evaluation Capability

In our analysis last year, we pointed out that one of the primary responsibilities of OCJP—program evaluation—was not being accomplished in a consistent and productive manner. The proposed budget contains \$98,000 to permit OCJP to contract with state or local agencies for approximately three personnel-years of program evaluation services. We believe this is a reasonable and potentially productive approach to project evaluation because it would permit OCJP to utilize experienced evaluators from various governmental entities. However, the success of this effort cannot be judged until after results of the evaluation effort become available.

Crime and Violence in Schools

We recommend that OCJP fund a Department of Education project to develop and evaluate various approaches, including demonstration projects, designed to reduce crime and violence in public schools.

In our analysis of the Department of Education budget, we recommend that the department apply to OCJP for funding to develop a program of demonstration projects to reduce crime and violence in public schools. We believe that such a program could have a significant impact on crime in California schools which is estimated to cost \$50 million annually. Thus, we recommend that OCJP, at a level of \$500,000 to \$1,500,000, and consistent with the overall availability of resources and the quality of the Department of Education project proposal, provide federal and state matching funds to the department to implement this program. (See discussion on page 757 of this Analysis under the budget request for the Department of Education.)

STATE PUBLIC DEFENDER

Item 362 from the General
Fund

Budget p. 996

Requested 1977-78	\$4,896,916
Estimated 1976-77	2,746,699
Actual 1975-76	61,823
Requested increase \$2,150,217 (78.3 percent)	
Total recommended reduction	\$500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Inmate Trials—Conflict Cases.* Reduce by \$500,000. Recommend deletion of 21 proposed positions and related operating costs totaling (\$625,000) and add temporary help for legal services (\$125,000). 1006

GENERAL PROGRAM STATEMENT

The office of State Public Defender was created by Chapter 1125, Statutes of 1975 (operative January 1, 1976), primarily to provide legal representation for indigents before the Supreme Court and courts of appeal, either upon appointment by the court or at the request of the person involved. Such services may also be provided by private attorneys appointed by the courts. The responsibilities of the office include the following, the first four of which take precedence over all others:

1. Handling appeals, petitions for hearing or rehearing before any appellate court, petitions for certiorari to the United States Supreme Court or petitions for executive clemency from a judgment relating to criminal or juvenile court proceedings.

2. Engaging in proceedings for extraordinary writs, injunctions or declaratory relief relating to final judgments of conviction or wardship or to the punishment or treatment imposed thereunder.

3. Handling appellate or other legal procedures after imposition of a death sentence.

4. Defending state prison inmates in court proceedings relative to alleged commission of crimes within state prison facilities whenever the county public defender refuses to represent the accused because of conflict of interest or other legal reason. This is a mandatory function added by Chapter 1239, Statutes of 1976.

5. Providing representation in a proceeding of any nature where a person is entitled to representation at public expense.

6. Representing any person in cases in which the local public defender because of conflict of interest or other reason refuses to provide such services. This authorization is permissive, excludes prison conflict cases under No. 4 above, and provides for a contract of reimbursement between the county and the state for services rendered.

The State Public Defender is appointed by the Governor to a minimum term of four years, subject to Senate confirmation. He is authorized to

employ staff and establish offices as necessary to perform his duties and to contract with county public defenders, private attorneys and nonprofit corporations to provide authorized legal services to eligible indigents. He may perform all of his responsibilities with state employees (i.e., his own staff), contract with private attorneys, nonprofit corporations, or utilize a combination of these services.

Accordingly, the State Public Defender has established offices in Los Angeles, Sacramento and San Francisco to provide legal defense services to indigent criminal appellants in courts of appeal districts except for the San Diego division of the fourth district. The required services in that division are handled by contractual arrangements with a private law group.

ANALYSIS AND RECOMMENDATIONS

The budget request for this function totals \$4,896,916, an increase of \$2,150,217 or 78.3 percent over the current and initial year of operation. The estimated current-year expenditure reflects savings of \$404,125 from the \$3,150,824 authorized. Therefore, a significant portion of the increased expenditures for the budget year reflects the full-year cost of operations that were not fully operational during the current year. Another portion of the increase consists of merit salary adjustments, related staff benefits and price increases.

Proposed New Positions

The remainder of the increase reflects the request for 57 new positions at a salary cost of \$1,019,268 plus related operating expenses. Included are 37 new legal positions and 20 new clerical support positions for increased workload relating to assignments from the courts of appeal and Supreme Court and the enactment of Chapter 1239, Statutes of 1976.

We have reviewed the workload information on court assignments supplied by the public defender and also appointed counsel data provided by the Administrative Office of the Courts and conclude that 22.5 attorney and 13.5 related clerical positions are justified on a workload basis. As discussed below, however, we believe the public defender has overbudgeted for workload arising from Chapter 1239.

Inmate Trials—Conflict Cases

We recommend the deletion of 14.5 attorney and 6.5 clerical proposed positions and related operating expenses and equipment totaling \$625,000 and the addition of temporary help for legal services in the amount of \$125,000 for a net reduction in this item of \$500,000.

The State Public Defender is requesting \$625,000 for 21 positions and related expenses to provide defense services for state prison inmates charged with offenses committed in prison in cases which the local public defender refuses to accept because of a conflict-of-interest or other legal reason. In past years, courts have assigned these "conflict-of-interest" cases to private attorneys, but they were assigned to the State Public Defender by Chapter 1239, Statutes of 1976, effective January 1, 1977. The state reimburses all local costs associated with inmate trials through an annual budget appropriation (Item 272) to the Department of Correc-

STATE PUBLIC DEFENDER—Continued

tions. Accordingly, this proposed increase of \$625,000 for the State Public Defender reflects a corresponding reduction in Item 272. (As discussed in our analysis of the Department of Corrections budget, we believe that Item 272 is underfunded by \$500,000.)

In recent years, expenditures for reimbursement of *total* local defense costs including local public defender and other court appointed counsel for *all* inmate trials (including those refused by the local defender) have averaged approximately \$324,708 per annum, which is substantially less than the \$625,000 requested by the State Public Defender for only those conflict-of-interest and other cases refused by local public defenders. The period surveyed included at least one lengthy and sensational trial which was a major portion of total reimbursements.

Based on our analysis of these prior reimbursements, we conclude that \$125,000 should be sufficient to cover the services required of the State Public Defender. This amount should be placed in a temporary help category, allowing administrative flexibility to provide the services by employment of temporary help or by contracting with private counsel.

The 14.5 legal positions have been requested on the basis of each attorney's averaging six trials a year. This average is extremely low considering the fact that inmate trials range in complexity from relatively simple escape or drug matters to homicide. Because all of the major cases requiring extensive trial work will not necessarily be refused by local public defenders, the cases to be handled by the State Public Defender should include the less complicated cases as well as homicide trials which require considerably more work.

The caseload estimate is based on an assumption that 30 percent of an estimated 269 inmate cases which will be accepted for prosecution by district attorneys in the budget year will be rejected by local defenders and thus become the responsibility of the State Public Defender. The 269 caseload estimate is based on the number of cases accepted by the district attorneys in the 1975-76 fiscal year. Ninety of the 269 cases in that year were from two institutions and described as primarily drug possession and escape cases. Since these and other relatively minor cases (from a length of trial standpoint) are included in the total cases from which the conflict cases would arise, we believe that the six-case-per-attorney workload estimate is substantially understated. The normal caseload ratio for this office is 40 to 1, although this applies to appellate hearings which generally entail considerably less time than trial matters. Information is not readily available on the number and nature of conflict cases previously handled by appointments from the private bar.

ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS

Item 363 from the General
Fund

Budget p. 997

Requested 1977-78	\$775,000
Estimated 1976-77	775,000
Actual 1975-76	775,000
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item reimburses counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in the trial courts or involuntarily detained under the Lanterman-Petris-Short Act. The reimbursements are authorized by Section 987.6 of the Penal Code and may not exceed 10 percent of the counties' expenditures for these purposes. The state has never contributed the 10 percent maximum permitted.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The proposed contribution of \$775,000 represents the traditional dollar level of state support for this program. This is a diminishing percentage of total costs.

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS

Item 364 from the General
Fund

Budget p. 998

Requested 1977-78	\$600,000
Estimated 1976-77	None
Total recommended reduction	\$600,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Reviews of Guardianships. Reduce by \$600,000. Recommend legislation rather than Budget Bill if Legislature wishes to change the nonreimbursement policy.* 1008

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of this item in the amount of \$600,000.

This is a new budget item resulting from the passage of Chapter 1357, Statutes of 1976, which revised some of the procedures, terminology and definitions in the Government and Probate Codes relating to guardianship and conservatorship. The legislation mandates additional local expenditures to (1) provide appointed counsel and court investigators to

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS—Continued

represent the interest of proposed wards or conservatees under circumstances specified in the act, and (2) provide court investigators to conduct periodic reviews of guardianships and conservatorships. The amount budgeted is to reimburse the state-mandated local cost increases.

The cited legislation which becomes operative on July 1, 1977, specified that there would not be any mandated local costs increases subject to reimbursement in the 1977-78 fiscal year. Therefore, the expressed policy of the Legislature is that such costs not be reimbursed in the budget year. The Legislature did recognize that there would be local cost increases subject to state reimbursement in 1978-79 and subsequent fiscal years. Should the Legislature desire to change the nonreimbursement policy for the budget year, separate legislation, rather than the Budget Bill, would be the preferable way to address the issue.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 365 from the General

Fund	Budget p. 998
Requested 1977-78	\$100,000
Estimated 1976-77	325,000
Actual 1975-76	575,066
Requested decrease \$225,000 (69.2 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item provides reimbursements to counties for specified costs relating to two categories of criminal trials: (1) those related to escape from custody of the Department of Corrections, and (2) those related to high cost homicide trials.

Escape from Custody

Pursuant to Penal Code Section 4700.2, counties are reimbursed for trial and related costs arising from crimes committed in connection with an escape, or a conspiracy to effectuate an escape, from custody of the Department of Corrections. The escape could be from an institution, a courtroom or from other locations while the prisoner is in the custody of the department. Reimbursement under this Penal Code provision is limited to trials based on indictments filed between November 1, 1970 and June 30, 1971, and October 6, 1972 through October 6, 1973. Reimbursements were made in fiscal years 1971-72 through 1973-74; in 1975-76; and will be made in 1976-77, but no further claims are anticipated due to the limited application of this provision. The \$225,000 expenditure in the current fiscal year under this Penal Code provision relates to the taking of a state prisoner from the custody of state correctional officers in San Bernardino County. This reimbursement was authorized by Chapter 455, Statutes of

1976 (SB 1168).

High Cost Homicide Trials

Pursuant to Government Code Sections 15200-15203, counties are reimbursed for the costs of a trial or trials in a homicide case beyond that point where total trial costs exceed a five cent local property tax rate. The item was first included in the 1973-74 Governor's Budget to reflect an expenditure of \$95,964 in the 1971-72 fiscal year through a deficiency appropriation. Expenditures under this program since that time have been as follows:

<i>Fiscal Year</i>	<i>Expenditure</i>
1971-72	\$95,964
1972-73	370,105
1973-74	164,824
1974-75	55,000
1975-76	199,727
1976-77 (Estimated)	100,000
1977-78 (Proposed)	100,000

Except in 1972-73 and 1973-74 when reimbursements were made for an unusual case (the Juan Corona trial), expenditures have ranged from \$55,000 to \$199,727 per annum. Therefore, the amount budgeted appears to be reasonable as there is no method of forecasting the number and dollar value of such claims, if any, to be filed.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 366 from the General Fund

Budget p. 999

Requested 1977-78	\$2,698,583
Estimated 1976-77	1,707,539
Actual 1975-76	117,899
Requested increase \$991,044 (58.0 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Excess Liability Insurance. Recommendation withheld pending cost-benefit analysis of liability coverage by Department of Finance and report to Joint Legislative Budget Committee by May 1, 1977. 1013

GENERAL PROGRAM STATEMENT

Existing law defines the extent of the liability of the state and its employees for tort actions and makes the Board of Control responsible for administration of the program. The Attorney General investigates all claims to determine their validity, provides legal services to the board for the program and, with the board's approval, settles small claims directly.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

This item provides funds for payment of (1) claims for all General Fund agencies except the University of California and a small number of agencies with unique liability problems which are covered by special insurance, and (2) legal and investigative services provided by the Attorney General. Except for aircraft, the state assumes direct liability for payment of claims of less than \$2 million and more than \$50 million. Insurance for the smaller claims has proved too costly and insurance to protect against those exceeding \$50 million is not generally available.

In past years, this item also provided insurance premiums to cover claims between \$2 million and \$50 million and for the state's liability, up to \$2 million, for accidents involving state-owned and state-hired aircraft. It now appears that this insurance pattern cannot be continued and that, as discussed later in this analysis, both the deductible limit and the insurance premium will rise very substantially in the budget year.

The amount budgeted for claims should fund those which reasonably can be anticipated. No moneys are budgeted for larger claims (above \$50,000) which are generally funded by special appropriations to the Department of Justice. The budget shows that \$1,690,906 was appropriated in 1975-76 for such claims. A current-year special appropriation has yet to be made. Special fund agencies (with the exception of the Department of Transportation which investigates, litigates and pays its own claims) reimburse the General Fund for payments made under the program on their behalf.

ANALYSIS AND RECOMMENDATIONS

The proposed 58.0 percent increase in this item primarily reflects, as discussed below, a significant rise in the premium for tort liability insurance. In addition, reimbursements have been calculated by a new method in the budget year to provide for payment of 20 percent of the insurance premium cost by the Department of Transportation. Table 1 shows the funding and proposed expenditures for the tort liability program.

Table 1
Budget Summary

	Estimated 1976-77	Proposed 1977-78	Change from Current Year	
			Amount	Percent
Funding				
General Fund	\$1,707,539	\$2,698,583	\$991,044	58.0%
Reimbursements.....	22,250	240,000	217,750	978.7
Total	\$1,729,789	\$2,938,583	\$1,208,794	69.9%
Program				
Attorney General.....	\$1,071,624	\$1,388,583	\$316,959	29.6%
Claims	385,533	350,000	-35,533	-9.2
Insurance premiums	272,632	1,200,000	927,368	340.2
Total	\$1,729,789	\$2,938,583	\$1,208,794	69.9%

Insurance Costs Rise Dramatically

The Department of General Services Insurance Office advises that insurance for losses below \$5 million is no longer available and that premiums for coverage between \$5 million and \$50 million will be increased substantially. Thus, as shown in Table 1, the state will incur a 340.2 percent increase in premium cost with the deductible limit increasing from \$2 million to \$5 million (resulting in reduced coverage in the range of \$5 million to \$50 million). The administration advises that an Emergency Fund allocation of \$40,000 is planned to continue coverage in the current year through January 20, 1977, pending review of the program by the Legislature. The Governor's Budget reports that if it is deemed appropriate to continue coverage, legislation will be proposed to provide for payment of the significantly higher premium rate for coverage from January 20, 1977 to January 20, 1978.

Nature of Insurance Problem

Insurance brokerage firms and the League of California Cities advise that both private and public entities are experiencing similar insurance premium increases. The norm appears to be that (1) liability insurance is more difficult to obtain because fewer companies are offering this coverage, (2) it is available only at higher cost through increased premiums, and (3) the purchaser is required to assume increased liability exposure.

Liability insurance, in general, has been unprofitable to insurers, causing general rate increases. The more publicized problems of malpractice insurance reflect this problem. Reinsurers (insurance companies that insure other insurance companies) have suffered large losses because it is the large losses that customarily are reinsured. Consequently, reinsurers have not been willing to provide as much coverage as they did in the past, and those which continue to do so charge higher rates. Pricing of this type of insurance, however, is based largely on underwriters' estimations of liability exposure rather than on prior loss experience. The exposure of the State of California to catastrophic losses in recent years has made the difficulty of obtaining insurance more pronounced.

The state has purchased liability insurance since fiscal year 1964-65. Table 2 illustrates the amounts paid in premiums compared to the amounts paid by insurance companies for two verdicts against the state during the past 12 years.

Table 2
Insurance premiums and Verdict Payments

	<i>Insurance premiums paid</i>	<i>Verdicts against state paid by insurance</i>	<i>Difference (payments minus premiums)</i>
1964-1967	\$382,567	—	—
1967-1970	445,678	\$500,000	\$54,322
1970-1973	594,000	1,582,350	988,350
1973-1976	645,264	—	—
Total	\$2,067,509	\$2,082,350	\$14,841

In addition, pending against the state are three potentially catastrophic losses (one from fiscal year 1971-72 and two from fiscal year 1975-76)

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

totaling over \$138 million. However, these claims are covered by past liability insurance contracts and are subject to the lower deductible limits in effect at that time.

Uninsured Settlements

Table 3, which compares the dollar amount of tort claims filed with amounts paid directly by the state, is indicative of the Attorney General's workload in this program.

Table 3
Tort Liability Claims Workload

	1974-75	1975-76	1976-77 (est.)	1977-78 (est.)
Tort claims filed with the Board of Control	\$1,988,006,946	\$32,867,209,159	\$2,250,000,000	\$2,500,000,000
Tort claims paid.....	\$2,210,595	\$1,690,906	\$385,533 ^a	\$350,000 ^a

^a Exclusive of amounts which will be appropriated by special legislation.

Need for In-depth Study

We recommend that the Department of Finance, in cooperation with the Department of General Services, prepare an in-depth, cost-benefit analysis of tort liability insurance and report thereon to the Joint Legislative Budget Committee no later than May 1, 1977. Pending completion of that study and an opportunity for review by our office, we withhold recommendation on this item.

The 340.2 percent proposed increase in excess liability insurance premiums (see Table 1) necessitates a study to evaluate the cost-benefit to the state for continuing the present insurance program. Our discussions with the Department of Finance and the Department of General Services indicate that the administration is currently reviewing this matter in order to formulate a proposal for legislative consideration. We believe such review should (1) examine the cost-benefit to the state from the purchase of excess liability insurance, (2) determine the need for insurance for revenue bond funds and special fund agencies, (3) evaluate liability protection alternatives available to the state (such as establishing an insurance pool with other large states) and the benefits and costs of each, and (4) ascertain the feasibility of having insurance policies run concurrently with the fiscal year. We withhold recommendation on this item until these matters are addressed in a report to the Joint Legislative Budget Committee.

INDEMNIFICATION OF PRIVATE CITIZENS

Item 367 from the General
Fund and Item 368 from the
Indemnity Fund

Budget p. 1000

Requested 1977-78	\$8,096,720
Estimated 1976-77.....	6,625,568
Actual 1975-76	2,998,325
Requested increase \$1,471,152 (22.2 percent)	
Total recommended reduction	\$100,688

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
367	Indemnification of Private Citizens	General	\$8,066,308
368	Indemnification of Private Citizens	Indemnity	30,412
			\$8,096,720

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Attorney General Expenses. Reduce by \$100,688 (Item 367). Recommend deletion of funding for six new positions requested by the Department of Justice.* 1015

GENERAL PROGRAM STATEMENT

This program, which is administered by the Board of Control, provides compensation to needy residents of California (1) who are victims of crimes of violence or are financially dependent upon a victim, or (2) who sustain damages or injury as a result of acts benefiting the public. Under the provisions of Chapter 1144, Statutes of 1973, (effective July 1, 1974) total recovery for claims by needy residents may not exceed \$23,500, including a maximum of (a) \$10,000 for lost wages, (b) \$10,000 for medical expenses, (c) \$3,000 for rehabilitation, and (d) \$500 for attorney fees.

Before claims are considered by the Board of Control, they are first investigated by the Attorney General to determine their validity. The Attorney General also provides all necessary legal services for the program.

Although the General Fund is primarily responsible for the support of this program, the annual appropriation is partially offset by fines which are levied on the perpetrators of the crimes. New receipts from these fines, estimated at \$12,000 for the budget year, are deposited in the Indemnity Fund (Item 368) but transferred to the General Fund for support of this program.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the Governor's Budget proposes a net increase of \$1,471,152 or 22.2 percent above the current support level, most of which represents continued growth in the number of claims filed for compensation. The amounts requested for expenses of the Attorney General and the

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

Board of Control contain moderate increases and are based on the assumption that no changes in administrative responsibility will occur in the program during the budget year. However, as discussed below, Attorney General expenses in the budget year include the addition of six new positions for investigative services. The Department of Justice proposes to fund this additional staff from net savings realized by the conversion (as we recommended last year) of five special agents to claims specialists in the current year. This savings results from the lower salaries and benefits, reduced travel and equipment needs and absence of overtime required for a claims specialist compared to a special agent.

Table 1
Budget Summary

Funding	Estimated 1976-77	Proposed 1977-78	Change from Current Year	
			Amount	Percent
General Fund appropriation	\$6,622,568	\$8,066,308	\$1,443,740	21.8%
Indemnity Fund	3,000	30,412	27,412	913.7
Total	\$6,625,568	\$8,096,720	\$1,471,152	22.2%
Program				
Claims—Victims of crimes	\$5,614,865	\$7,052,845	\$1,437,980	25.6%
Claims—Victims benefiting the public	50,000	50,000	—	—
Attorney General expenses	713,994	741,645	27,651	3.9
Board of Control expenses	246,709	252,230	5,521	2.2
Total	\$6,625,568	\$8,096,720	\$1,471,152	22.2%

Proposed Consolidation Should Reduce Staffing Needs

We recommend deletion of funding for six new positions requested by the Department of Justice for investigative services for a savings of \$100,688 (Item 367).

The Department of Justice is requesting six new positions (one public liability claims supervisor, four claims specialists, and one clerk typist), to handle an anticipated increase in investigative workload for this program in the budget year. These positions are to be funded from savings realized by the conversion of five special agents to claims specialists in the current year. The cost is included in Item 367 and reflected as a reimbursement to the Department of Justice in Item 38.

The administration advises that legislation will be proposed in 1977 to consolidate responsibility and funding for the administration of this program under the Board of Control. This is consistent with the position we took last year in a supplemental analysis where, on the basis of improved efficiency and cost savings, we recommended consolidation of the program. A similar conclusion was reached by the Department of Finance's review of the program. Consolidation should provide overall savings, according to Board of Control estimates, of \$186,565 annually for personal services, operating expenses and equipment. Additional benefits to be realized by consolidation are (1) simplification of the administrative process, (2) reduction of the average time required to process a claim, and (3) minimization of duplication.

In view of the consolidation proposal and its attendant personnel and operating savings, it is inappropriate, in our judgment, to increase the Department of Justice staff. Staffing needs should be determined by the agency responsible for the program in the budget year. We therefore recommend deletion of the funding for the six new positions requested by the Department of Justice. This recommended deletion of the positions is reflected, correspondingly, in our analysis of the department's budget request (Item 38).

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

Item 369 from the General Fund

Budget p. 1001

Requested 1977-78	\$78,000,000
Estimated 1976-77	52,500,000
Actual 1975-76	51,149,098
Requested increase \$25,500,000 (48.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Senior citizens' property tax assistance is available to homeowners 62 and over with total household incomes below \$12,000. Assistance varies inversely with income, ranging from 96 percent of property taxes for qualified homeowners with incomes below \$3,000 to 4 percent of taxes between \$11,500 and \$12,000 of income. Assistance disbursed in the budget year will relate to taxes paid in the 1976-77 fiscal year and incomes in the 1976 calendar year.

This program was significantly expanded by Chapter 1060, Statutes of 1976. Effective with respect to assistance in the budget year, Chapter 1060 raised the income limit from \$10,000 to the present \$12,000 level and increased the maximum full value on which assistance is allowed from \$30,000 to \$34,000. (This limit, which is applied after the \$7,000 homeowners' exemption, permits assistance on the first \$41,000 of the full value of a home as determined by the assessor.) This act also increased the percentages of assistance available to existing claimants. Table 1 illustrates the percentages of taxes reimbursed under Chapter 1060 at selected income levels and compares these to the percentages of assistance effective for the current year.

Table 2 summarizes the actual number of claimants and amounts of assistance provided under this program for the 1974-75 through 1976-77 disbursement years. Nearly 294,000 claimants received average assistance payments of \$178 in the current year, which represents approximately 36 percent of the average 1976-77 tax liability of \$493. Although taxes paid by claimants were significantly higher in the current year (by about 12.6 percent over 1975-76), assistance as a percentage of taxes declined 2.5 percentage points from the 38.5 percent shown for 1975-76. This reflects the fact that, under a fixed reimbursement schedule, the average percent-