

Commission to appoint a student financial aid policy group to review all aspects of student aid.

The 13 member task force acquired staff and began meeting in Nov. 1978. A report is due no later than December 30, 1979.

POLITICAL REFORM ACT OF 1974

Item 372 from the General
Fund

Budget p. 1057

Requested 1979-80	\$3,134,096
Estimated 1978-79.....	3,187,290
Actual 1977-78	2,572,518
Requested decrease \$53,194 (1.7 percent)	
Total recommended reduction	\$39,237

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Electronic Data Processing System. Reduce by \$39,237.* 1186
Recommend reduction of data processing funds until the commission can better estimate system participants, costs, savings and implementation schedule.

GENERAL PROGRAM STATEMENT

The Political Reform Act of 1974, an omnibus elections measure, includes provisions relating to (1) campaign expenditure reporting and contribution 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).

Funds to implement these provisions are budgeted for four 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.

The departments which will expend funds in support of the act, the general functions performed by each, and the estimated expenditures during the prior current and budget years are displayed in Table 1. The sub-total represents that amount appropriated through the Budget Act for support of the Political Reform Act. The total represents that amount

Table 1
Support for Political Reform Act of 1974

<i>Agency</i>	<i>Function</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Amount Change 1978-79 to 1979-80</i>	<i>Percent Change 1978-79 to 1979-80</i>
Secretary of State	Document filing and copying	\$351,274	\$414,953	\$421,442	\$6,489	1.6%
Franchise Tax Board.....	Auditing Statements	1,956,296	2,396,562	2,485,603	89,041	3.7
Attorney General.....	Enforcement	177,379	183,651	187,814	4,163	2.3
(a) Fair Political Practices Commission (through Budget Act)	Administration of Act	87,569	192,124	39,237	-152,887	-79.6
SUB-TOTAL		\$2,572,518	\$3,187,290	\$3,134,096	\$-53,194	-1.7%
(b) Fair Political Practices Commission (through Section 83122 G.C.)	Administration of Act	1,274,909	1,388,384	1,415,435	27,051	1.9
TOTAL POLITICAL REFORM ACT		\$3,847,427	\$4,575,674	\$4,549,531	\$-26,143	-.6%

available for carrying out the act's provisions, and includes funds appropriated by the Budget Act and the continuing appropriation made by Section 83122 of the Government Code.

SECRETARY OF STATE DUTIES

Responsibilities assigned the Secretary of State by the Political Reform Act of 1974 include filing campaign expenditure statements and the registering of lobbyists. In addition, the Secretary of State prints and makes available information listed in lobbyist registration statements. Work performed in accordance with the Political Reform Act is estimated to cost \$421,442 in the budget year. This represents an increase of 1.6 percent above anticipated current year costs of \$414,953.

ATTORNEY GENERAL'S DUTIES

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 required services are estimated at \$183,651, and \$187,814 is requested for the budget year, an increase of 2.3 percent.

FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission 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 it receives a statutory General Fund allocation adjusted annually for cost-of-living changes based on an initial allocation of \$1 million.

In accordance with the Political Reform Act of 1974, the commission's statutory budget for 1979-80 is \$1,415,435. The Governor's Budget provides an additional \$39,237 to enable the commission to implement an integrated data processing system.

ANALYSIS AND RECOMMENDATIONS

The Budget proposes \$3,134,096 to carry out the provisions of the Political Reform Act of 1974 in 1979-80. This is \$53,194 or 1.7 percent less than the estimated current year expenditure. Item 372 appropriates these funds to the agencies responsible for the various functions mandated by the Act.

Reductions in FPPC per Sections 27.1 and 27.2—Budget Act of 1978

For the current year the commission proposes to reduce its budget for operating expenses and equipment by \$14,000 to comply with Section 27.1 of the 1978 Budget Act. There is no reduction in positions under Section 27.2.

POLITICAL REFORM ACT OF 1974—Continued**Electronic Data Processing System**

We recommend that funding identified for the investigation of an integrated data processing system be deleted for a savings of \$39,237.

Since 1976 the FPPC has been attempting to develop an electronic data processing system to improve its technical assistance and enforcement functions. Delays have occurred for a variety of reasons, the most significant being the inability of the FPPC, the Franchise Tax Board, and the Office of the Secretary of State, all potential users of this system, to agree on a design and a division of the system's cost.

One factor makes it particularly difficult for the FPPC, FTB, and the Secretary of State to plan for an EDP system at this time. It is unclear whether the political audit function will remain with the Franchise Tax Board. Legislation (AB 14) has been introduced to move the audit function out of the FTB and assigning it to a new Office of Political Reform Auditor. Also, the FPPC itself may recommend relocating this audit function, pending the results of a privately contracted report due in February of 1979. It is impossible to estimate the cost of an EDP system without knowing where the audit function will be located.

Two questions should be resolved prior to the approval of any funds for this EDP system: (1) which agency will be performing the audit function; and (2) which other agencies will be sharing in the design, use, and cost of this system. Without answers to these questions, only very rough cost estimates can be made. These estimates range from under \$5,000 to \$200,000.

The proposed FPPC data processing budget for 1979-80 is \$49,237. Of this amount, \$10,000 is statutorily provided and \$39,237 is being requested from the Budget Act. In the current year, FPPC has \$30,000 available for data processing services. To date, this money has not been expended. Combining this amount with the \$10,000 statutorily provided in 1979-80, FPPC will have a potential \$40,000 available for the initial costs of an EDP system.

Given the availability of these funds, the history of delays incurred by the EDP project, and the wide range of cost estimates, we recommend deletion of \$39,237 proposed through the Budget Act until costs and the possible participants in this system can be better identified. Further, a feasibility study approved by the State Data Processing Management Office in the Department of Finance should be completed before additional funding is made available.

FRANCHISE TAX BOARD DUTIES

The Political Reform Act of 1974 requires the Franchise Tax Board (FTB) to audit, with specified limitations, the financial transactions statements of (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or opposing statewide ballot measures, and (4) specified elected officials. As discussed below, Chapter 1411, Statutes of

1978, significantly amended the board's auditing requirements by providing for *sample* auditing under specified conditions. The board's auditing responsibilities are carried out through a separate division, the Political Reform Audit Division (PRAD). The FTB is requesting \$2,485,603 and 99.5 personnel-years for PRAD, an increase of \$89,041, or 3.7 percent, over the current year. Although no new positions are requested for the budget year, the budget shows an increase of 3.2 personnel-years, which reflects the full-year effect of positions established in January of the current year. These positions were approved in the 1978-79 budget.

Election-Year Audits Begin

As a result of the June and November elections, PRAD has a substantial audit workload to process. Preliminary estimates indicate that campaign statements on hand or to be filed would involve almost 2,000 audits requiring over 100,000 audit hours. Lobbyist statements on hand or to be filed would require approximately 14,000 hours annually for 650 units. The 1979-8 budget reflects the plan adopted last year under which PRAD will maintain an essentially constant staff level to deal with the two workload peaks which occur during the four year period between gubernatorial elections. During the two fiscal years, 1978-79 and 1979-80, approximately 137,000 staff audit hours will be utilized to process approximately 89 percent of the new workload generated during this period. The remaining workload will be carried over into the next fiscal year. However, recent law changes discussed below will significantly reduce the number of required audits.

New Legislation Reduces Audit Workload

Last year, we noted that several studies of the audit activities under the Political Reform Act of 1974 had concluded that the original audit requirements were excessive. Under these requirements, *all* lobbyist and campaign disclosure statements selected according to specified criteria had to be audited. The studies concluded that auditing a randomly selected sample of statements could be effective in maintaining compliance and would substantially reduce the costs associated with the audit efforts.

Chapters 779 and 1411, Statutes of 1978, revised audit requirements under the Political Reform Act. As amended by Chapter 1411, the Act now provides for audits of statements on the following basis:

1. *Lobbyists.* Audits are required of *all* lobbyists not previously audited or lobbyists who have been previously audited and not found in substantial compliance. Audits are required of *25 percent* of those lobbyists found in substantial compliance by a prior audit.
2. *Candidates for the Legislature or Superior Court Judge.* In a direct primary or general election, all candidates from a *50-percent* random selection of legislative districts and superior court offices are required to

POLITICAL REFORM ACT OF 1974—Continued

be audited if more than \$15,000 has been expended or received by the candidate or the candidate's committees. In a special election, audits are required of *all* candidates for the Legislature if more than \$15,000 has been raised or expended.

3. *Statewide Candidates, Superior Courts, Courts of Appeal or Board of Equalization Candidates.* Audits are required of *all* such candidates and their committees if they have received or expended \$25,000 or more. Audits are required of *10 percent* of these candidates and their committees, randomly selected, if less than \$25,000 was received and expended.

4. *Committees Controlled by a Candidate or Primarily Supporting a Candidate.* *All* such committees are to be audited if the candidate is audited.

5. *Ballot Measure Committees.* Audits are required of every committee whose participation is primarily related to ballot measures if it expended more than \$10,000 in any calendar year.

6. *Independent Committees.* Audits are required of *50 percent* of the committees not included in (4) or (5) above, which expended more than \$10,000 supporting or opposing state candidates or state measures.

Chapter 779 requires the FPPC to adopt auditing guidelines and standards for the required audits. The FPPC has retained outside consultants to recommend appropriate standards and guidelines. In February, the commission is expected to consider changes to existing standards and guidelines on the basis of the consultants' report.

The potential effect of Chapters 779 and 1411 on staffing requirements is substantial. However, the staffing level will depend upon (1) the definition of certain terms in Chapter 1411 and (2) the adoption of audit standards and guidelines by the commission. If the standards are significantly different from existing practices, some experience may be required before the specific effects on staffing needs are known. Our preliminary estimate is that total election year audit workload could be reduced by approximately 35 percent.

Because of the expected workload reductions resulting from these statutes, it would be possible to reduce the PRAD budget in 1979-80. However, even if its workload is reduced to the extent indicated by our preliminary estimates, it is unlikely that PRAD will complete the audits of its entire backlog during the budget year. Moreover, as indicated above, we are unable to offer a precise estimate of the appropriate staff reduction at this time. Thus, we are not recommending a reduction of the PRAD staff in the budget year.

AGRICULTURAL LABOR RELATIONS BOARD

Item 373 from the General
Fund

Budget p. 1059

Requested 1979-80	\$7,656,500
Estimated 1978-79.....	8,268,638
Actual 1977-78	6,943,954
Requested decrease \$612,138 (7.4 percent)	
Total recommended reduction	\$1,773,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Over-Staffing. Reduce by \$1,513,000.* Recommend deletion of 49 existing positions, including elimination of the Sacramento Regional Office. 1195
2. *Travel Expenditures. Reduce by \$115,000.* Recommend elimination of overbudgeting of travel expenses. Also recommend adoption of procedures to control travel abuses and Department of Finance audit of travel claims. 1202
3. *Overtime Management.* Recommend ALRB develop procedures to control overtime abuses. 1203
4. *Administration. Reduce by \$145,000.* Recommend reduction commensurate with other program decreases. 1203

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board was established by Chapter 1, Statutes of 1975, Third Extraordinary Session, for the purpose of guaranteeing 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 conducts the following programs:

1. General administration, which provides 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 practice charges filed by employers or workers. The board also reviews decisions of hearing officers when requested by either party.

AGRICULTURAL LABOR RELATIONS BOARD—Continued

3. General counsel and administration, which, through the office of the general counsel:
 - a. Conducts secret ballot elections to enable farm workers to select representatives of their own choosing;
 - b. Investigates and prosecutes unfair labor practice charges before the board or hearing officers; 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 \$7,656,500, which is \$612,138, or 7.4 per cent, below estimated expenditures in the current year.

Table 1
Budget Summary
Agricultural Labor Relations Board

<i>Funding</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change from current year</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$8,268,638	\$7,656,500	-\$612,138	-7.4%
<i>Program</i>				
Administration (distributed to other programs)	(\$627,698)	(\$592,396)	(-\$35,302)	-5.6
Personnel-years	20.2	19.9	-0.3	
<i>Board Administration</i>				
a. Policy and Procedures.....	121,836	133,922	12,086	9.9
Personnel-years	2.9	3.0	0.1	
b. Hearings and Board Review	3,285,529	2,923,972	-361,557	-11.0
Personnel-years	73.4	65.5	-7.9	
<i>General Counsel Administration</i>				
a. Representation Cases	682,453	486,425	-196,028	-28.7
Personnel-years	18.5	12.3	-6.2	
b. Unfair Labor Practice Cases	3,777,093	3,562,481	-214,612	-5.7
Personnel-years	101.5	89.8	-11.7	
c. Court Litigation	401,727	549,700	147,973	36.8
Personnel-years	10.9	13.9	3.0	
Total	\$8,268,638	\$7,656,500	-\$612,138	-7.4%
Personnel-years	227.4	204.4	-23.0	

The proposed decrease of \$612,138 largely reflects the elimination of 29.2 positions (or the equivalent of 23.0 personnel-years after minor adjustments for salary savings), 8.9 of which were eliminated in the current year because of an overall decline in workload. Other staffing changes include the transfer of eleven positions from the Office of the Executive Secretary and the four regional offices to the Office of the General Counsel where they will handle court-litigation matters, improve central administrative controls over field operations, develop a case management system, and assist regional offices during peak workload periods.

WORKLOAD AND STAFFING STANDARDS

Board Remains Overstaffed

The agricultural labor relations program has had a turbulent history. During its existence, workload elements have fluctuated substantially with the various peak seasons in the agricultural industry. Nevertheless, after 26 months of continuous operation, we believe that the board has sufficient experience to refine its estimates of budgetary requirements. Based on our analysis, however, it has failed to do so.

As shown in Chart 1, ALRB workload, as measured by unfair labor practice charges and election petitions, has demonstrated a consistent decline since November 1976 when the board resumed operations after having run out of funding earlier that year. Notwithstanding this fact, the board is projecting workload increases in the budget year.

Table 2 compares the board's workload projections to its actual workload experience from November 1976 to December 31, 1978. In almost all instances, it appears that the board is greatly overestimating its workload elements for the budget year. For example, the board projected 1,000 elections in 1976-77 but only 188 were held. In 1977-78 and again in the current year, the board anticipated 250 elections but only 122 were conducted last year, and only 39 were held in the first half of the current year. Last year and again in the current year, the board estimated that it would receive 1,520 unfair labor practice charges (ULP's). After we questioned this estimate, the board reduced it to 1,000. The actual number of charges received was 742 during last year and 254 during the first six months of the current year.

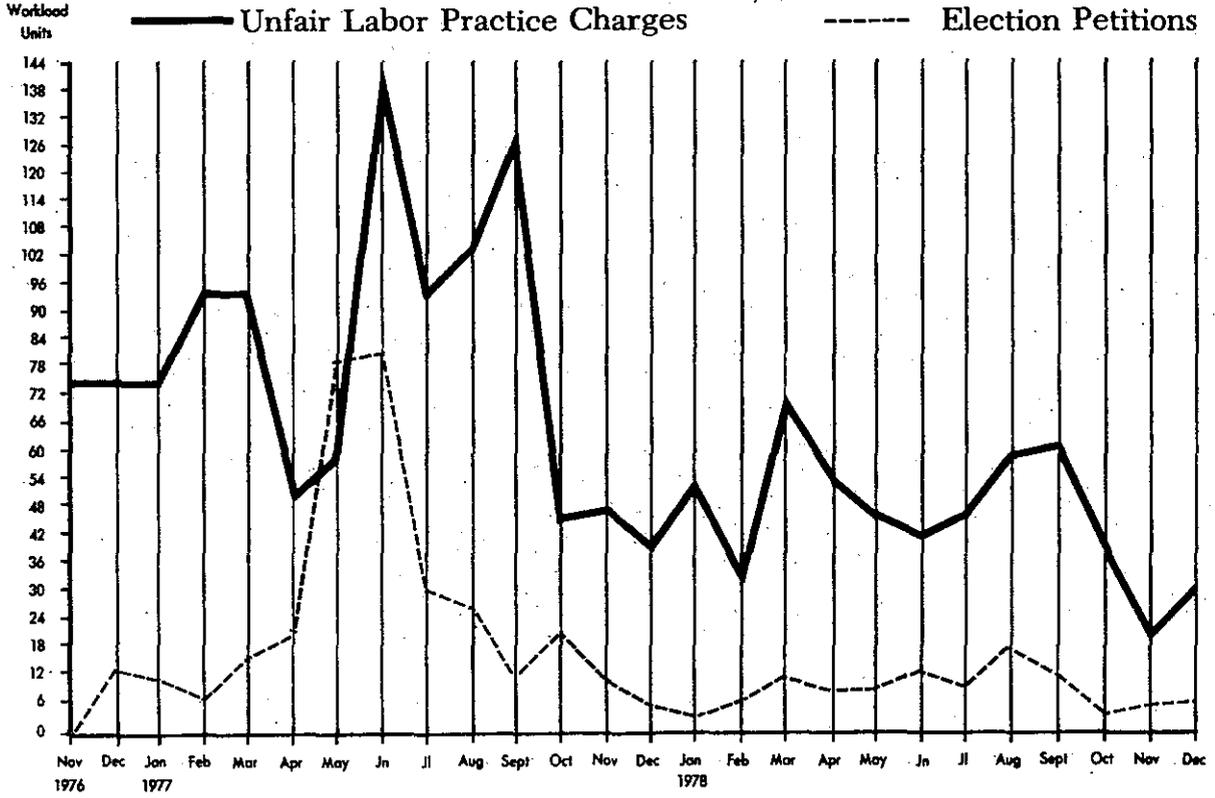
Table 2
ALRB Budget Projections
Compared with Actual Experience

	1976-77 Actual (8 months)	1977-78 Actual	1978-79			1979-80 Board's Estimate
			Actual to December 31	Projected to full-year based on first six months	Board's Estimate	
Elections						
Petitions Filed	219	148	52	104	180	180
Elections Held	188	122	39	78	150	150
Objections	54	56	21	42	69	69
Objection Hearings	24	40	9	18	36	36
Board Decisions	70	28	15	30	32	32
Unfair Labor Practice Charges						
Charges Filed	802	742	254	508	800	800
Complaints Issued	163	123	55	110	136	136
Hearing	123	99	38	76	108	108
Board Opinions	19	55	45	90	68	68

AGRICULTURAL LABOR RELATIONS BOARD—Continued

The past inability of the board to develop reasonably accurate estimates of its workload raises a serious question about the reliability of its projections for the budget year. We believe that the budget year workload will probably not exceed the current-year level. If this is the case, the board has overestimated the number of election petitions by approximately 73 percent and the number of unfair labor practice charges by 58 percent. Consequently, as will be discussed in more detail later in this analysis, we believe the board is overstaffed.

Chart 1
ALRB Workload
November 1976 to December 1978



AGRICULTURAL LABOR RELATIONS BOARD—Continued**Staffing Standards Not Yet Developed**

The ALRB's workload is much smaller than that of the average regional office under the National Labor Relations Board (NLRB). The NLRB currently maintains 33 regional offices nationally, four of which are in California. The 742 unfair labor practice charges (ULPs) and 122 elections handled by the ALRB in 1977-78 were considerably less than the 1,182 ULPs and 301 elections handled by the average NLRB region.

Last year, we recommended reductions of approximately \$1.9 million in the ALRB budget because of overstaffing and inefficient personnel management practices. The Legislature approved our recommendations in part, deleting 32.5 positions for a reduction of \$813,947. We also addressed a number of the board's administrative deficiencies, including its (1) failure to establish a management information system for purposes of evaluating staff performance, (2) failure to adopt a time reporting system for measuring personnel requirements, (3) lack of staffing and performance standards and (4) lack of uniform managerial controls over staff activities.

Since that time, the board has developed and implemented a statistical management information system and a time reporting system, but it has not yet developed adequate managerial controls or staffing and performance standards (as discussed later in this analysis). It is difficult to understand the board's lack of progress in this area because the NLRB, after which the ALRB was patterned, has staffing and performance standards and a case management system which have served as models for several federal agencies. Because of the board's failure in this regard, we believe that the Legislature should impose modified NLRB staffing standards on the ALRB.

ALRB Productivity Rate Declining.

Last year we reported that ALRB productivity rates do not compare favorably with those of the NLRB. ALRB field staff productivity is continuing to decline. In 1976-77, the ALRB field staff resolved 1.6 ULP's and conducted two elections *per month* per budgeted professional position. In 1977-78 it received only 0.7 ULP *per month* and conducted an average of only 1.3 elections *per year* per budgeted professional field position. In the current year, these productivity rates have decreased to 0.6 ULP *per month* and 1.0 election *per year*. The board proposes to increase its productivity in 1979-80 to a rate of only 1.1 ULP *per month* and 2.6 elections *per year*. Even this low productivity rate is based on the board's assumption that workload increases will occur. It seems more probable that workload increases will *not* occur, and that productivity therefore will either stabilize or decline.

Under NLRB performance standards which were adopted in 1974-75, it is assumed that one professional employee, working on a full-time basis, will resolve 49.1 ULP's per year or 4.1 per month. The standard for election petitions is 99.6 per year or 8.3 per month. These production rates are probably now outdated because the NLRB has achieved a productivity rate increase of approximately 2 percent per year for several consecutive years under its case management and performance standards systems.

We recognize that there are some essential differences between ALRB and NLRB procedures and that it may never be possible for ALRB to achieve NLRB productivity levels, even though the ALRB was modeled after the NLRB. Some of these differences result from the substantial fluctuations of workload because of various peak seasons and the migratory nature of the agricultural work force. Others result from basic differences between the federal and state laws, such as the California requirement that the ALRB hold an election within seven days after a valid election petition is filed.

Notwithstanding these factors, we believe that the lack of productivity on the part of the board is principally due to overstaffing and mismanagement. While we are willing to recognize that the ALRB faces more serious operational constraints than the NLRB, the magnitude of these constraints cannot make it almost 100 times less productive in conducting elections and seven times less productive in resolving unfair labor practice charges.

GENERAL COUNSEL ADMINISTRATION

Regional Offices Overstaffed

We recommend deletion of 49 regional office positions for a General Fund savings of \$1,513,000 consisting of (1) \$1,091,200 to eliminate seven attorneys, 21 field examiners and eight clerical positions to eliminate general overstaffing and (2) \$421,800 to eliminate the Sacramento Regional office, which includes one regional director, two attorneys, six field examiners and four clerical positions.

Workload Declining. As noted above, the ALRB is basing its proposed budget on the premise that workload will increase 73 percent in representation cases and 58 percent in unfair labor practice cases. However, as we have demonstrated, actual workload has consistently declined over the last 26 months. The board offers no satisfactory justification for projecting increased workload. In the absence of any concrete information by the board to support a reversal in the current trend, we believe future workload estimates should be based on the experience of the past. This experience suggests that current-year trends probably more accurately reflect budget-year workload levels.

Production Rates Too Low. We also believe that the board should do a much better job in managing and budgeting its caseload. As we have urged in the past, it should adopt systems similar to those used by the NLRB. The NLRB allows its top management to ensure that all cases are resolved as expeditiously as possible, consistent with the need to provide adequate review. For instance, the NLRB places a great deal of emphasis on prompt identification and disposition of cases which lack merit as a means of avoiding unnecessary litigation. Its information system allows accurate projections of the number of ULP charges at various disposition points. Thus, the NLRB is able to project the number of cases which will be withdrawn, dismissed or settled prior to the issuance of a complaint; the number that will be resolved following complaint, either by settlement prior to hearing or during the hearing; and the number that will result in a hearing officer's decision. While the NLRB's standards required one full-time employee to dispose of 49.1 charges annually or 4.1 per month in

AGRICULTURAL LABOR RELATIONS BOARD—Continued

1975-76, actual production rates have been developed for the resolution of charges at each disposition point. For ULP charges, these rates vary from 93.2 per year for charges that are withdrawn to 11.2 per year for complaints that are fully litigated. Charges that are dismissed have a production rate of 68.9 per staff member per year.

Recommendation. Table 3 portrays our recommended staffing levels for the ALRB field offices based on the 508 ULP charges and 104 election petitions which will be filed in the budget year if current workload trends continue. The table also shows staffing requirements based on the board's projected workload of 800 charges and 180 election petitions. We have applied NLRB production standards to the ULP workload, but the election petition workload is evaluated solely on the ALRB suggested standard of 70 man-hours per election. We have not applied the NLRB standard in elections because of significant differences in the two procedures. As shown in Table 3, the board will be overstaffed by a total of 49 positions if current workload trends continue in the budget year. If workload increases to the level projected by the board, it will still be overstaffed by a total of 36.4 field positions, using NLRB standards for the ULP workload.

Table 3
Legislative Analyst's Recommended
Staffing of ALRB Field Offices
Based on NLRB Production Rates

	NLRB 1975 Production Rate	NLRB Percent of Cases	ALRB Percent of Cases	ALRB Staffing Needs			
				Based on 508 Charges and 104 Petitions		Based on 800 Charges and 180 Petitions	
				Number	Personnel- years	Number	Personnel- years
Withdrawals.....	93	33%	20%	102	1.1	160	1.7
Dismissals.....	69	36	36	183	2.7	288	4.1
Settlements Prior to Complaint....	45	16	10	51	1.1	80	1.7
Complaints.....	12	—	—	110 ^a	9.1	136 ^a	11.3
Subtotal.....					14.0		18.8
Election Petitions.....	—	—	—	104	4.0	180	6.8
Management and Supervision.....					6.0		6.0
Total Professional.....					24.0		31.6
Clerical.....					17.3		22.2
Total Field Personnel Required.....					41.3		53.8
Total Proposed.....					90.2		90.2
Overstaffing.....					49		36.4 ^a

^a The average ALRB complaint contains about three consolidated charges which are found to have merit. Consequently, the numbers in these columns do not add to the total number of new charges that are expected to be filed.

As noted above, we recognize that the NLRB performance rates are not directly applicable to the ALRB and are willing to consider more appropriate rates which might be suggested by the ALRB to reflect these differences. However, if the board is unable to develop reasonable alternatives, we believe the NLRB rates should be imposed.

Sacramento Regional Office Should Be Eliminated

The ALRB maintains regional offices in Sacramento, Fresno, Salinas and San Diego. We do not believe that the Sacramento Regional Office has sufficient workload to justify its continuation. During the past 26 months, the board has received an average of 69 ULP charges and 16 election petitions per month. As shown in Chart 2, the Sacramento office has received only 2.7 charges per month and 0.5 election petitions. This is in marked contrast to the other three regions whose workloads are shown in Charts 3, 4 and 5.

Chart 2
 Sacramento Region Workload
 November 1976 to December 1978

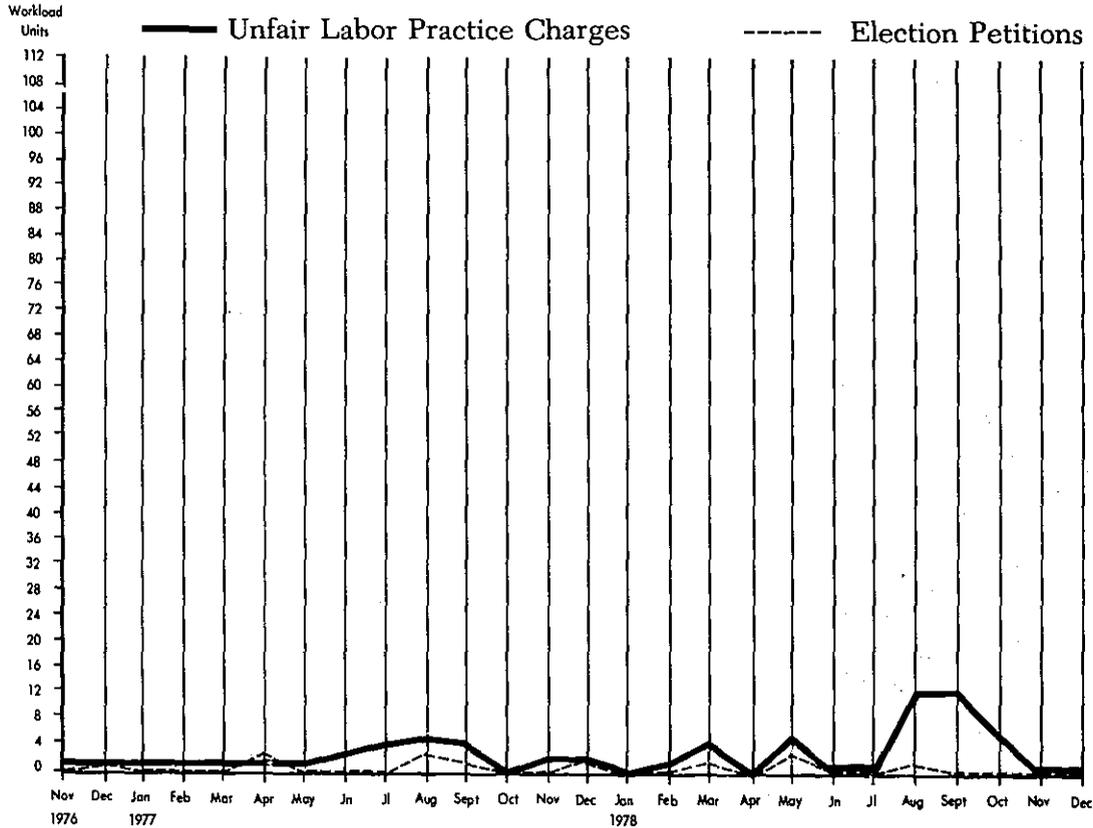


Chart 3
Fresno Region Workload
November 1976 to December 1978

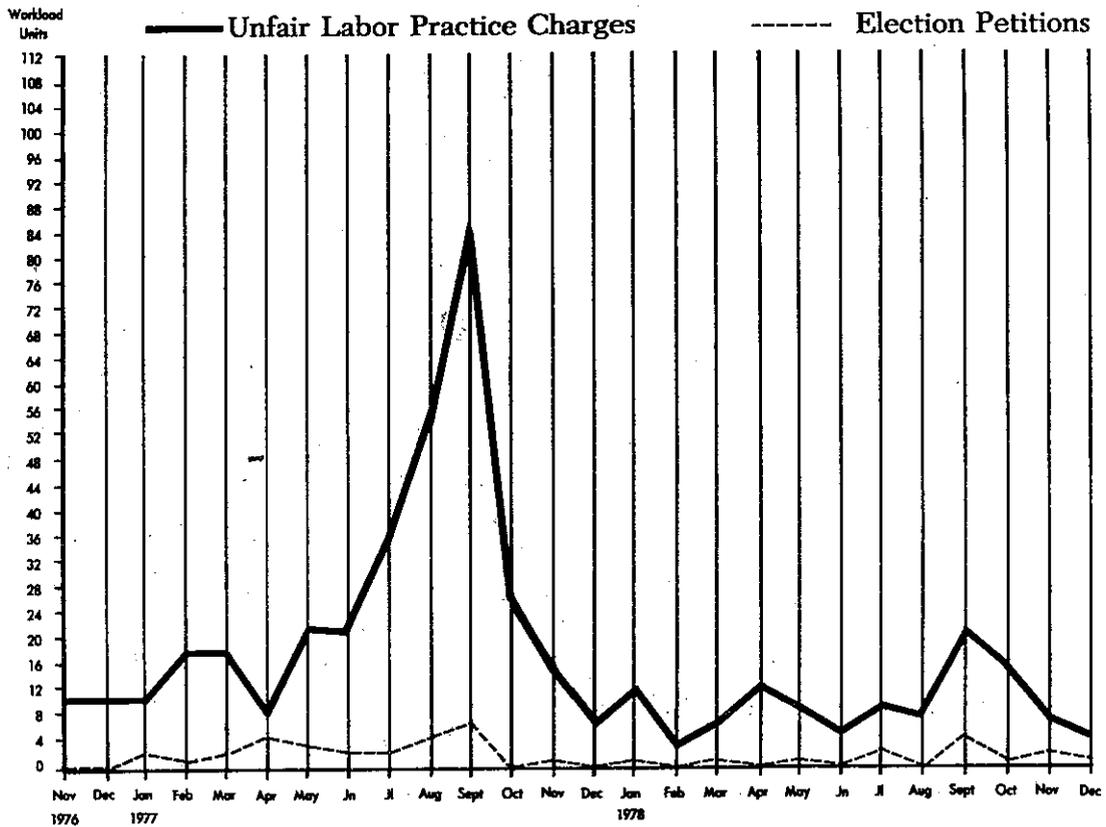


Chart 4
Salinas Region Workload
November 1976 to December 1978

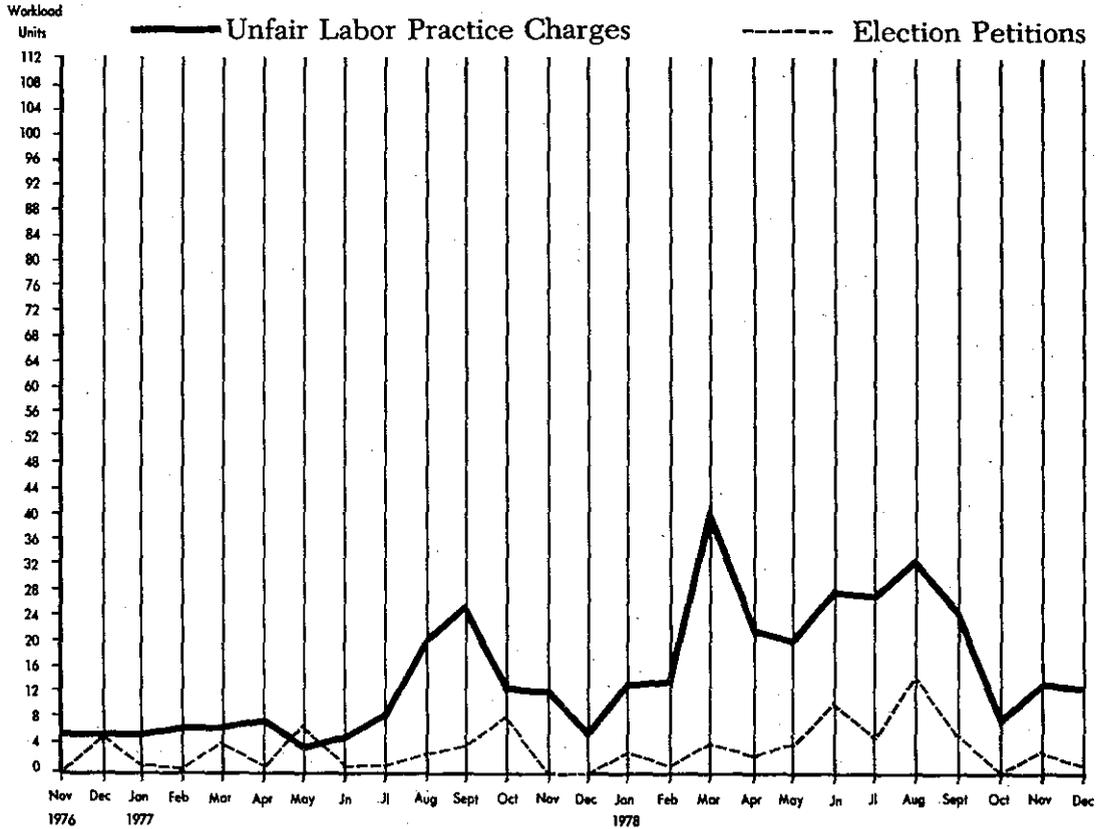
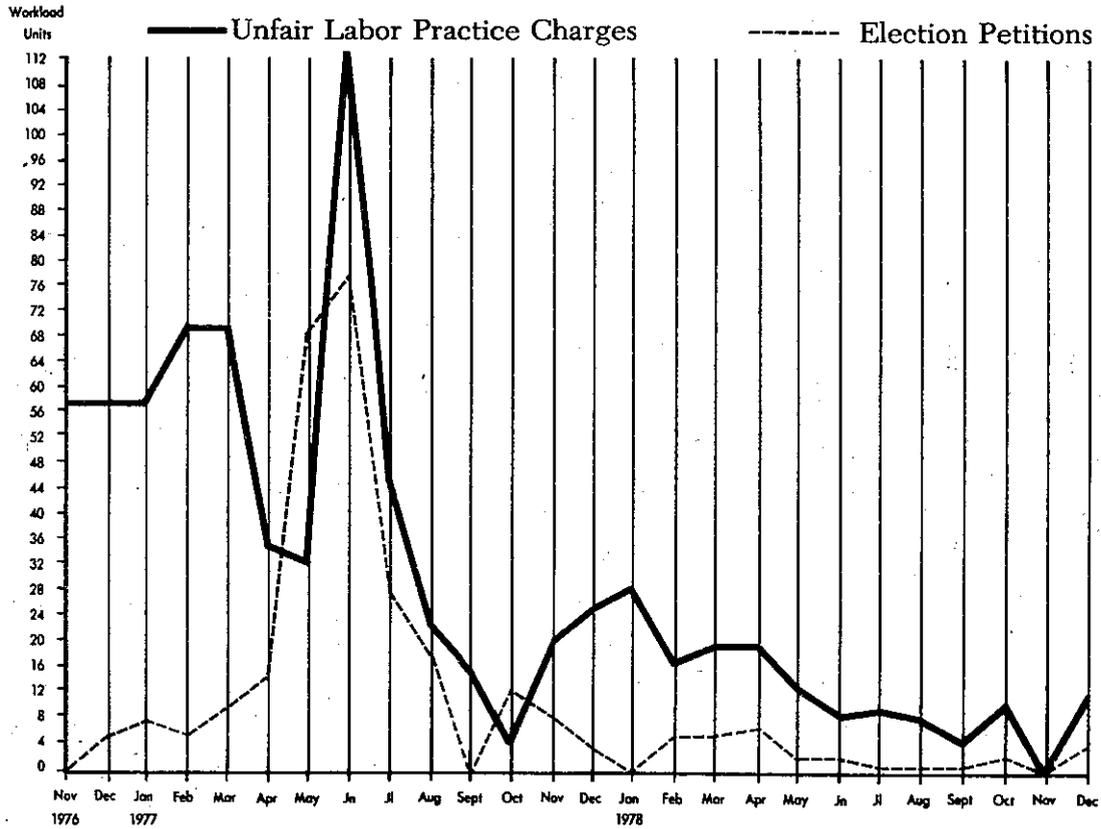


Chart 5
San Diego Region Workload
November 1976 to December 1978



AGRICULTURAL LABOR RELATIONS BOARD—Continued

Deletion of the Sacramento Regional Office would result in budget-year savings of approximately \$421,800 and a net reduction of 13 positions (excluding two positions being transferred to the General Counsel).

As discussed earlier, the staff of the General Counsel is being increased by 11 positions to handle a variety of special projects and to help the regions handle seasonal workload problems. We believe that this staff also could handle the current workload generated in the Sacramento region.

Uncontrolled Travel Expenditures

We recommend that (1) instate travel expenditures be reduced by \$115,000, (2) the Legislature require the ALRB to develop procedures for managing travel funds and to report to the Joint Legislative Budget Committee by October 1, 1979 and (3) the Department of Finance conduct an audit of the board's travel claims and report the results to the Joint Legislative Budget Committee by December 15, 1979.

We have conducted a random review of travel expenses submitted by board employees and find numerous instances in which highly questionable claims have been approved by board management. One of the more questionable and recurring practices is that of paying employees the \$40-per diem rate on weekends when a staff person is temporarily assigned to another field office within 150 miles of his or her regularly assigned office without any evidence that the person worked overtime on the weekend. (The per diem rate was increased by the Board of Control to \$46 effective January 1, 1979.) For example: an attorney who is headquartered in Fresno was temporarily assigned to Bakersfield, 110 miles from Fresno for the greater parts of the months of July and September of 1978. For these two months she claimed and received \$560 in per diem payments for seven weekends. There is no evidence that she worked on these weekends. Another employee assigned permanently to the San Diego field office was temporarily reassigned to Indio, 133 miles away, for the latter part of July and most of August. During this period she claimed and received per diem totaling \$320 for four weekends without any evidence of working over the weekends. In another case, a staff trainer who lives in San Francisco received per diem and travel reimbursement totaling \$536.30 over a 14-day period in October for work performed in Sacramento where the board headquarters is located. The claim form identifies her headquarters as San Francisco, although the board has no office or activity there. Her claim included per diem totaling \$160 for two weekends. For one of these weekends she collected \$80 for work performed in Sacramento even though the claim shows that she went to Berkeley on Friday or Saturday and returned to Sacramento on Sunday or Monday, which, according to state regulations, would have disqualified her for reimbursement if her headquarters were actually in San Francisco.

Another category of questionable claims involves excessive travel on the part of clerical employees. One clerical employee who works in Salinas was temporarily assigned to Oxnard for the period July 17 to August 15, 1978, and received per diem and travel reimbursement of \$1,224.60 for the period, including weekends. In this case, the per diem exceeded her salary for the same period.

We believe these abuses indicate that the board has overbudgeted travel funds, which amount to \$740,435 in the budget year. An estimated \$818,600 will be spent on travel by the board's employees in the current year. This is equivalent to an average expenditure of over \$3,500 for *each* of the board's 233 staff members, many of whom rarely, if ever, are on travel status. We are therefore recommending a 20 percent reduction, which also takes into consideration a reduction in travel funding for the 49 positions which we have earlier recommended for deletion.

We also recommend that the board develop procedures for managing its travel funds to prevent abuses. Managers should be required to exercise a greater degree of prudence in approving travel requests and to ensure that all travel is work-connected and necessary. We further recommend that the Audits Division of the Department of Finance conduct an audit of the board's travel activities and report to the Joint Legislative Budget Committee no later than December 15, 1979.

Overtime Unmanaged

We recommend that the ALRB reform its overtime policy to prevent abuses and advise the Joint Legislature Budget Committee of action taken by September 1, 1979.

The ALRB has a poorly defined policy for allowing employees to accumulate compensatory-time-off (CTO) credit for overtime worked early in the morning, at nights and on weekends. The nature of the agricultural industry often requires the board's agents to begin work at 3:00 or 4:00 in the morning and to work at night or on weekends. Employees often work overtime conducting preelection conferences to meet the seven-day requirement for holding elections and interviewing witnesses for unfair labor practice proceedings.

The liberal policy adopted by the board has allowed some employees, to accumulate up to 400 or 500 hours of CTO per year. In the case of attorneys, supervisors and managerial positions, this policy has in the past clearly violated State Personnel Board regulations. Employees of the General Counsel recorded a total of 21,597 CTO hours in 1976-77, 27,920 in 1977-78 and 9,560 to November 30, 1978, in the current year or about 170 hours per employee, including clerical help. The 1977-78 and current-year figures are remarkable in view of declining workload for the same periods. We believe that the board should tighten its policy to (1) make managers clearly responsible for authorizing in advance all overtime and making sure that it is necessary, and (2) allow management to require employees to take CTO in the same week that it is earned by providing a flexible workday.

GENERAL ADMINISTRATION

Administration Overbudgeted

We recommend that administrative support costs be reduced by \$145,000 to reflect the commensurate reductions in other board programs.

Last year the Legislature reduced the ALRB budget by \$813,947 to eliminate 32.5 positions. This year the administration proposes to reduce

AGRICULTURAL LABOR RELATIONS BOARD—Continued

the budget by an additional \$428,483 to eliminate 29.2 positions. We have recommended in this analysis a further reduction of \$1,513,000 to eliminate 49 positions which would represent a total reduction of 29 percent from the Governors' Budget as proposed last year. At the same time the ALRB is reducing its administrative support cost by less \$35,302 or less than 6 percent. We therefore recommend that administrative support costs which are budgeted at \$592,396 be reduced commensurately with the other programs for General Fund savings of \$145,000.

PUBLIC EMPLOYMENT RELATIONS BOARD

Items 374 and 375 from the
General Fund

Budget p. 1068

Requested 1979-80	\$5,084,171
Estimated 1978-79.....	3,046,305
Actual 1977-78	2,676,262
Requested increase \$2,037,866 (66.9 percent)	
Total recommended reduction	\$210,028

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
374	Program Support	General	\$3,798,359
375	Workload Adjustments	General	1,285,812
	Total		\$5,084,171

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Board Operations. Reduce Item 374 by \$210,028.* Recommend deletion of three proposed attorneys, one staff services analyst, one clerical position and 1.2 positions of temporary help. 1207
2. *Management Information System.* Recommend board establish a management information system and report to the Joint Legislative Budget Committee by October 1, 1979. 1207
3. *New Legislation Workload.* Recommend 10.5 new workload positions be limited to June 30, 1980. 1208

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board (formerly the Educational Employment Relations Board) was established by the Educational Employment Relations Act (Chapter 961, Statutes of 1975) for the purpose of guaranteeing to public school employees the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages and working conditions. The State Employer-Employee Relations Act (Chapter 1159, Statutes of 1977 (SB 839)), and the Higher Education Employer-Employee Relations Act (Chapter 744, Stat-

utes of 1978 (AB 1091)), extend similar rights to state civil service employees as well as to employees of the University of California and the California State University and Colleges.

To fulfill its objectives, the board conducts the following programs:

1. *General administration*: Provides budgeting, accounting, personnel and support services to the board, the general counsel and three regional offices.

2. *Board operations* (includes the three-member Public Employment Relations Board): Establishes policy, procedures and regulations for purposes of carrying out the three public employment relations acts. Also holds hearings to adjudicate disputes between public employees and their employers involving such matters as representation elections and unfair labor practice charges by employees or employers.

3. *Regional Office Operations*: Conducts secret-ballot elections to enable public employees to select representatives of their own choosing; assists the board in resolving other disputes involving representation issues; and arranges for mediation and factfinding to resolve impasses arising from contract negotiations.

4. *General Counsel*: Holds hearings for purposes of resolving unfair practice charges, defends the board in court cases and seeks court orders to enforce court decisions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$5,084,171 from the General Fund for support of the Public Employment Relations Board in 1979-80. This is an increase of \$2,037,866, or 66.9 percent, above estimated current-year expenditures. The request consists of \$3,798,359 (Item 374) for support of the board and \$1,285,812 (Item 375) to be used on a contingency basis in the event that the amount in Item 374 proves insufficient to enable the board to implement the State Employer-Employee Relations Act (SEERA) and the Higher Education Employer-Employee Relations Act (HEERA). We believe it is appropriate to provide the board a contingency reserve until workload experience is developed under these new public negotiation measures.

Table 1 shows the board's proposed expenditures by program.

The budget increases are proposed primarily for implementation of SEERA and HEERA, the two new public negotiation laws. Included are funding for 16.7 proposed new positions, temporary help funds and unallocated workload adjustment funds for a total budget-year increase of \$2,037,866. The budget also shows a current-year reduction of \$128,000 pursuant to Sections 27.1 and 27.2 of the Budget Act of 1978.

Much of the increased workload is expected to require a onetime expenditure associated with the task of establishing appropriate bargaining units and holding secret ballot elections to allow state employees to select organizations to represent them in the collective negotiations process with the state.

Unit hearings are already underway and are expected to continue for some time. For example, the New York Public Employment Relations Board required 45 days of hearings by an administrative law judge over an 18-month period to establish appropriate bargaining units. The judge's

PUBLIC EMPLOYMENT RELATIONS BOARD —Continued

Table 1
Public Employment Relations Board

Funding	Estimated 1978-79	Proposed 1979-80	Change from current year	
			Amount	Percent
General Fund	\$3,046,305	\$5,084,171	\$2,037,866	66.9%
<i>Program</i>				
I. Administration (distributed to other programs)	(\$719,740)	(\$831,775)	(\$112,035)	(15.6%)
Personnel-years.....	(29.1)	(31.1)	(2.0)	
II. Board Operations.....	823,986	1,052,239	228,253	27.7
Personnel-years.....	22.7	28.9	6.2	
III. Regional Office Operations.....	1,034,342	1,577,447	543,105	52.5
Personnel-years.....	34.2	38.2	4.0	
IV. General Counsel.....	907,927	1,168,673	260,746	28.7
Personnel-years.....	30.4	36.9	6.5	
V. Unallocated Workload Adjustments	280,050	1,285,812	1,005,762	359.1
Total	\$3,046,305	\$5,084,171	\$2,037,866	66.9%
Personnel-years.....	87.3	104	16.7	

decision was appealed to the board, which delayed establishment of the units by six additional months. If bargaining unit determinations in California take this much time, negotiations could not begin until December 1980.

Requested Increases. Table 2 details the board's proposed allocation of the 16.7 new positions (10 professional and 6.7 clerical), plus \$400,000 in temporary help funds for elections and mediation workload. These increases, totaling \$2,095,699, are partially offset by minor adjustments, resulting in a net budget-year increase of \$2,037,866.

The proposed new positions consist of 3 attorneys, 3 hearing officers, 2 employment relations field representatives, one staff services analyst, 3 office assistants, 3.5 clerical positions and 1.2 positions of temporary help.

Table 2
Proposed Program Increases
for Implementation of SEERA and HEERA
Public Employment Relations Board

	Number of Positions	Costs
<i>Administration</i>		
Word processing	2	\$102,058
<i>Board Operations</i>	6.2	210,028
<i>Regional Office Operations</i>		
Proposed new positions.....	4	131,115
Temporary help for SEERA elections.....	—	350,000
Temporary help for mediation for HEERA.....	—	50,000
<i>General Counsel</i>		
Unfair labor practice hearings.....	4.5	246,736
Unallocated Workload Adjustments.....		1,005,762
Total	16.7	\$2,095,699

BOARD OPERATIONS**Excessive Attorney Staffing**

We recommend that Item 374 be reduced by \$210,028 to delete three proposed new attorneys, one staff services analyst, one clerical position and 1.2 positions of temporary help.

The Public Employment Relations Board is requesting \$210,028 for three new attorneys, one staff services analyst, one clerical support position and 1.2 positions in temporary help to assist in writing an estimated 137 additional opinions resulting from SEERA and HEERA workload. The board presently has an executive assistant, six legal advisors and two clerical positions which assist in writing opinions.

Under this arrangement, each of the three board members is currently assigned two attorneys on a personal basis to give the member independent legal research capability separate and apart from the other board members. This is a common staffing pattern for quasi-judicial bodies of this nature, and is justified on the basis that individually assigned attorneys allow each board member to reach an independent opinion on each matter coming before the board. The budget proposal would increase the number of attorneys under the personal supervision of each board member from two to three, based on an estimate of increased opinion workload under SEERA and HEERA. We believe that the workload impact of these statutes is too speculative to warrant additional legal staff at this time.

Moreover, based on the experience of employment relations boards in other states, it is questionable whether even future increases in PERB's workload would justify additional legal staff for the board members. For example, the New York Public Employment Relations Board has functioned satisfactorily for several years with a single attorney serving *all three* board members. Oregon's Public Employee Relations Board functions satisfactorily without any attorneys. We believe that the Legislature's current authorization of two attorneys per board member is liberal. We would note, also, that the Legislature rejected two successive requests by the Agricultural Labor Relations Board to increase the number of attorneys per board member from two to three.

We plan to monitor PERB's workload experience under the new collective bargaining statutes as a basis for assessing the need to maintain the present board member-attorney ratio.

Management Information System

We recommend that the board establish a reliable information system for purposes of managing its staff and estimating staffing requirements, and report to the Joint Legislative Budget Committee by October 1, 1979.

Despite the fact that the board has completed two years of full operation, it has failed to establish a management information system for evaluating its personnel, measuring productivity and relating caseload to staffing and other budgetary requirements. Its budget does not provide basic workload information such as the number of election petitions or unfair labor charges that it has received in the past or expects to receive in the future.

There is no evidence that the board has developed performance stand-

PUBLIC EMPLOYMENT RELATIONS BOARD —Continued

ards to estimate its personnel requirements. The lack of such data complicates review of the board's budget request and casts doubt on the validity of its components. The board should endeavor to implement an information system on a priority basis for estimating 1980-81 budgetary requirements. In so doing, it should examine the management information and case management systems developed by the National Labor Relations Board, which are widely recognized as among the most effective systems in use.

New Legislation Workload Position

We recommend that 10.5 new positions proposed for the regional office, the general counsel and the administrative program be limited to June 30, 1980.

As indicated above, the board has not developed a management information system for estimating budgetary requirements on a reliable basis. Moreover, it has very little operational experience for forecasting staffing requirements under the new state Employer-Employee Relations Act or the Higher Education Employer-Employee Relations Act. We therefore believe that the Legislature should place a one-year authorization on the positions requested to implement these measures. This action would require the board to rejustify the positions next year on the basis of additional experience, using performance standards which, by that time, should have been developed.

DEPARTMENT OF FINANCE

Item 376 from the General Fund

Budget p. 1071

Requested 1979-80	\$9,989,855
Estimated 1978-79.....	9,757,879
Actual 1977-78	10,403,876
Requested increase \$231,976 (2.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Recovery of Statewide Administrative Costs. Recommend Budget Act control section to insure General Fund recovery of all statewide indirect cost offsets allowable for federally funded activities. 1211
2. Statewide Electronic Data Processing (EDP). Recommend comprehensive management review and report to the Executive and Legislative branches on EDP policy and utilization in state government. 1212

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 Budget and legislative programs, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$11,445,456 for support of the Department of Finance in 1979-80. This is \$696,425 or 5.7 percent less than estimated current year expenditures. Of the total, \$9,989,855 would be provided from General Fund sources and the balance of \$1,455,601 would come from reimbursements. In addition to this amount, Item 377 proposes \$3,748,976 for development of the California Fiscal Information System (CFIS) by the department.

Budget Reflects Substantial General Fund Reductions

The Legislature appropriated \$10,212,341 in General Fund monies to support the department during 1978-79. However, Control Sections 27.1 and 27.2 of the 1978 Budget Act required reductions for personnel services, operating expense and equipment in order to achieve specified savings levels established on a statewide basis. The Department of Finance reduced its personnel services by \$171,710 and its operating expense and equipment categories by \$91,310 during 1978-79. In addition, the department now estimates it will save an additional \$191,442 through internal cost reduction efforts. The Section 27.1 and 27.2 reductions will be continued as permanent in the budget year. The personnel services reduction category (Section 27.2) provides for the elimination of 7.1 specified positions. These positions as well as 21 other positions also proposed for elimination in 1979-80 will be discussed below.

Table 1 sets forth programs, funding sources and proposed changes.

Table 1
Finance Budget Summary

Programs	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
I. Budget preparation and enactment	\$2,453,945	\$1,992,270	\$2,073,256	\$80,986	4.1%
II. Budget support and direction	1,360,608	958,055	1,004,042	45,987	4.8
III. Assessment of state programs	6,539,952	7,653,620	6,967,734	-685,886	-9.0
IV. Supportive information	1,321,722	1,537,936	1,400,424	-137,512	-8.9
V. Executive administration..	(411,137)	(348,453)	(353,895)	(5,442)	(1.6)
Totals.....	\$11,676,227	\$12,141,881	\$11,445,456	-\$696,425	-5.7%
Funding Sources					
General Fund.....	\$10,403,876	\$9,757,879	\$9,989,855	\$231,976	2.4%
Reimbursements	1,272,351	2,384,002	1,455,601	-928,401	-38.9
	\$11,676,227	\$12,141,881	\$11,445,456	-\$696,425	-5.7%
Positions.....	375.1	416.9	391.3	-25.6	-6.1%

DEPARTMENT OF FINANCE—Continued

The table shows that reductions primarily result from reductions in the amount of federal money and reimbursement from other state agencies, such as for contracted audits.

Position Changes

The budget proposes a reduction of 28.1 positions and the addition of 2.5 new positions for a net loss of 25.6. The 2.5 new positions are one-year limited term (they would terminate on June 30, 1980) and are federally funded.

Table 2 summarizes the proposed reductions in two categories: (1) permanent reductions under Control Section 27.2 and (2) other workload and lower priority program reductions.

Table 2
Proposed Personnel Reductions
(1979-80)

<i>Unit</i>	<i>Section 27.2</i>	<i>Other</i>	<i>Totals</i>
Education Systems.....	1.0	—	1.0
Demographic Research.....	1.0	5.0	6.0
Financial Operations.....	1.0	—	1.0
Intergovernmental Relations.....	1.0	—	1.0
Program Evaluation.....	3.1	6.0	9.1
Fiscal Management Audits.....	—	10.0	10.0
Totals.....	7.1	21.0	28.1

Four of the six positions to be eliminated in demographic research are student assistants. The remaining two are proposed for elimination because of the decline in the number of requests for special reports. The reduction in program evaluation staff—9.1 positions—represents approximately a 10 percent cut in the current staffing level. This will result in fewer reports. Reductions in fiscal management audit staff result from reduced contract services to other state agencies. We recommend approval.

Budget Presentation Much Improved

For several years we have reported specific examples where supporting budget detail schedules and justifications were either not submitted by state agencies, including the Department of Finance, or were inadequate.

During the past year the Department of Finance took steps to emphasize to departments the necessity for preparing supporting budget detail, and established a procedure to provide such information to our office for analysis. In addition, the supporting detail on the department's own budget provided to us this year was timely, complete, accurate and comprehensible. The department's budget reflects the level of technical competence and professionalism that should be required of all state agencies.

Federal Fund Budgeting

A major portion of our analysis of the department's budget last year pertained to budgeting and accounting for federal funds as a basis for increasing the Legislature's oversight of federal fund expenditures.

Although historically the department has reported all federal funds in the Governor's Budget, not all were incorporated into the Budget Bill. Further, supporting details on the source, number, purpose and overhead cost associated with federal grant awards were not routinely prepared by state agencies.

Technical improvements implemented by the department since last year include (1) the establishment of a single state special trust fund through which all federal funds must first pass for accounting and control purposes, (2) an attempt to reflect all federal funds in the budget bill, (3) a requirement that agencies prepare detailed schedules of the sources and amounts of federal funds received or budgeted regardless of whether they receive such funds directly or as reimbursements (pass-throughs) from other state agencies and (4) a reporting mechanism to inform the Legislature if substantive changes subsequently occur. These actions and procedures are designed to provide the Legislature with essentially the same oversight capability for federal funds which it now has for General Fund monies.

We believe the Department of Finance has fully complied with the letter and spirit of the Legislature's policy determinations in the area of federal funds. Although there are still deficiencies in the information prepared by a few departments, we believe these will be resolved with experience. Meanwhile, continued improvement of the state's fiscal management system is being pursued by the Department of Finance under the California Fiscal Information System program (See Item 377).

Recovery of Statewide Administrative Costs

We recommend that a new Budget Act control section be added prohibiting expenditure of statewide indirect cost offsets for federally funded activities and requiring these receipts to be transferred to the General Fund.

It is the state's policy that a proportionate share of the direct and indirect costs, both departmental and statewide, incurred in administering federally funded activities and grants be recovered from the Federal Government pursuant to pertinent statutes, rules and regulations. This policy applies to departments and agencies supported from special funds as well as those supported by the General Fund. In a newly required schedule of federal funds, agencies now show the amount of federal monies made available to offset (1) indirect costs of the recipient state agency and (2) statewide indirect costs. Money in the first category should be used by the agency as an offset for its increased workload costs, and money in the second category should be placed in the General Fund to reimburse the state for its added costs such as in the areas of accounting, budgeting, and auditing.

Although statewide indirect costs (the second category) are separately identified on the new schedule, many agencies did not know whether such

DEPARTMENT OF FINANCE—Continued

funds had been transferred to the General Fund in the past; nor were several agencies clear on the manner or timing for such transfers in the future. If such offset funds are not transferred to the General Fund, an opportunity exists for the agency to spend them for unbudgeted purposes or to enrich other budgeted activities.

Our recommendation would add a Budget Act control section, to prohibit expenditure of all authorized statewide indirect cost reimbursements from federally funded activities and require that these receipts be forwarded to the General Fund. We believe this action would help insure compliance with the intent of existing statewide cost recovery provisions and preclude any possible future misuse of such monies.

Federal Revenue Sharing Audits

Last year \$3.5 million was requested under Item 430 to perform required financial and compliance audits of state recipients of federal revenue sharing funds. It was unclear at the time whether the federal government would accept the state's historical audit procedure for agencies as adequate.

During the course of the budget hearings the federal government accepted a plan whereby the Department of Finance and the Joint Legislative Audit Committee, under joint agreement, would perform the required federal audits as a component of the state's ongoing audit procedures. Thus, by eliminating duplication the added cost of this federal audit program was reduced to \$1.2 million. Concurrently, it was agreed to reimburse the General Fund by \$1.2 million through transfer of federal funds from the state's available surplus of federal revenue sharing funds. Under these procedures the \$3.5 million that had originally been requested from the General Fund was unnecessary and Item 430 was eliminated.

This year the audit program is being funded at the same level and under the same procedures as last year. We are informed by department staff that the amount of revenue sharing funds appropriated under Item 432 includes \$1.2 million to reimburse the General Fund for the added cost of the revenue sharing audit.

STATEWIDE ELECTRONIC DATA PROCESSING

We recommend that the Director of Finance initiate a comprehensive review of the current management and review processes associated with electronic data processing in state government in order to determine changes necessary to provide for more effective use of this technology. We further recommend that this report, when completed, be forwarded to the Governor, the Joint Legislative Budget Committee and the fiscal committees of the Legislature. A progress report detailing the methodology, intended scope and expected completion date should be made to the above parties by October 1, 1979.

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 1978. The State Data Processing Management Office (SDPMO) in the Department of Finance consists of 16 authorized positions, primarily systems analysts. Coordination and control of EDP 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 \$175 million annually. The expenditure level for SDPMO in the 1979-80 fiscal year has been budgeted at \$399,594, an increase of 7.8 percent over estimated current year expenditures.

Control Process vs. Effective Use of Technology

In past analyses we have noted that the control process applied to state agencies planning to use EDP technology is cumbersome, unduly restrictive, and time consuming. For these reasons, we have questioned whether the process was indeed facilitating the rational use of EDP technology.

Many vital state programs could not function effectively without EDP, and we believe that a cumbersome control process can prevent or retard the identification, development and implementation of cost-effective applications of this technology. When this is the result, the process is counter-productive to realizing the state's goals.

These adverse implications increase in importance during an era when attempts must be made to make the most effective use of limited state resources. The proper application of EDP technology offers a genuine potential for rendering government programs more cost-effective.

Governor Addresses This Issue

In his recent inaugural address, the Governor stated that "We are in the midst of an information revolution that draws its center from the computer and communications industries of California. . .the challenge will be to use the new tools to. . .make government leaner as it becomes more effective." In our judgment, a number of factors mitigate against the full realization of this potential at the present time:

1. Paperwork and approval requirements related to the control of EDP uses consume costly personnel time and delay the realization of benefits;
2. Procurement laws and policies inhibit the cost-effective acquisition and disposition of computing equipment;
3. Problems associated with the timely establishment of new data processing job classifications reduce the state's ability to recruit and retain qualified specialists.

Legislative Direction

In recent years the Legislature has made several key modifications to Section 4 of the Budget Act which provides for the control of executive branch uses of EDP technology. The effect of these modifications has been to relax strict controls in favor of increased responsibility on the part of the executive branch.

These changes followed a period of stringent legislative control and included (a) shifting the central EDP control authority from the Lieutenant Governor's Office to the Department of Finance in 1971 and (b)

DEPARTMENT OF FINANCE—Continued

relaxing mandatory competitive bidding requirements.

Earlier controls resulted from legislative dissatisfaction with the manner in which this relatively new and powerful technology was used with the primary legislative emphasis on cost and methods of procurement. In recent years, however, the technology has changed radically, and the current era is one of relatively inexpensive computing power with constantly improving price-performance ratios. Personnel now represents the most costly component of computing expenditures.

Current Practices Can Be Counterproductive

Despite the change in the nature of EDP procurement and operations, current state laws, policies and practices continue to emphasize the review and approval process.

Despite changes to Section 4 made by the Legislature that were intended to enable the delegation of more authority to department directors, the current process continues to limit the ability of directors to use EDP technology in an effective and timely manner. This process is so cumbersome that, to avoid an estimated nine-month justification and procurement effort, doctors employed by the Department of Health Services recently purchased a mini-computer system with their own personal funds. This allowed the doctors to perform their state responsibility more effectively in an area relating to the detection of fraud in the Medi-Cal program.

Departments Cite Problems

In recognition of the need to resolve problems which limit the state's ability to use EDP effectively, the Legislature added language to Section 4 of the 1978 Budget Act requiring the Department of Finance to identify EDP problems, and to develop and maintain a plan to address these problems. The Legislature was to be provided with periodic progress reports. In response to this requirement, the SDPMO conducted a survey of state departments. Although the percent responding to the survey was small, several major EDP-oriented departments responded.

Difference in Perception

We have received and reviewed the department's report to the Legislature regarding EDP problems. Although the report acknowledges the problems cited by departments responding to its survey, it reflects a significantly different perception of how serious the situation is. The report gives the impression that the SDPMO has resolved most problems or is in the process of resolving them. In this regard, the report states that none of the problems ". . . are particularly serious to program nor defy solution." While the problems may not defy solution, they are viewed by the departments as serious.

We believe that the report is not fully responsive to the requirement in Section 4 of the Budget Act that the department develop and maintain a plan to address identified problems.

Other Problem Areas

It is generally agreed by both the departments and vendors that procedures governing the procurement of EDP equipment cause the cost associated with procurements to escalate. In some cases, these problems appear to have resulted in the state being unable to accept the most cost-effective solution.

Another major area of concern is the general difficulty experienced by departments in recruiting and retaining qualified, technically oriented personnel.

Solution Requires Broader Approach

In view of the importance of EDP, and the problems that are widely perceived to exist in the area of EDP control, we believe the state should undertake a study to reorganize EDP similar to the study that the President recently ordered at the federal level. We believe the Director of Finance should (1) form an advisory group comprised of directorate-level representatives of Key EDP-oriented agencies, (2) charge that group with a comprehensive review of the significant problems inhibiting the state's effective uses of EDP technology, and (3) report to the Governor and the Legislature on steps which can be taken to enable the state to make more effective use of the technology while at the same time providing an appropriate level of control.

In order to achieve success, this effort should not be delegated to the SDPMO or to middle-level departmental managers, although the SDPMO and various departmental personnel can fulfill important staff roles. The director may also wish to consider asking for assistance from the private sector on either a voluntary or fee-for-service basis.

DEPARTMENT OF FINANCE—CALIFORNIA FISCAL INFORMATION SYSTEM

Item 377 from the General Fund

Budget p. 1078

Requested 1979-80	\$3,748,976
Estimated 1978-79.....	2,123,698
Actual 1977-78	0
Requested increase \$1,625,278 (76.5 percent)	
Total recommended reduction	\$1,279,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Funding Level. Reduce \$1,279,000.* Recommend lowest cost estimate of CFIS consultant be budgeted unless higher amount can be substantiated. 1217

DEPARTMENT OF FINANCE—CALIFORNIA FISCAL INFORMATION SYSTEM—
Continued

GENERAL PROGRAM STATEMENT

In response to the need for modernizing and improving the state's budgeting, accounting and reporting systems, the Department of Finance, utilizing a federal grant of \$132,600, contracted with the consulting and accounting firm of Deloitte, Haskins and Sells in October 1977 to assist the department (1) reexamine the state's fiscal management requirements and (2) identify alternative systems which would be more responsive to the perceived needs of executives and legislators.

Based on the findings and proposals in the consultant's final report (May 1978), and in order to support the policy established in Chapter 1284, Statutes of 1978 (AB 3322), the Legislature authorized and provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act. The consultant's final report identified over 120 inter-related CFIS activities to be accomplished over a seven-year period, at an estimated total cost of \$21-27 million. In our analysis last year, we reported that there was no objective basis upon which to evaluate the cost-benefit of the specific activities or analyze the long-range cost estimates.

Long-range objectives of CFIS include developing a centralized fiscal and program data base designed to facilitate forecasting, modeling, and revenue monitoring, and to improve expenditure and program performance data. Additional objectives include reporting timely and uniform fiscal data in both tabular and graphic formats and categorizing expenditures by object of expenditure, program, organization, and fund source.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$3,748,976 for continued development of the CFIS in 1979-80. This is an increase of \$1,625,278, or 76.5 percent above estimated current year expenditures. Table 1 compares the consultant's funding

Table 1
CFIS Budget Detail
(Dollars in thousands)

Budget Category	1978-79		1979-80	
	Consultant	Estimated Expenditures	Consultant	Proposed Budget
Staff and support	\$700 - 900	\$724	\$870 - 1,020	\$1,049
Departmental systems *	400 - 500	425	100 - 120	120
Finance budget preparation	150 - 200	—	100 - 150	120
State Controller system.....	50 - 100	115	350 - 500	500
Departmental participation.....	—	100	—	200
Software purchase and installation *	300	300	—	—
Consolidated data center services	100	100	180	180
Consultant services.....	200 - 300	260	200 - 300	300
Terminal purchases *	100	100	—	300
General Services system	—	—	300 - 400	400
Institutions system	—	—	300 - 450	450
Test hardware	—	—	50 - 100	100
Reconciliation project	—	—	20 - 30	30
Totals	\$2,000 - 2,500	\$2,124	\$2,470 - 3,250	\$3,749

* Unexpended balances from 1978-79 are proposed for reappropriation in 1979-80 under Control Section 10.13.

estimates with (1) the department's 1978-79 estimated expenditures and (2) the 1979-80 budget proposal.

Table 1 shows that the 1978-79 approved budget was in the lower range of the cost estimates prepared by the consultant. The table also shows the 1979-80 budget proposal exceeds the highest cost estimates of the consultant by almost \$500,000. This consists of \$200,000 to reimburse the various departments for their costs resulting from participation in the project, and \$300,000 to purchase computer terminals.

Blank Check Approach

We recommend that the budget be reduced to the lowest cost estimate prepared by the CFIS consultant (\$2,470,000) unless justification for a larger amount can be provided. General Fund savings of \$1,279,000.

The department was unable to provide current year expenditure detail to support the CFIS budget proposal and could offer no justification for the proposal other than the cost range estimates prepared by the consultant. We recognize that the nature of this project makes cost estimating difficult. However, we cannot support a level of expenditure that exceeds the high estimate, particularly when the upper end of the cost range has no more justification than the lower end. We believe the department should justify, either by past experience or by more detailed costing, any amount above the lower estimate. If our recommended budget of \$2,470,000 is approved, it will still provide for an increase of \$346,000, or 16 percent, above the 1978-79 funding level.

Add-Ons Unnecessary

The 1979-80 budget proposal contains (1) \$200,000 for reimbursing departmental participation and (2) \$300,000 for the purchase of terminals. Neither of these items are included in the consultant's second-year cost estimates. These amounts are not included in our recommendation for the following reasons:

First, money to reimburse departments was specifically excluded by the consultant on the basis that these costs should be met from budgeted resources through a reordering of priorities. We agree.

Second, because of rapid technology changes, we believe *leasing* terminals is a more appropriate and substantially less costly alternative than purchasing terminals. Further, it now appears that terminals will not be required before June 1979. Therefore, the \$100,000 provided in the 1978-79 budget should be adequate to lease all the equipment proposed for purchase in 1979-80. Reappropriation of any unspent 1978-79 computer purchase money is proposed under Control Section 10.13.

CFIS Cost Accounting

At the present time, funds and personnel authorized for CFIS are commingled with Department of Finance funds and personnel. Expenditures and personnel are then suballocated to CFIS through internal budget adjustment documents. This procedure does not accurately identify actual costs. We understand a more appropriate, independent, cost-control and

DEPARTMENT OF FINANCE—CALIFORNIA FISCAL INFORMATION SYSTEM—
Continued

accounting system is under development by the department and will be implemented for the remainder of 1978-79 and future years.

DEPARTMENT OF FOOD AND AGRICULTURE

Item 378 from the General
Fund and Items 379-380 from
special funds.

Budget p. 1082

Requested 1979-80	\$41,015,982
Estimated 1978-79.....	39,641,409
Actual 1977-78	37,726,303
Requested increase \$1,374,573 (3.5 percent)	
Total recommended reduction	\$102,000

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
378	Support	General	\$23,257,816
379	Support	Department of Agriculture	17,267,539
380	Division of Fairs and Expositions	Fair and Exposition	490,627
			<u>\$41,015,982</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Pesticide Mill Tax Revenues.* Reduce Item 378 by \$525,000 and increase Item 379 by \$525,000. Recommend (1) a reduction in support from the General Fund and (2) a corresponding increase from the Agriculture Fund because the budget underestimates revenues from the pesticide mill tax. 1228
2. *Environmental Monitoring and Pest Management.* Reduce Item 378 by \$102,000. Recommend that one of two additional field teams to monitor pesticides in the environment be phased in and that estimated salary savings be increased. 1229
3. *Pesticide Information Systems.* Recommend that the Department of Food and Agriculture report at budget hearings on actions needed to improve its pesticide information systems. 1231
4. *Department Pest Control Operations.* Recommend that pest control eradication programs of the Bureau of Control and Eradication be reviewed and approved by the Division of Pest Management, Environmental Protection, and Worker Safety. 1232

GENERAL PROGRAM STATEMENT

The Department of Food and Agriculture promotes and protects the state's agricultural industry, protects public health, safety, and welfare, assures an abundant supply of wholesome food, develops California's agricultural policies, preserves natural resources to meet requirements for food and fiber, and assures true weights and measures in commerce.

The department's activities are broad in scope. Among them are:

1. Crop forecasting.
2. Financial supervision of local fairs.
3. Pest identification and control.
4. Regulation of pesticide use and protection of farmworker health and safety.
5. Enforcement of standards of quality, quantity, and safety in agricultural and certain consumer goods.
6. Administration of marketing orders.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$41,015,982 for state support of the Department of Food and Agriculture in 1979-80. This is an increase of \$1,374,573 or 3.5 percent above the estimated current-year expenditure. The General Fund provides 50.3 percent of the support budget, and 37.9 percent is provided by the Agriculture Fund. A meaningful comparison of General Fund expenditures in the current and budget year requires that special-purpose, one-time General Fund appropriations of \$925,000 for Hydrilla control and \$110,000 for retroactive Brucellosis indemnity payments be removed from current year expenditures. If this is done, the increase for the General Fund is \$1,466,725 or 6.7 percent.

In addition to the state support, \$5,229,634 in federal funds and reimbursements are estimated to be available in 1979-80, resulting in total expenditures of \$46,245,616.

For the most part, the General Fund supports activities which benefit the general public, while the Department of Agriculture Fund supports activities that serve identifiable interests. Where a segment of the agricultural industry has an impact on the broader agricultural industry or the general public welfare, thereby requiring enforcement activities by the state, the programs are funded through fees paid by the responsible agriculture industry and deposited in the Agriculture Fund. Because of changing program conditions, the determination of benefits and costs is not static and has become increasingly difficult in recent years.

Table 1 shows the department's sources of funding for 1979-80.

In addition to the department's support expenditures, the budget provides \$4,459,691 for local assistance to help defray the cost of county agricultural programs. Unclaimed gas tax money, which is the unrefunded tax paid on motor fuel for agricultural use, provides \$1,853,000 of the county assistance. It also provides a reserve of \$1,000,000 each year for emergency eradication, control, or research on pests and weeds. Money remaining in the reserve at the end of the year is used to increase county assistance the following year.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 1
Department of Food and Agriculture
Sources of Funding for 1979-80

<i>Support</i>		
General Fund (Item 378)	—	\$23,257,816
Department of Agriculture Fund:		
Appropriated by Item 379	\$17,267,539	—
Unclaimed Gas Tax ^a allocated for department administration	256,895	—
Total Department of Agriculture Fund	—	\$17,524,434
Fair and Exposition Fund (Item 380)	—	490,627
Reimbursements:		
Public Works Employment Act, Title II	414,346	—
Administrative overhead from continuing appropriations and trust funds	1,103,867	—
Other	940,320	—
Total Reimbursements	—	\$2,458,533
Federal Funds:		
Pesticide Enforcement	1,695,705	—
Meat Inspection contract	285,058	—
Dutch Elm Disease eradication	230,522	—
Market News Service	111,124	—
Other	191,717	—
Total Federal funds	—	\$2,514,206
Total Department Support Expenditures	—	\$46,245,616
<i>Local Assistance:</i>		
General Fund, Salaries of County Agricultural Commissioners (Item 381)	368,816	—
Department of Agriculture Fund:		
Pesticide Mill Tax ^b	2,187,500	—
Unclaimed Gas Tax	1,853,000	—
Other	50,375	—
Total Local Assistance	—	\$4,459,691
<i>Unclaimed Gas Tax^a Augmentation:</i>		
Emergency Reserve	1,000,000	—
Allocated to off-budget agricultural programs	243,105	—
Total Gas Tax augmentation	—	1,243,105
Total Funds in Budget	—	\$51,948,412

^a Section 224, Food and Agriculture Code

^b Section 12844, Food and Agriculture Code

The department plans to collect and expend approximately \$14.9 million in industry fees for inspection and administrative services it performs for the agricultural industry. These programs are shown in the Governor's Budget for information purposes beginning on page 1101. In addition, the department handles approximately \$31 million under 31 marketing orders for programs established at industry request to aid in production, control and advertising of agricultural products. These marketing order expenditures are not scheduled in the Governor's Budget but are treated as special trust accounts in the Department of Agriculture Fund. Neither the inspection programs, nor the marketing order programs are included in the budget amounts.

Program Changes

Program changes by funding source are shown in Table 2. Funding for four special projects in the Agricultural Pest and Disease Prevention program will be ended or substantially reduced in 1979-80. An emergency exclusion effort to inspect for Japanese Beetles at airports will be eliminated. This project has been budgeted to receive \$500,000 from the emergency reserve in the Agriculture Fund this year and has 12.2 personnel-years assigned to it. Chapter 176, Statutes of 1977, appropriated \$925,000 for a program to eradicate the plant pest *Hydrilla Verticillata* from Lake Ellis in Marysville. The budget includes this money in the department's General Fund expenditures for the current year, although it now appears that much of the work will probably extend into the budget year. The effort to control the Western Grapeleaf Skeletonizer, an insect pest, will be reduced by \$146,160 including 4.7 personnel-years. Funds for this program are provided through a reimbursement under the Public Works Employment Act (PWEA) Title II. General Fund expenditures for the current year also include a one-time appropriation of \$110,000 made by Chapter 788, Statutes of 1978, for retroactive indemnity payments to owners of destroyed brucellosis-infected cattle.

The most important changes in the Food and Agricultural Standards and Inspection program are in the Division of Pest Management, Environmental Monitoring and Worker Safety. The department is requesting three major program expansions in this division to be supported from the General Fund. These three expansions total \$1,086,427 and add 20 new positions. At the same time, the division is disbanding the Environmental Assessment Team now that its pesticide report has been issued. This will reduce personnel-years by 9.2 and reimbursements from PWEA Title II funds by \$370,360. The Food and Agriculture Standards and Inspection program also has an increase of \$157,674 from the Agriculture Fund to support the new one-variety cotton program established by Chapter 592, Statutes of 1978.

In the current year, the department's budget contains a reimbursement of \$1,503,389 from PWEA Title II funds to pay for deferred maintenance at local fairs. No additional funds for this purpose are included in the 1979-80 budget.

Staff Reductions

Control Sections 27.1 and 27.2. The budget indicates that staff reductions in response to control Section 27.2 of the 1978 Budget Act total 62.3 positions for a savings of \$1,248,000 in the current year. Although the Budget Act required savings only in the General Fund, the department is also reducing positions supported by the Agriculture Fund. None of the eliminated positions are specifically identified in the budget. Reductions in operating expenses and equipment due to Section 27.1 are \$654,000. These reductions will be carried forward into 1979-80.

The department indicates that one program likely to be eliminated in connection with the Section 27.2 reductions is the Comstock Mealybug control effort. This effort began as an eradication program when the pest was first discovered in California, but the insect could not be contained.

Table 2
Department of Food and Agriculture
Program Changes by Funding Source

Program	Estimated 1978-79	Proposed 1979-80	Change in					Fair and Exposition Fund
			1979-80	General Fund	Department of Agriculture Fund	Federal funds	Reimbursements	
Agricultural Pest and Disease Pre- vention								
Exclusion and Detection	\$4,247,380	\$3,795,964	\$-451,416	\$+48,584	\$-500,000	—	—	—
Control and Eradication.....	9,292,128	8,431,677	-860,451	-864,782	+156,592	\$-51,327	\$-100,934	—
Animal Health.....	3,346,602	3,300,962	-45,640	-62,098	+16,458	—	—	—
Laboratories.....	3,192,943	3,241,686	+48,743	+54,721	—	-5,978	—	—
Other.....	602,792	608,844	+6,052	—	+18,138	—	-12,086	—
Total	\$20,681,845	\$19,379,133	\$-1,302,712	\$-823,575	\$-308,812	\$-57,305	\$-113,020	—
Food and Agriculture Standards and Inspection								
Milk and Dairy Foods.....	1,480,866	1,559,842	+78,976	+32,571	+43,905	—	+2,500	—
Fruits and Vegetables.....	1,233,705	1,287,590	+53,885	+42,059	+11,791	—	+35	—
Weights and Measures	2,618,720	2,725,208	+106,488	+46,469	+60,019	—	—	—
Pest Management, Environmental Monitoring and Worker Safety..	6,403,341	7,092,564	+689,223	+1,018,280	+129,206	-51,840	-406,423	—
Chemistry Laboratory								
Undistributed	264,662	293,558	+28,896	—	—	+28,896	—	—
Distributed to other programs..	(2,145,868)	(2,343,818)	(+197,950)	—	—	—	—	—
Other.....	2,269,256	2,468,360	+199,104	+10,678	+246,053	+4,373	-62,000	—
Total	\$14,270,550	\$15,427,122	\$+1,156,572	\$+1,150,057	\$+490,974	\$-18,571	\$-465,888	—

Agricultural Marketing Service									
Market News.....	\$1,577,851	\$1,611,574	\$+33,723	\$+27,349	—	\$+6,374	—	—	—
Milk Marketing.....	3,365,535	3,477,207	+111,672	—	\$+105,672	—	\$+6,000	—	—
Grain and Commodity Inspection	2,080,286	2,107,672	+27,386	—	+27,386	—	—	—	—
Other.....	1,970,731	2,065,932	+95,201	+73,256	+114,442	-25,411	-67,086	—	—
Total	\$8,994,403	\$9,262,385	\$+267,982	\$+100,605	\$+247,500	\$-19,037	\$-61,086	—	—
Financial Supervision of Local Fairs									
Executive Management and Administrative Services	2,445,281	957,383	-1,487,898	—	—	—	-1,500,691	\$+12,793	—
Net expenditures	1,172,567	1,219,593	+47,026	+4,391	—	—	+42,635	—	—
Distributed to other programs	(4,050,477)	(4,148,104)	(+97,627)	—	—	—	—	—	—
Total Department Support Expenditures.....	\$47,564,646	\$46,245,616	\$-1,319,030	\$+431,478	\$+429,662	\$-94,913	\$-2,098,050	\$+12,793	—
Assistance to Counties for Agricultural Purposes.....									
Unclaimed Gas Tax Augmentation	5,859,691	4,459,691	-1,400,000	—	-1,400,000	—	—	—	—
Included in other programs	(757,535)	(256,895)	(-500,640)	—	—	—	—	—	—
Administrative Cost Reimbursement to programs funded by continuing appropriation	242,465	243,105	+640	—	—	—	—	—	—
Emergency Reserve	500,000	1,000,000	+500,000	—	—	—	—	—	—
Total	\$742,465	\$1,243,105	\$+500,640	—	—	—	—	—	—
Total Programs in Budget	\$54,166,802	\$51,948,412	\$-2,218,390	\$+431,478	\$-970,338	\$-94,913	\$-2,098,050	\$+12,793	—

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

In 1977, the program was changed to a five-year control effort aimed at reducing the size of new outbreaks while a parasite of the mealybug was established for long-term control. If the department eliminates this program, 12.1 personnel-years and \$416,611 will be reduced in 1979-80. The department states that three positions are now occupied and these employees are likely to be transferred to vacant positions in another program. The department may continue to maintain a stock of the parasites for a few years. The parasite of the mealybug does not spread as fast as its host. Therefore, a readily available supply of the parasite would help local and private control efforts to keep populations down to a manageable level if any areas of new infestation are found.

Positions Shifted. Personnel services will decline from 1541.1 personnel-years in the current year to 1,469.3 in 1979-80, a reduction of 71.8 personnel-years, including the cuts under Section 27.2. However, 49 personnel-years of this reduction would be shifted from state funding to local agencies which would provide the survey and inspection personnel to work on the program to eradicate Dutch Elm Disease starting next year, thus there will be no state savings resulting from this reduction. Local governments will support these positions with contract funds from the department, while the department maintains overall control and coordination of the program.

The positions being transferred are temporary positions used in the spring and summer to survey for infected elm trees, which are primarily in the San Francisco Bay Area. The department will continue its own team of surveyors in San Mateo County this summer under a federally-funded demonstration program. The total program is budgeted at \$1,677,294 in 1979-80, which includes the removal and disposal of diseased trees. Tree removal and disposal will cost approximately \$220,000 during the current year. We concur with all of these program and funding changes except those discussed below.

Status of Emergency Reserve

Section 224(2) of the Food and Agriculture Code appropriates \$1 million each fiscal year from unreclaimed gas tax money to the department for "emergency detection, eradication, or research of agricultural plant or animal pests or diseases." Any unencumbered balance from this \$1 million reserve at the end of the year is used to augment funds for support of county agricultural programs in the next fiscal year.

The budget shows that current-year expenditures from the emergency reserve for control, eradication, and research will be \$500,000, all of which is for the Japanese Beetle detection program. However, this program is now completed and only \$66,673 of the \$500,000 has been expended. The remaining funds became available for reallocation. Subsequent allocations of \$103,600 and \$293,907 have been made for programs to combat cattle scabies and Hydrilla (in the Imperial Valley), respectively. In addition, the department has approved the use of \$340,592 from the emergency reserve to fund urgently needed research on the hazards of the pesticide DBCP. The registration of this pesticide has been suspended pending the

outcome of these studies. As of February 1, 1979, all but \$195,228 of the emergency reserve had been spent or allocated. Additional emergency needs during the next five months could completely deplete the reserve. The emergency reserve was not used last year, so that the counties received the entire \$1 million this year. It appears unlikely that the counties will receive significant funds from the emergency reserve next year.

Arizona Inspection Agreement

Both California and Arizona have border inspection stations to prevent the entry of quarantined plant materials. In 1971, California negotiated an agreement with Arizona under which that state inspects vehicles and shipments at its eastern borders to meet the standards of both California and Arizona. California pays for an allocated portion of the cost. Because of this agreement, the Department of Food and Agriculture no longer operates its inspection stations on the California-Arizona border except for periodic checks of program effectiveness. The cost of the agreement with Arizona is \$224,000 in 1978-79.

The Governor of Arizona has not included funds for the Arizona border inspection stations in his budget for 1979-80. If Arizona inspections are not continued or are not conducted to meet California standards, the department believes that it may have to reopen California's inspection stations. This would require a substantial General Fund augmentation to the department's budget. This augmentation could be as much as \$750,000, according to the department.

The Problems of Pesticide Regulation

Under existing state law and under a delegation of federal authority from the Environmental Protection Agency, the department has major responsibility for regulation of pesticides in California. All pesticides used in California must be registered by the department, and the department regulates the conditions of their use. The Division of Pest Management, Environmental Monitoring, and Worker Safety administers the program. County agricultural commissioners regulate pesticide applications at the local level subject to the department's regulations and supervision.

The Pest Management Division was created in 1977 to strengthen the department's pesticide program. The new division was intended to (1) give more emphasis to protecting farmworkers and the public from pesticide hazards, (2) reduce reliance on toxic pesticides by fostering non-chemical methods of pest management, including biological controls and, (3) balance the pesticide needs of agriculture with protection of the environment.

Attorney General's Opinion. The pesticide program became a pressing concern to the department in 1976, when the Attorney General issued an opinion that the California Environmental Quality Act (CEQA) required the preparation of an environmental impact report (EIR) each time a county commissioner issued a permit for the application of a restricted pesticide. The Legislature enacted statutes which exempted the pesticide regulatory program from the requirements of CEQA until July 1978, in order to give the department time to find a way to comply with CEQA and at the same time avoid the necessity of having to prepare

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

individual EIRs for each use permit. The approach chosen was to prepare a Pesticide Use Plan and a Programmatic EIR. The plan was to specify how pesticides would be used in California. The Programmatic EIR was to be a master EIR for the entire pesticide program which would provide the basis for incorporating the environmental effects of pesticides into the department's decisions. An Environmental Assessment Team (EAT) was established with federal funds to write the report.

By the end of 1977, the EAT and the department concluded that the department's pesticide regulatory program did not comply with CEQA, that some time would be required for the department to comply with CEQA, and that a programmatic EIR would not be sufficient to avoid the need for individual EIRs. The EAT also reported by memorandum that the department and the county commissioners failed to adequately (1) document their decisions and reasoning, (2) provide for public input, (3) determine the need for pesticide use and, (4) consider alternative methods of pest control. Although the original objectives of the EAT could not be accomplished, work on the EAT report continued in order to document deficiencies in the regulatory program which would have to be corrected.

Functional Equivalent Approach. With the failure of the programmatic EIR strategy, the department did not have an adequate program ready by July 1978. The Legislature enacted Chapter 308, Statutes of 1978, to deal with this situation. Chapter 308 extends the CEQA exemption until January 1, 1981, so that the department may revise its pesticide program to comply with the functional equivalent approach under CEQA. This will require incorporating consideration of alternatives and mitigation measures in the decision making process as well as greater public participation. The department must submit its proposal for a functional equivalent approach for the pesticide regulatory program to the Resources Secretary by November 1, 1979. The Secretary must decide within 60 days if the program meets the requirements of CEQA. If the program is certified, EIRs will not be required for individual permits issued by county commissioners.

EAT Draft Report. The EAT prepared a draft report which was released by the department in September 1978. It made 68 recommendations. The report accepted the basic structure of the department's pesticide regulatory program, but pointed out many instances where formal procedures, specific criteria, or important information were lacking in the regulatory process. Chapter 308 requires that the final EAT report be submitted to the Governor and the Legislature by February 1 of this year. It now appears that the final report will be the draft report with an added volume containing comments from the public. In May, the department hopes to issue a response to the public comments and publish cost estimates and priorities for the EAT recommendations.

Report by Legislative Analyst on Pesticide Program Funding

Supplemental Language to the 1977 Budget Act directed the Legislative Analyst to study and report on "funding the department's pesticide program including recommendations for simplification, alternative funding

or revised funding sources" by September 1, 1977. On March 8, 1978, we advised the Legislature that the department was still working on the organization and decision making structure of the new division, which had been formed from previously existing separate units combined with some new activities. These units were conducting their work in substantially the same way as the old organization. We explained that until the division's organizational structure and the relationship between its program elements were resolved, we could not make specific recommendations on alternative funding problems confronting the department's pesticide program. However, we presented some basic data on the sources, amounts and uses of funds for the division and defined some of the funding problems. The Legislature directed the Legislative Analyst to continue the study of funding and report by December 1, 1978.

In September 1978, the department established a Pest Management Funding Task Force to study the organization problem, develop funding recommendations, and respond to the problems outlined in our March 8 memorandum report. The task force is composed of representatives of the department, the county commissioners, industry, and the legislative staff (including the Analyst's Office). The task force has held several meetings and was successful in acquainting the department with the concerns of the groups represented, but no specific recommendations have yet been formulated. The task force did not find it possible to discuss specific funding recommendations without a clear understanding of the structure and function of the organization that was to be funded.

The department is aware that reorganization and procedural clarification of the pesticide program is necessary in order to carry out its mandate to protect public health and safety and the environment. It has so far developed the concept of pest management plans as devices for the division, county commissioners, and growers to establish the best pest management alternatives. We support this concept.

This office still has a responsibility to report to the Legislature pursuant to Supplemental Report Language in 1978. It is not possible to recommend funding changes or sources of funding until the organization and procedural problems are solved. Nevertheless, we plan to report to the Legislature prior to budget hearings. Our report will discuss several organizational concepts for the pest management program which we believe may be worthy of consideration by the Legislature and the department.

The Division of Pest Management, Environmental Monitoring and Worker Safety is supported by assessments and fees on the pesticide industry, by the General Fund and by federal funds. As we have discussed above, the division's organization and funding arrangements are not fully developed and work is progressing on improvements. Nevertheless, it was necessary for the division to submit a budget. The budget has been based on current funding practices. Our analysis shows that some adjustment of the existing funding practices is warranted. The first adjustment that we propose would increase funding from the mill tax and thereby reduce General Fund support. The second would delay the establishment of positions until they can be used effectively.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Revenues from the Pesticide Mill Tax Underestimated

We recommend (1) a reduction of \$525,000 from the General Fund (Item 378) and (2) a corresponding increase of \$525,000 from the Department of Agriculture Fund (Item 379) because revenues from the pesticide mill tax are underestimated.

Section 12841 of the Food and Agriculture Code provides for an assessment of eight mills (\$0.008) for each dollar of pesticide sales in California. These funds are deposited in the Department of Agriculture Fund. The department receives three-eighths of this money to support its pesticide regulatory program. The department must distribute the remaining five-eighths of the revenues to the counties to partially reimburse them for their pesticide regulatory activities. The budget estimates total revenues from the mill tax at \$3,500,000 in both the current and the budget years. These estimates are too low.

Revenues for the first three-quarters of calendar year 1978 have been approximately \$3,300,000, and expected fourth-quarter revenues of \$600,000 should bring the 1978 total to \$3,900,000. The department's staff now expects \$4,000,000 in revenue for fiscal 1978-79 or an increase of \$500,000 over the budget figure of \$3,500,000.

In the past, mill tax revenues have increased substantially each year. Table 3 shows the growth of these revenues over the five-year period ending in fiscal 1978-79. The smallest annual growth rate was 13.6 percent, and the rate exceeded 20 percent in the other years. Therefore, an assumed growth rate of 10 percent from the current to the budget year is conservative.

Table 4 calculates the increased revenues based on recent collections and the 10-percent growth rate. It shows that the pesticide mill tax will produce an additional \$187,500 in 1978-79 and an additional \$337,500 in 1979-80. (The additional mill tax revenues will also result in an estimated increase in state support for county pesticide programs of \$312,500 in 1978-79 and \$562,500 in 1979-80.)

Table 3
Growth of Pesticide Mill Tax Revenue

	1974-75	1975-76	1976-77	1977-78	1978-79
Revenue	\$1,800,741	\$2,253,674	\$2,931,114	\$3,328,872	\$4,000,000 ^a
Increase from previous year	—	25.1%	30.1%	13.6%	20.2%

^a Projection by department staff.

Table 4
Calculation of Increased Mill Tax Revenues

	1978-79	1979-80
Revenue based on recent collections and an estimated growth rate of 10 percent	\$4,000,000	\$4,400,000
Revenues in Governor's Budget	3,500,000	3,500,000
Estimated additional revenue.....	\$500,000	\$900,000
Amount allocated by law to support department pesticide program (37.5%)	187,500	337,500
Total increase of \$187,500 plus \$337,500 equals \$525,000		

The mill tax revenues accumulate in the Agriculture Fund and the end of year surplus is available for expenditures in the following year. Therefore, the increased revenues from both the current year and the budget year, which amount to \$525,000, can be appropriated to reduce General Fund support for the pesticide program in 1979-80. This substitution of funding will allow a reduction of \$525,000 from General Fund Item 378. A corresponding increase will be required in the Department of Agriculture Fund Item 379 to appropriate the increased mill tax revenues.

Department policy has been to fund most pesticide enforcement and registration activities from the Agriculture Fund (primarily mill tax) and to fund pest management and environmental monitoring activities from the General Fund. The additional mill tax revenues available to the department under our recommendation above can be used in place of the General Fund to finance some of the budgeted increases in monitoring and pest management programs. These increases are discussed below.

Environmental Monitoring and Pest Management Staffing Request is Excessive

We recommend a reduction of \$102,000 in Item 378 to phase in one of two additional pesticide monitoring field teams and to increase salary savings.

The budget proposes \$1,086,417 from the General Fund to approximately double expenditures for the department's programs in pest management and environmental monitoring. This is the only major increase in the department's General Fund work. In general, we believe the increase is warranted, but some savings can be made by tighter budgeting.

No one knows what the cost of an adequate effort in pest management and environmental monitoring may be. Neither the department nor any other agency has had experience in these areas. It will take several years of experience before monitoring and integrated pest management programs can produce a significant change in statewide pesticide use. The department should limit itself in the next year to the most important and immediate problems while it builds a solid foundation for these programs.

Integrated Pest Management (IPM), increased by \$383,221. IPM is an approach to pest control that does not rely solely on the killing powers of pesticides. It uses knowledge about the pest, the crop and the environment to choose the proper pesticide and apply only the amount necessary. It also uses nonchemical means of pest control such as predatory or parasitic organisms and removal of crop debris which shelters pests. The expanded IPM program has the following objectives:

1. Incorporate IPM knowledge into the pesticide registration process in order to restrict pesticide use when a better alternative is available.
2. Disseminate knowledge about IPM to the county agricultural commissioners for use when issuing pesticide use permits.
3. Study methods now used by growers to control pests.
4. Create and maintain an IPM information system.

This program now has only one position. The additional funds would add another six positions, five scientific and one clerical. The request also

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

includes \$100,000 for research contracts to develop better IPM approaches for control of weeds and tomato pests.

Environmental Monitoring, increased by \$703,196. The purpose of environmental monitoring is to locate and measure pesticides in the environment in order to determine the concentrations, movement and eventual disposition of the pesticides. This information can provide a basis for pesticide use restrictions to prevent environmental damage. Other existing programs in the division now sample produce and fodder for illegal pesticide contamination, and determine farmworker exposure to pesticides.

The department has compiled a list of 20 pesticides which require immediate monitoring. The objectives for the expanded monitoring program are:

1. Develop monitoring methods for 10 to 15 pesticides.
2. Monitor 10 pesticides.
3. Begin a pilot program to monitor newly registered pesticides and pesticides registered under emergency procedures or for special local needs.

The monitoring program now has three positions in Sacramento. The positions enable the department to place one team in the field to collect samples of air, water, soil, or plant materials for pesticide analysis. The budget proposes the addition of 14 positions for two new field teams and laboratory staff. One team would be added to the existing one in Sacramento, and the second would be located at the department's air pollution research facility on the University of California campus at Riverside. The Sacramento and Riverside teams would each have one supervisory and one clerical position. The proposal would also provide one technician and a mobile laboratory attached to the Sacramento field teams. A chemist and a technician plus equipment for pesticide analysis would be added to the department's central chemistry laboratory in Sacramento. Equipment purchases comprise approximately \$220,000 of the requested increase.

The department plans to submit a Section 28 letter to spend \$53,192 in the current year to initiate the monitoring effort described above. Included will be \$15,000 for contracts to develop methods to collect and analyze environmental samples for pesticides and authorization for two of the new field team positions.

The Sacramento monitoring field team now in existence was established in early 1978 to monitor phenoxy herbicides used to kill undesired plants in the forests of the North Coast. However, the team found that existing sampling and analysis methods were inadequate or that none existed. Until adequate methods are developed, there is little need to collect more samples. Several months will be required to hire laboratory personnel, acquire equipment, and begin developing sampling and analysis methods. This methodology probably will not be ready until September or October, which is the end of the season for heavy pesticide use. The department may be able to develop a few methods earlier through contracts, but one field team in Sacramento and one in Riverside should be adequate to collect samples for the methods development work and for monitoring any pesticides for which methods have been established.

We recommend that the department delay hiring the second Sacramento field team until January. This would still leave six new positions in Sacramento and five in Riverside to be filled next summer. Hiring these people, training them, establishing the methods, equipping the laboratory and mobile lab unit, and coordinating the Riverside and Sacramento operations will be sufficient workload for a program that is starting with only three existing positions. If the third team is not hired until January 1980 savings will be approximately \$38,000.

Biological Control, increased by \$100,000. The biological control program develops and implements methods of pest control which use other organisms or the pest's own reproductive or behavioral patterns for control. The additional funds will be used to supplement the existing effort by increasing contract work to develop biological control methods for weeds, rodents, and cut worms.

Increase Salary Savings. The budget assumes a salary savings of only 5 percent (18 days) for all of the 20 new monitoring and IPM positions. We believe that 17 percent (2 months) would be a more realistic figure. As of December 31, 1978, the Division of Pest Management, Environmental Monitoring and Worker Safety had 10 vacancies among its 92 permanent nonclerical positions, a vacancy rate of 10.9 percent. Salary savings for the 20 new positions will probably be substantially greater than the norm for the division. Six of the new positions will be scientific professionals. Two supervisory positions will also require careful selection of personnel. Simultaneously, the program managers will be drawing up work plans for their greatly expanded programs, purchasing major pieces of equipment, and negotiating new contracts for outside research. Increasing salary savings to 17 percent (except for the second Sacramento monitoring team) and reducing operating expenses proportionately, results in a savings of \$64,000. The \$64,000 plus \$38,000 for six months of one monitoring field team equals the \$102,000 recommended for reduction.

Improve Pesticide Information Systems

We recommend that the Department of Food and Agriculture report on actions needed to improve its pesticide information systems at budget hearings.

The department's pesticide data collection and information systems were designed for limited purposes. They are inadequate for a regulatory program that must balance economic costs and environmental and health hazards, with the benefits of pesticides, and weigh alternative methods of pest control. There are three data collection systems now operating.

Registration Information. The department maintains a computer file of pesticides registered for use in California. This file functions primarily as an accounting device to collect annual registration fees. The department is frequently asked which pesticides are registered for use against a particular pest on a specific crop. The registration information system cannot answer this basic question.

Pesticide Residue Analysis. The department collects samples of produce and fodder and measures the amounts of pesticide residue in them. The testing techniques used cannot detect many important pesticides. Sam-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

pling is not done on a systematic, data gathering basis, and only the results of tests that find illegal amounts of residue are reported and filed. This makes it impossible to determine the actual levels of pesticides in the diet of Californians—a basic requirement for any attempt to evaluate the effects of pesticide residues in foods on human health.

Pesticide Use Reports. Section 14012 of the Food and Agriculture Code requires the county agricultural commissioners to submit reports to the department on the use of restricted pesticides in their counties. The department extracts some of the information on these reports and stores it in a computer operated by the Franchise Tax Board. County pesticide use reports are not required if a use permit is not needed for application of the pesticide. This may exclude as much as two-thirds of all pesticides used. Furthermore, important data contained in the use reports, such as the pest to be controlled, are not entered into the information system for any pesticide.

The report of the Environmental Assessment Team noted numerous shortcomings in the department's information systems and made a number of suggestions to improve them. The department should study these and report at the budget hearings on actions needed to improve the pesticide information systems.

Department Pest Control Operations

We recommend that the department's pest control and eradication programs be reviewed and approved by the Division of Pest Management, Environmental Protection, and Worker Safety.

The Division of Pest Management, Environmental Protection and Worker Safety is responsible for pesticide regulatory programs and pest management research programs. The department also carries out its own pest control programs through the Bureau of Control and Eradication in the Division of Plant Industry. The bureau operates 12 programs to control or eradicate various pests for which it proposes to spend \$8,431,677 in the budget year. There is no formal process by which these control and eradication programs are reviewed and approved by the pest management division.

The bureau must comply with all laws and regulations governing the use of pesticides. However, the new emphasis on integrated pest management means choosing the best pest control approach, not just an approach that is legal. The department should avoid any possibility that the actions in its own control and eradication programs conflict with the advice it gives growers and county agricultural commissioners through the pest management division.

SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS

Item 381 from the General Fund

Budget p. 1099

Requested 1979-80	\$368,816
Estimated 1978-79.....	368,816
Actual 1977-78	174,900
Requested increase: None	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Correct Code Citation. Recommend code citation be 1233 changed to section numbers 2221-2224.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the amount. We further recommend that the citation to the Food and Agricultural Code sections be corrected to 2221-2224.

The budget proposed \$368,816 for cost-sharing agreements on agricultural commissioners' salaries in 1979-80. This is the same as the estimated current year expenditure. The funds are intended to provide adequate and uniform enforcement of applicable provisions of the Food and Agricultural Code. This appropriation makes available a sum not to exceed \$6,600 per year or two-thirds of the salary of each commissioner covered by an agreement between the Director of Food and Agriculture and a county board of supervisors. Such agreements are made under the authority of Sections 2221-2224 of the Food and Agricultural Code. The Budget Bill, however, only authorizes expenditures under this item in accordance with Section 2224. This would limit funding to those counties which had no salary established for agricultural commissioners in 1959. The citation should be expanded to all four sections.

In fiscal year 1978-79, all but one of California's counties are receiving funding. The department is in litigation with Alpine County over the county's refusal to participate in agricultural programs.

ENGINEERING SUPERVISION OF FAIR CONSTRUCTIONItem 382 from the Fair and Ex-
position Fund

Budget p. 1099

Requested 1979-80	\$188,756
Estimated 1978-79.....	186,058
Actual 1977-78	146,272
Requested increase \$2,698 (1.5 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

For 1979-80, the budget proposes \$188,756 for engineering services performed by the Division of Fairs and Expositions of the Department of Food and Agriculture. This is \$2,698 or 1.5 percent more than estimated expenditures in the current year. These funds would be derived from the \$2.25 million continuing appropriation for construction purposes payable from the Fair and Exposition Fund to County and District Agriculture Fairs or Citrus Fruit Fairs. The services financed by this item include construction supervision on local fair projects financed under Business and Professions Code, Section 19630, for (1) permanent improvements, (2) purchase of equipment for fair purposes, and (3) acquisition or purchase of real property, including appraisal and incidental costs.

DEPARTMENT OF INDUSTRIAL RELATIONSItems 383 and 384 from the
General Fund

Budget p. 1112

Requested 1979-80	\$78,908,593
Estimated 1978-79.....	76,331,077
Actual 1977-78	68,875,813
Requested increase \$2,577,516 (3.4 percent)	
Total recommended reduction	\$12,846,183

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
383	Departmental Support	General	\$56,766,656
384	Local Mandates	General	22,141,937
Total			\$78,908,593

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Cal-OSHA. Reduce Item 383 by \$9,337,183. Recommend termination of Cal-OSHA program.* 1240
2. *Occupational Health Centers. Reduce Item 383 by \$2,000,000. Recommend elimination of occupational health centers.* 1245

3. *Hazard Substance Alert System. Reduce Item 383 by \$500,000.* Recommend elimination of funding for hazardous substance information alert system. 1245
4. *Elevator Inspection. Reduce Item 383 by \$750,000.* Recommend termination of state elevator inspection program. 1246
5. *Fair Employment Practices Division. Reduce Item 383 by \$259,000.* Recommend elimination of 11 proposed workload positions. 1247
6. *Fair Employment Practices Division.* Recommend Division of Fair Employment Practices establish procedures for managing caseload. 1248

GENERAL PROGRAM STATEMENT

The purpose of the Department of Industrial Relations is to "foster, promote and develop the welfare of the wage earners of California, improve their working conditions and advance their opportunities for profitable employment." To fulfill these broad objectives, the department provides services through the following nine programs:

1. *Administrative Supporting Services.* Includes the Office of the Director, provides overall policy direction, legal and public information, management analysis, fiscal management, personnel and training and data processing services, and provides consultation services to employers regarding compliance with the California Occupational Safety and Health Act (Cal-OSHA).
2. *Self-Insurance Plans Unit.* Issues certificates of self-insurance to those enterprises and public agencies demonstrating financial capability to compensate their workers fully for industrial injuries, and monitors financial transactions involving such injuries.
3. *State Mediation and Conciliation Service.* Investigates and mediates labor disputes and arranges for the selection of boards of arbitration.
4. *Division of Industrial Accidents and the Workers' Compensation Appeals Board.* Adjudicates disputed claims for compensating workers who suffer industrial injury in the course of their employment and approve rehabilitation plans for disabled workers.
5. *Division of Occupational Safety and Health Administration.* Administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of work places (including mines and tunnels), and inspects elevators, escalators, aerial tramways, radiation equipment and pressure vessels.
6. *Division of Labor Standards Enforcement.* Enforces a total of 15 wage orders promulgated by the Industrial Welfare Commission and more than 200 state laws relating to wages, hours and working conditions, child labor and the licensing of artists' managers and farm labor contractors.
7. *Division of Apprenticeship Standards.* Promotes apprenticeship programs and other "on-the-job" training for apprentices and jour-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

neymen, promotes equal opportunity practices in these programs and inspects, approves and monitors such programs for veterans under a contract with the U.S. Veterans Administration.

8. *Division of Labor Statistics and Research.* Gathers data regarding collective bargaining agreements, work stoppages, union membership and work-related injuries and illness as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.
9. *Division of Fair Employment Practices and the Fair Employment Practice Commission.* Enforces laws promoting equal opportunity in housing, employment and public accommodations on the basis of race, religion, creed, national origin, ancestry, sex, marital status, age, physical handicaps, and medical conditions relating to cancer.

Legislative-Mandated Local Costs

Under Section 2231(a) of the Revenue and Taxation Code, the state reimburses local governmental agencies for increased costs imposed by state legislation enacted after January 1, 1973. The budget (Item 384) contains funding for ten different measures which have been enacted since that time, all of which increase workers' compensation benefits and affect local entities as employers.

Uninsured Employers' Fund

The Uninsured Employers' Fund, which is administered by the department, provides workers' compensation benefits for employees injured in the course of employment, whose employers fail to provide compensation. No additional funding is proposed for this program in the budget year because sufficient resources are available from last year's appropriation.

ANALYSIS AND RECOMMENDATIONS

The department's proposed General Fund appropriations, totaling \$78,908,593, are \$2,577,516, or 3.4 percent above estimated General Fund expenditures for the current year. The 1979-80 request consists of \$56,766,656 (Item 383) for support of the department, and \$22,141,937 (Item 384) for legislative mandates. Reimbursements and federal funds result in a total expenditure program of \$93,361,296, which is \$586,759, or 0.6 percent, below estimated current-year expenditures.

The sharp decline in reimbursements in the budget year is attributable largely to a \$2.7 million reduction in federal funds provided to the department from the state's allocation of Public Works Employment Act monies. Federal funds for support of the California occupational safety and health program also decline, reflecting proposed reductions in the OSHA Standards Board and the Cal-OSHA Consultation program.

Significant Program Redirections

The department proposes some significant redirections in program resources involving both staff reductions and staff additions which, in total, produce a net reduction of 183.9 personnel-years. The staff redirections include (1) 119.6 unidentified positions which will terminate pursuant to

Table 1 shows funding sources and expenditures by program.

Table 1
Budget Summary
Department of Industrial Relations

	Estimated 1978-79	Proposed 1979-80	Change from current year	
			Amount	Percent
<i>Funding</i>				
General Fund	\$76,331,077	\$78,908,593	\$2,577,516	3.4%
Reimbursements	3,852,249	1,262,294	-2,589,955	-67.2
Federal funds	13,764,729	13,190,409	-574,320	-4.2
Total	\$93,948,055	\$93,361,296	-\$586,759	-0.6%
<i>Programs</i>				
Administrative support distributed to other programs	(\$3,671,838)	(\$4,296,905)	(\$625,067)	(17.0%)
Administrative support undistributed	\$10,000	\$10,000	—	—
Personnel-years	148.2	140.9	-7.3	
Regulation of workers' compensation self- insurance plans	565,563	640,563	75,000	13.3
Personnel-years	23.6	23.2	-0.4	
Conciliation of labor disputes (State Media- tion and Conciliation Service)	1,041,600	878,943	-162,657	-15.6
Personnel-years	29.2	22.8	-6.4	
Adjudication of workers' compensation dis- putes (Division of Industrial Accidents)	20,870,013	20,932,500	62,487	0.3
Personnel-years	735.8	727.1	-8.7	
Prevention of industrial injuries and deaths (Division of Occupational Safety and Health Administration)	25,250,852	24,367,468	-883,384	-3.5
Personnel-years	722.0	569.3	-152.7	
Enforcement of laws relating to wages, hours and working conditions (Division of Labor Standards Enforcement)	12,164,245	12,470,549	306,304	2.5
Personnel-years	455.8	447.7	-8.1	
Apprenticeship and other on-the-job train- ing (Division of Apprenticeship Stand- ards)	4,333,215	4,008,529	-324,686	-7.5
Personnel-years	156.6	144.7	-11.9	
Labor force research and data dissemina- tion (Division of Labor Statistics and Research)	1,699,421	1,803,769	104,348	6.1
Personnel-years	67.6	66.6	-1.0	
Prevention and elimination of discrimina- tion in employment and housing (Divi- sion of Fair Employment Practices)	5,871,209	6,107,038	235,829	4.0
Personnel-years	212.9	225.5	12.6	
Subtotal	\$71,806,118	\$71,219,359	-\$586,759	-0.8%
Personnel-years	2,551.7	2,367.8	-183.9	
Legislative mandates	22,141,937	22,141,937	—	—
Grand Total	\$93,948,055 ^a	\$93,361,296 ^a	-\$586,759	0.6%

^a Excludes expenditures from the Uninsured Employers' Fund which are estimated at \$3,250,000 in the budget year.

Section 27.2 of the Budget Act of 1978, (2) 103 positions which the Legislature limited to June 30, 1979, as we recommended, (3) 190 positions in the budget year reflecting significant reductions in or termination of low

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

priority activities, and (4) a net of 82.3 positions funded in 1978-79 primarily under the Federal Public Works Employment Act. These reductions are partially offset by a request for 311 positions, 275 of which are proposed as new, with the remainder having been established by workload and administrative adjustments during the current year. The proposed new positions include the reestablishment of 78 of the 103 limited-term positions noted above.

Program Reductions. As shown in Table 2, the department proposes to reduce the existing level of departmental services in several program areas by 190 positions and \$5,433,253. Slightly more than \$1.0 million or 19.9 percent of these savings represent federal funds.

Table 2
Proposed Program Reductions
Department of Industrial Relations

<i>Program</i>	<i>Number of Positions Deleted</i>	<i>Total Savings</i>	<i>General Funds</i>	<i>Federal Funds</i>
<i>Administration</i>				
Management analysis	5	\$123,675	\$123,675	—
<i>State Mediation and Conciliation Service</i>				
Private sector labor relations except for the agricultural industry	6	208,000	208,000	—
<i>Adjudication of Workers' Compensation</i>				
Medical examiners	3	124,992	124,992	—
Hearing reporters	30	933,000	933,000	—
<i>Occupational Safety and Health</i>				
Administration	8.5	331,990	165,995	\$165,995
Cal/OSHA Standard's Board	17.0	448,491	224,246	224,245
Cal/OSHA consultation	25.0	765,134	76,513	688,621
Mine safety	5.5	187,405	187,405	—
Escalators, dumbwaiters and aerial tramways on federal lands	5.0	152,384 ^a	152,384 ^a	—
Pressure vessel inspection	81.0	2,056,244 ^a	2,056,244 ^a	—
<i>Labor Standards Enforcement</i>				
Produce markets unloaders	4.0	101,938	101,938	—
Total	190.0	\$5,433,253	\$4,354,392	\$1,078,861

^a Partially financed by inspection revenues.

The staff reductions include three of the four existing positions in the department's management analysis unit and six of the 31 positions authorized for the State Mediation and Conciliation Service. We understand that the reduction in the latter program reflects an intent to shift all non-agricultural, private sector mediation work to the Federal Mediation and Conciliation Service which provides such services concurrently with the state. Under this proposal, the state would confine its work to public sector labor disputes. The Federal Mediation and Conciliation Service reports that it would have little difficulty in absorbing the mediation work relinquished by the state.

The reduction also includes 5.5 positions which enforce occupational safety standards in mines pursuant to the Tom Carrell Memorial Tunnel Safety Act of 1972. The U.S. Department of Labor, pursuant to the federal

Mine Safety and Health Act of 1977, also has recently begun to exercise jurisdiction over the safety and the health of employees in California mines. We do not believe it is necessary for both levels of government to remain involved in this area, and therefore concur with the department's proposal. Assembly Bill 50 would provide a statutory basis for this action by terminating state jurisdiction over mines for purposes of occupational safety and health.

The staff reductions also include 25 positions to eliminate overstaffing in the California Occupational Safety and Health Act (Cal-OSHA) Consultation Unit and 17 positions for the Cal-OSHA Standards Board. This board promulgates occupational safety and health standards which have the force and effect of law. We understand that the intent of the proposal is to minimize duplication (the federal government also promulgates such standards) and give the board the ability to initiate standards in areas which are unique to California. We endorse this proposal but question whether it goes far enough to eliminate duplication between the two levels of government. Of the 21 states and two federal territories which administer OSHA programs, only six states promulgate standards. The remaining states and territories enforce federal standards. We will examine this question further and report to the committees during budget hearings.

Most of the remaining reductions are minor, except for the pressure vessel inspection program which is discussed more fully later in this analysis.

Significant Proposed Increases. As shown in Table 3, the department proposes to establish 275 new positions (net) in the budget year for workload increases and new programs, for a total cost of \$8,913,724, consisting of \$5,541,151 from the General Fund and \$3,372,573 in federal funds and reimbursements. A total of 193 of the positions (accounting for \$5.1 million of the expenditure increase) were actually budgeted in the current year and are proposed for continuation. Most of these are limited-term and federally funded positions which will be supported under different funding arrangements.

Twenty-four of the new positions (representing \$600,934 in total costs) are proposed to implement recently passed legislation. An additional 115 of the new positions are either existing limited-term positions or are proposed to be transferred from the Department of Health Services. Also included are 59 positions, with a cost of \$1.1 million, which are proposed to be converted from federal to state funding. These positions, which were previously supported by a Public Works Employment Act grant, provide a concentrated labor-law enforcement effort in areas such as the garment industry, which have an unusually high number of labor law violations. Most of the remaining positions are proposed to handle additional workload. Many of these, along with the proposed new health centers and the hazardous substance information alert system, are discussed more fully later in this analysis.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 3

Proposed Program Expansions
Department of Industrial Relations

Program	Number of Positions	Total Costs	General Funds	Federal Funds
<i>Administration</i>				
EDP Caseload Tracking System	2	\$962,730	\$962,730	—
<i>Regulations of Public Sector Self-Insured Workers' Compensation Plans</i>				
Chapter 1379, Statutes of 1978.....	6	150,000	150,000	—
<i>Adjudication of Workers' Compensation Claims Workload</i>				
Workload	35	578,135	578,135	—
<i>Occupational Safety and Health</i>				
Hazardous Substance Information Alert System	—	1,000,000	500,000	\$500,000
Cal-OSHA Consultation.....	87	3,151,288	478,319	2,672,969
<i>Labor Standards Enforcement</i>				
Outreach Labor Law Enforcement	28	596,788	596,788	—
Concentrated Labor Law Enforcement.....	59	1,113,877	1,113,877	—
Contractors' Labor Law Enforcement	12	248,502	248,502	—
Licensing of Talent Agencies (Chapter 1382, Statutes of 1978) and Legal Workload	6	136,422	136,422	—
<i>Apprenticeship Standards</i>				
New Initiatives	17	428,338	250,000	178,338
<i>Labor Research and Statistics (Workload)</i>				
Workload	3	42,532	21,266	21,266
<i>Fair Employment Practices</i>				
Workload for the Division	6	142,000	142,000	—
Workload for the Commission	2	48,600	48,600	—
<i>New Legislation</i>				
Public Works Contracts (Chapter 1254, Statutes of 1978)	7	197,512	197,512	—
Consumer Affairs Licensing (Chapter 1388, Statutes of 1978).....	5	117,000	117,000	—
TOTAL	275	\$8,913,724	\$5,541,151	\$3,372,573

Transfer Cal-OSHA Program to the Federal Government

We recommend that the state terminate participation in the occupational safety and health program, for a General Fund savings of \$9,337,183 and the elimination of 586.5 positions.

The basic framework of the Cal-OSHA program was established pursuant to the federal Occupational Safety and Health Act of 1970. Although program costs (totaling approximately \$23.3 million in 1979-80) are shared equally in most respects by the state and the federal governments, rigorous federal oversight of California's activities severely limits the state's ability to control the program. This has created some serious inefficiencies which would be eliminated by federal assumption of the program. Moreover, it cannot be demonstrated that the state's participation in the program is actually reducing the incidence of occupational injuries and illnesses. For these and other reasons discussed more fully below, we do not believe the state is getting an adequate return on its \$9.3 million annual investment in the program to warrant its continuation as a supplement to the federal program.

Primacy of the Federal Law. The federal Occupational Safety and Health Act of 1970 made the U.S. Secretary of Labor, rather than the states, responsible for worker safety and health in work places, but allows states meeting minimum federal requirements to administer their own

programs. To qualify, the states must: (1) enforce safety and health standards which are "at least as effective" as federal standards in providing safe and healthy places of employment and (2) provide satisfactory legal authority for and devote adequate funds to the administration and enforcement of such standards. States are eligible to receive reimbursement for up to 50 percent of their program costs. Whenever the secretary finds that a state has failed to comply with these requirements, he is mandated to disapprove the state plan after a hearing and assume full responsibility for the program.

At the present time, 21 states, including California, administer their own programs. Since 1974, eight states including New York, New Jersey, Illinois, Wisconsin, Connecticut and Colorado have terminated their programs, leaving enforcement to the federal government.

Rigorous Federal Oversight. Termination of California's program would eliminate the duplication which presently exists with the federal government regarding the promulgation of safety and health standards. (This function has a total cost of \$1.0 million in the current year, but the budget proposes to reduce the level to approximately \$500,000 in the budget year.) Termination of the state's program also would eliminate unnecessary expenditures by both governments for monitoring the program. Federal law provides for a development period for all state programs of at least three years after which the plan is "certified" by the secretary if all requirements have been met. The federal law also requires the secretary, on the basis of his own inspections and reports submitted by the states, to "make a continuing evaluation of the manner in which each state is carrying out its program."

The federal government maintains a regional office staffed with 30 positions in San Francisco to oversee the OSHA programs conducted by California, Hawaii, Arizona and Nevada. In addition it has field offices in San Francisco, Long Beach, Fresno and Sacramento staffed with a total of 33 compliance officers whose sole responsibility is to monitor the California program. Disregarding the central office staff, the federal staffing pattern results in one federal compliance officer for every seven California compliance officers.

The federal compliance officers (1) periodically accompany state compliance officers on their inspections of workplaces, (2) randomly conduct inspections of places of employment following an inspection by a state compliance officer to ascertain whether the individual state compliance officer was effective in identifying all safety and health violations by employers and (3) audit state records regarding compliance inspections. This process, clearly involves considerable duplication of effort by federal and state officers. It also generates voluminous semiannual federal evaluation reports, requiring equally voluminous written responses by the state. Preparing these responses and compiling the substantial monthly and quarterly statistical reports also required by the federal government, is done primarily by the Cal-OSHA Program Office which has a staff of six positions and a budget-year cost of \$156,097.

The California program was "certified" by the secretary on August 12, 1977. However, this has not ended or even reduced federal monitoring of

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

the program as was expected. Instead, the U.S. Department of Labor announced that the state program would be subject to at least one year of intense evaluation to determine whether standards development and enforcement authority will be completely relinquished to the state.

In fact, we understand that the federal government is imposing further requirements and restrictions on the state. First, all health standards are now cleared by the U. S. Department of Labor in Washington, D.C., whereas previously they were approved by regional staff in San Francisco. Second, the federal government for the first time is requiring states to justify standards which are more restrictive than, or which deal with subjects not covered by, federal standards. Third, states are also being required for the first time to explain how they will comply with, or explain why they do not need to comply with, all directives issued by the U. S. Secretary of Labor to his field staff.

High Cost to Revise Poor Standards. In our Analysis of the 1977 Budget Bill (page 176), we noted that the Cal-OSHA Standards promulgated to comply with federal standards are poorly organized and contain many provisions which lack consistency and relevancy to worker safety and health. Part of the problem with the standards results from the fact that the federal government originally adopted a large number of "consensus standards" formulated by the American National Standards Institute. These standards focus primarily on how equipment should be *designed* rather than on how it should be *used* to avoid injury. Consequently, these standards often lack relevance to on-the-job safety considerations.

As we recommended, the Legislature in 1977 required the department to prepare a workplan to simplify the standards, concentrating on improving their organization and format eliminating inconsistencies and purging those standards deemed not relevant to job safety. In its workplan, the department estimated that up to 87.5 personnel-years would be required to complete this task for the 25,000 separate, citable standards. The cost of the project is considered prohibitive and has never been proposed for funding.

Excessive Paper Work. Our 1977 Analysis also identified report writing as another deficiency of the Cal-OSHA program, in that compliance officers spend an inordinate amount of their time (24 percent) writing reports on the results of their field inspections. In response to our recommendation, the Department of General Services reviewed the program's information reporting system, counted 195 separate reportable items required by the federal government and made some minor recommendations for improving the system which were adopted. However, we understand that the federal government has subsequently required the division to rescind its reform measures affecting this part of the program.

State Salary Lag Impairs Staff Recruitment. A recent salary survey by the American Industrial Hygiene Association demonstrates that state salaries for both safety compliance officers and industrial hygienists lag similar federal salaries by an average of 22 percent. If this trend continues, we

question whether the state will be able to attract and retain competent personnel, especially health hygienists who are in short supply.

Program Cannot Demonstrate Effectiveness. After five full years of operation, the Cal-OSHA program cannot demonstrate that it has reduced the incidence of occupational injuries in the state. According to the annual California Work Injuries and Illnesses report published by the department each year, Cal-OSHA has had little impact on the number of work-related injuries and illnesses as reported under the state workers' compensation program during the first three years of the Cal-OSHA program (1973-1976).

Table 4 compares reported workers injuries and illnesses under the state's workers' compensation programs with employment covered by the state's workers' compensation law from 1970 to 1976. Data for subsequent years are not yet available.

Table 4
California Injury Rate
and Employment, 1970-76

Year	Total Occupational Injuries and Illnesses Reported	Percentage Increase Over Previous Year	Total Employment ^a	Percentage Increase Over Previous Year
1970	213,262	-0.2%	6,759,800	0.6%
1971	210,328	-1.4	6,797,700	-0.7
1972	228,600	8.7	6,747,500	4.4
1973	253,416	10.8	7,043,200	5.9
1974	296,108	6.1	7,675,000	2.9
1975	259,652	-3.5	7,658,800	-0.2
1976	294,991	13.6	8,025,900	4.8

^a Includes employment covered by the state's workers' compensation law.

Special Features of Cal-OSHA Not Essential.

Several elements of the Cal-OSHA program are not required by the federal government, and probably would be terminated if the federal government assumes responsibility for its administration. These special elements which are discussed below do not, in our judgment, contribute significantly to the overall effectiveness of the program.

Special Prosecution Assistance. Cal-OSHA provides a Bureau of Investigations which investigates and prepares cases, for prosecution by local district attorneys, involving criminal violations of the law. Under state law, employers as well as supervisors may face fines of up to \$20,000 and imprisonment for up to one year in cases of willful violations which results in the death of or serious injury to an employee. Under federal law, only employers may face such penalties, and then only in cases resulting in death to an employee. We believe that the bureau probably has limited value, primarily because courts rarely impose jail sentences or the maximum fines in such cases. In 1977, thirteen employers and three supervisors were convicted by the courts for violating safety and health regulations for which no jail sentence was imposed. They were sentenced to an average of six months probation and fined an average of \$572.

Special Permit Program. Cal-OSHA requires employers who engage

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in certain excavation, trenching or high-rise work to obtain a permit from the division prior to starting work and after demonstrating adequate safety plans. The federal government has no such requirement. If the department believes that this program provides a significant additional element of safety in the affected areas of construction, provision could be made to continue it.

Protection Against Discrimination. State law provides that an employee may not be laid off or dismissed for refusing to work when a violation of a safety or health standard would create a hazard to him or his fellow employees. Federal law does not provide this degree of protection, although it prohibits discrimination against employees who file complaints alleging a safety violation.

Yellow Tagging. The state may order any equipment or facility which constitutes an imminent hazard to employees to be closed down. This procedure is commonly referred to as "yellow tagging". The federal government must seek an injunction to prevent the use of such equipment or facilities.

Prompt Compliance Inspections. The state must conduct an inspection within three days after receiving a complaint of a serious violation of a safety standard by an employee, whereas the federal program requires the inspection "as soon as practicable." In practice, there is very little difference between federal and state response time to such complaints.

Licensing of Contractors. Cal-OSHA requires the Division of Industrial Safety to forward to the State Registrar of Contractors reports of accidents resulting in fatalities or serious injury to five or more employees. The latter is empowered to revoke the license of contractors whose records show a disregard for employee safety. This element could be continued under federal operation of the OSHA program.

Protection of Public Employees. A federally operated OSHA program would not cover public employees in the state. However, the State of Connecticut continues to operate an OSHA program for public employees even though it terminated its private sector program last year. The federal government contributes 50 percent of the funding of Connecticut's public sector program. We assume, therefore, that the federal government would also finance up to 50 percent of a California public OSHA program if the Legislature decided to terminate the state's private sector program and retain a program for the public sector.

Occupational Health Centers

We recommend deletion of \$2.0 million in Item 383 for the establishment of Occupational Health Centers in the University of California.

The department proposes a \$2.0-million expenditure (reflected in consultation and professional services) for establishing two occupational health centers at the University of California as authorized by Chapter 1245, Statutes of 1978 (AB 3414). Chapter 1245 appropriated \$2.0 million for the centers in the current year.

In our Analysis of the 1978-79 Budget Bill, we recommended against the establishment of these centers solely on the basis that the department

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

The department has produced no developmental or operational plans for the system beyond the rather general description presented above and which it presented last year. It plans to appoint an advisory committee (as provided by Chapter 1244) to work out the details of the system. We understand that 19 positions which the Department of Health Services proposes to establish for this program have not yet been approved by the State Personnel Board.

To date, however, not even the source and availability of exposure data or the magnitude of the problems encountered in evaluating such chemical data as exist, have been identified. There are over four million different chemicals in the American Chemical Society's Chemical Abstract Service, and new entries are being added at an average rate of 6,000 each week. Approximately 63,000 different chemicals are believed to be in common use. We understand that the proposed alert system would target approximately 300 substances, primarily solvents, during the first three years. In view of the great number of chemicals that might be subject to an alert system, we believe there is a real possibility that the project may cost much more than the \$1.0 million annual amount proposed in the budget. In the absence of additional details regarding the operational plans of the project, there is no basis to evaluate its viability or potential cost implications. Accordingly, we recommend that funding be withheld until such time as the advisory committee develops a detailed operational plan that warrants state support.

Elevator Inspection Program Not Needed

We recommend that Item 383 be reduced by \$750,000 to delete 47.3 positions in the elevator inspection program.

The department proposes to terminate departmental inspections of pressure vessels, escalators, dumbwaiters and aerial tramways on federal lands, for a General Fund savings of \$2,208,628 and 86 positions. (Inspection of aerial tramways would be relinquished to the federal government, which has concurrent jurisdiction with the state over such devices.) The department proposes legislation, which has not yet been introduced, to transfer responsibility for inspecting these devices to private insurance companies. A similar policy exists in a number of states, including New York, Texas and Ohio. Under the department's plan, owners of all such equipment would be required to carry an insurance policy. The state's responsibility would be limited primarily to monitoring the performance of insurance companies. The Governor's budget contains approximately \$500,000 to allow for a transition period in the budget year. We concur with this proposal.

However, we believe that the department's proposal lacks consistency in failing to extend the same policy to the inspection of elevators, particularly in view of the fact that they pose probably less risk of injury than boilers and liquid petroleum gas tanks. Elevator inspection is performed successfully either by insurance companies or elevator maintenance companies in the states of Texas and New Jersey. We have discussed the inspection programs with officials in these states who report no significant

problems resulting from the mechanical failure of elevators. Our proposal would retain sufficient funding to carry the existing program until January 1, 1980, when the department's proposed legislation would take effect. It would also retain five current elevator inspector positions to monitor insurance company inspections of elevators.

Although the elevator and pressure vessel inspection programs by law are intended to be self-supporting through a fee-for-inspection system, the fees currently generated cover approximately only two-thirds of the cost of the elevator inspection program and 50 percent of the pressure inspection program. These estimates are based on the new fee structure established by Chapter 1223, Statutes of 1978, (AB 3281). Thus, a General Fund savings would result from the recommended deletion.

DIVISION OF FAIR EMPLOYMENT PRACTICES

Declining Workload

We recommend that funding for the Division of Fair Employment Practices (Item 383) be reduced by \$259,000 to delete 11 positions proposed for increased workload and to implement Chapter 1388, Statutes of 1978 (AB 1495).

The Division of Fair Employment Practices anticipates that it will receive a total of 14,514 new discrimination charges in the current year; however, it received only 5,827 during the period July 1 to December 31, 1978. If this trend continues, workload will decline by approximately 20 percent in the current and budget years, thereby eliminating the need for four new consultants and two clerical positions requested in the budget year for increased workload. Table 5 compares the division's workload estimates with actual new charges filed for the years 1976-77 through the budget year.

Table 5
New Charges Received
Division of Fair Employment Practice

	1976-77	1977-78	1978-79	1979-80
Projected	8,710	15,140	14,514	15,914
Actual	13,780	13,248	5,827*	—
Docketed for formal investigation	N/A	7,907	4,606*	
Percent docketed	N/A	60%	79%	

* Actual to December 31, 1978.

The workload level, which appears to have stabilized at approximately 13,000 charges annually, should allow the division to redirect existing staff to handle any increased workload arising from Chapter 1388, Statutes of 1978. This measure, which extends discrimination prohibitions to licensing boards of the Department of Consumer Affairs, was approved by the Legislature on the basis that its passage would not significantly increase the division's workload. In fact, the measure was approved without a hearing by the Senate Finance Committee under Section 28.8 of the Standing Rules of the Senate. Now, however, the division estimates that the statute will generate 180 cases annually, requiring the addition of five positions. We believe that a valid staffing estimate cannot be made until

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

workload experience is developed with the new law.

Screening Nonmeritorious Charges

We recommend that the Division of Fair Employment Practices improve staff efficiency by establishing a caseload management system, including procedures for timely dismissal of nonmeritorious charges, and report to the Joint Legislative Budget Committee by October 1, 1979.

Last year the division agreed to adopt performance standards for management of its caseload which were recommended by the Department of Finance. These included a system for dismissing nonmeritorious charges prior to their being "docketed" for formal investigations. The Department of Finance concluded that 80 percent of all charges could be resolved prior to docketing and that a consultant could resolve 1,764 such cases per year. The department also found that a consultant could reasonably be expected to resolve only 72 "docketed cases" per year because these cases require a full investigation.

To date, the division has made no meaningful progress toward implementing the recommendations developed by the Department of Finance. As shown in Table 5, the division docketed 60 percent of its cases in 1977-78 and 79 percent during the first six months of the current year, greatly exceeding the 20 percent limit recommended by the department. The division's docketing pattern tends to distort its workload and complicates evaluation of staffing requirements. Badly needed is a review procedure to permit early dismissal of nonmeritorious charges which presently consume excessive amounts of staff time. Moreover, failure to eliminate such charges artificially inflates workload because they are added to the number of cases which are docketed for formal investigation.

Table 6
Impact of Docket Rate on Staffing Requirements
Division of Fair Employment Practices
Department of Industrial Relations

	<i>Department of Finance Standards</i>	<i>1977-78 Docket Rate (60%)</i>	<i>Current-year Docket Rate (80%)</i>
Total Charges	13,000 ^a	13,000 ^a	13,000 ^a
Resolved Prior to Docketing (1,764 cases per consultant)			
Percent	80%	40%	20%
Number	10,400	5,200	2,600
Consultants required	5.9	3.0	1.5
Resolved After Docketing (72 cases per consultant)			
Percent	20%	60%	80%
Number	2,600	7,800	10,400
Consultants required	36.1	108.3	144.4
Total Consultants Required	42	111.3	145.9
Total Consultants Budgeted	69.0	69.0	69.0
Additional Consultants Required	-27	42.3	76.9

^a This figure represents our revised estimate of the division's workload based on past and current-year trends.

Table 6 demonstrates the impact of the division's present docketing practices on workload measurements and the corresponding effect on apparent staffing needs.

For example, the division's staff could be reduced by 27 consultant positions if the Department of Finance standards were applied to what we expect to be a reasonable workload of 13,000 cases for the current and budget years. If, however, the division continues to docket 80 percent of its cases, based on the performance standards of the Department of Finance, an additional 76.9 consultants would be required to handle 13,000 new charges.

Elements of a Case Management System. We believe that the division should develop a system for forecasting the number of charges (and estimating workload requirements for these charges) that reasonably can be resolved at four stages of disposition: (1) Those that are withdrawn or dismissed because of the lack of cooperation on the part of the charging party or because the division lacks jurisdiction to act in the case, (2) Those that can be dismissed because of the lack of merit before and after an investigation, (3) Those that can be settled without hearing and (4) Those that require a formal hearing. The system used should also establish a means for permitting the division to ensure that the largest number of cases possible are being resolved with a minimum of effort on the part of the division with proper regard for the rights of charging parties. The U.S. Equal Employment Opportunity Commission (EEOC) and the National Labor Relations Board (NLRB) have such systems. For instance, 50 percent of the cases which are filed with EEOC are withdrawn or dismissed because they lack merit. An additional 47 percent are resolved through negotiated settlements, and the remainder are settled through more formal actions. About 64 percent of the cases of the NLRB, which has an excellent case management system, are found to have no merit and are withdrawn or dismissed prior to extensive formal investigations.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 385 from the General Fund

Budget p. 1137

Requested 1979-80	\$3,327,000
Estimated 1978-79.....	2,900,000
Actual 1977-78	2,101,313
Requested increase \$427,000 (14.7 percent)	
Total recommended reduction	None

Analysis page

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Administration. Recommend legislation transferring administration of this program to the Department of Industrial Relations and revising claims settlement practices to 1254

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

- reduce incidence of litigation.
2. Disbursement of Benefits. Recommend legislation providing for the reimbursement of employers or their insurance carriers for subsequent injury benefits in lieu of direct payments to workers. 1255
 3. Benefit Waiting Period. Recommend legislation to eliminate the "waiting period" provision of existing law. 1256

GENERAL PROGRAM STATEMENT

Existing law provides that when a worker with a preexisting permanent disability or impairment suffers a subsequent industrial injury resulting in a combined permanent disability of 70 percent or more, the employer is responsible only for that degree of permanent disability arising from the subsequent injury. The balance of the disability benefit obligation is assumed by the state. The purpose of this program is to provide an incentive for employers to hire persons who have a permanent (but partial) disability or impairment.

The cost of this program is paid by an annual budget appropriation and by revenue from Chapter 1334, Statutes of 1972 (as amended by Chapter 12, Statutes of 1973), which implemented Proposition 13 of that year. This legislation requires employers or their insurance carriers to pay to the state, in a lump sum, workers' compensation benefits in cases of industrial deaths where there are no surviving heirs. These payments are collected by the Department of Industrial Relations, placed in the General Fund and used to offset the cost of the subsequent injury program.

Applying for Benefits

When an employee who has a preexisting disability suffers a subsequent injury in the course of his work, he files a claim with his employer or the latter's insurance carrier for the disability arising out of the second injury only. If the employee and the employer or the insurance carrier cannot agree on a proper level of benefits, the issue is litigated before the Workers' Compensation Appeals Board (WCAB) with the employee almost always being represented by legal counsel.

The employee may also apply for benefits from the Subsequent Injury Fund at the same time he applies for benefits from his employer for the second injury, or he may wait until the claim against his employer is settled or litigated. The latter is the most common practice. In either case, he may apply for subsequent injury benefits only by filing a claim with the WCAB which is given sole authority to "fix and award the amounts" of subsequent injury benefits. A copy of the claim is given to the Attorney General who has sole authority to defend the fund. Undercover investigations are ordered in cases where an exaggerated claim is suspected. The claim is either fully litigated (the normal situation) or settled by a formal agreement between the worker and the state. All such agreements must be approved by the WCAB. The State Compensation Insurance Fund administers the payments to the recipients and is reimbursed for its services from the fund.

The Waiting Period and Attorney Fees

Under current law, the state-paid benefits from the Subsequent Injury Fund do not commence immediately. Where injured workers have already received compensation for a disability from other sources (such as social security or insurance settlements), there is a waiting period before subsequent injury benefits can be received. The purpose of the waiting period is to prevent the employee from receiving benefits from the Subsequent Injury Fund which would duplicate the benefits already received for the prior disability. This period is determined by dividing the total amount of such previous compensation by the weekly rate at which the injured employee is entitled to permanent disability payments. The weekly payment, which depends on his average weekly wage at the time of the second injury, ranges from \$30 to \$70 per week for permanent partial disability and from \$490 to \$154 per week for permanent total disability.

Permanent *total* disability benefits are paid for life while permanent *partial* disability benefits are paid for a period ranging from 3 weeks to 12 years, depending on the extent of the disability. After termination of permanent *partial* disability benefits, persons entitled to subsequent injury benefits are also entitled to a life pension of up to \$64 per week, depending on the extent of their disability and the amount of their earnings at the time of the industrial injury.

The fee charged by the attorney who represents the employee constitutes the first lien on the benefits which are payable to the employee and begin to accrue after the waiting period. After sufficient funds have accumulated, the State Compensation Insurance Fund mails a check to the attorney. Thus, the disabled worker receives no benefits whatsoever until the expiration of the waiting period and until after the attorney is paid.

A Permanent Partial Disability Example. The following can be considered a typical permanent partial disability case: A recipient who is 79 percent disabled receives:

1. From the employer for whom he worked when he sustained his second injury, a semimonthly payment ranging from \$30 to \$70 per week for an average of five and one-half years. This payment is for a disability rating of 56 percent, which is the disability that would have resulted from the second injury had the worker not been disabled already. The level of the benefits depends on the level of his wages at the time of his second injury.
2. From the Subsequent Injury Fund for the remaining 23 percent of the disability:
 - a. Nothing for two years and 43 weeks to account for benefits received for his preexisting disability.
 - b. Nothing for an additional average of 21.5 weeks to allow the attorney fee to accrue.
 - c. A life pension of \$30.77 per week (paid semimonthly). In some cases where the responsibility of the Subsequent Injury Fund is greater than 23 percent, the recipient may receive a benefit ranging from \$30 to \$70 per week for a short time prior to the commencement of the life pension.

A Permanent Total Disability Example. Workers who are *totally* (100

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

percent) disabled are covered by a benefit structure which differs from the one described above. The fund has had very little experience with this type of claim because the courts have recently revised the procedures regarding permanent total disability payments from the Subsequent Injury Fund. However, the following example may be considered typical under the new procedure:

The recipient receives:

1. From the *employer* for whom the employee worked when he sustained his second injury, a semimonthly payment ranging from \$30 to \$70 per week for an average of six years and 13 weeks. This payment is for a 62 percent disability rating which is the disability that would have resulted from the second injury had the worker not been disabled already. The amount of the benefit depends on the level of his wages at the time of his injury.
2. From the Subsequent Injury Fund:
 - a. Nothing for one year after the commencement of benefits from the employer to account for benefits received for the preexisting disability.
 - b. Nothing for an addition seven weeks to allow the attorney fee to accrue.
 - c. A benefit to supplement the payment received from the employer as described in (1) above. The supplementary benefit ranges from \$19 to \$84 per week and is paid until the benefits received from the employer terminate. This supplement increases the total benefits received by the worker to between \$49 and \$154 per week.
 - d. A semimonthly payment ranging from \$49 to \$154 per week for the remainder of the employee's life.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The General Fund appropriation of \$3,327,000 represents an increase of \$427,000, or 14.7 percent, over current-year estimated expenditures from the General Fund. As reflected in Table 1, total expenditures under the program are expected to increase by \$434,500 or 10.4 percent in the budget year, primarily because of increases in both medical costs and Workers' Compensation benefits.

The estimated \$910,000 in costs for the Attorney General includes expenses for six claim examiners, six clerical personnel, 4.4 special agents and special expenses associated with law suits. Excluded, because of a legal requirement, are approximately 2.4 personnel years of attorney time and related clerical support which are budgeted directly to the Attorney General at an additional cost of \$164,892 in the current year and \$177,341 in the budget year. (The Labor Code prohibits the Attorney General from charging this program for legal services.) Thus, the actual *total* estimated budget-year costs to the Attorney General are \$1,087,341. Viewed as an element of overhead costs, these expenses represent 30.7 cents for each

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Budget Summary

<i>Funding</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change from current year</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund (Item 385)	\$2,900,000	\$3,327,000	\$427,000	14.7%
Chapter 1334, Statutes of 1972 (death pay- ments)	1,292,500	1,300,000	7,500	0.6
Total	\$4,192,500	\$4,627,000	\$434,500	10.4%
<i>Program</i>				
Benefit Payments.....	\$3,150,000	\$3,540,000	\$390,000	12.4%
State Compensation Insurance Fund Service Charges.....	157,500	177,000	19,500	12.4
Attorney General.....	885,000	910,000	25,000	2.8
Total	\$4,192,500	\$4,627,000	\$434,500	10.4%

dollar spent for benefits. Adding Insurance Fund Service charges brings total administrative and legal costs for the budget year to \$1,264,341, or 26.3 percent of program cost. This represents an overhead cost of 35.7 cents for each dollar paid in benefits.

The increase in this program is consistent with increases in workers' compensation costs generally which have been substantial in recent years. The proposed funding and expenditures for the subsequent injury program are based on estimates prepared by the State Compensation Insurance Fund. Historically, these estimates have had a high degree of reliability.

Program Needs Major Revision

In recent years, we have questioned whether the program was fulfilling its policy objectives because of the lengthy delay in the commencement of benefit payments. As noted above, the delay results from the statutory waiting period and from the attorney-fee provisions. As a result, the Legislature adopted supplemental budget language in 1977 and again in 1978 requesting the Department of Justice and the State Compensation Insurance Fund to develop brief statistical analyses of the subsequent injury program to enable the Legislature to evaluate its effectiveness. The data from these studies demonstrate that the program is in need of some major revisions.

Findings of the Department of Justice. The data compiled by the Department of Justice over a six-month period in 1977 resulted in the following case profile. The average Subsequent Injury Fund applicant is 51.5 years of age at the time of his subsequent injury, 53.75 years of age when he files for benefits, and 60.5 years of age when he begins receiving benefits. Each case has a total potential workers' compensation liability of approximately \$19,840. Previous credits average \$4,157 for social security, union or disability pensions, third-party judgments, other workers' compensation benefit or prior subsequent-injury awards. Subsequent Injury Fund payment delays, reflecting the waiting period, range up to 45.5 years. The average waiting period in this sample was 3.25 years for pur-

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

poses of offsetting previous compensation awards and allowing attorney's fees to accrue. Attorney's fees, representing about 21.5 weeks of the 3.25-year waiting period, average \$926.

The waiting period for most subsequent injury cases is probably much longer than the 3.25 years identified in the sample. The sample contained an unusually high number (almost one-half) of policemen and firemen who are not usually members of the social security system and therefore do not have social security benefits to offset their awards. In the sample, the waiting period averaged 1.6 years for policemen and firemen and 4.2 years for other types of employees.

Findings of the State Compensation Insurance Fund. The State Compensation Insurance Fund compiled data from 171 cases which were closed, due to the deaths of the recipients, during the period February through July 1978. A total of \$656,744.06 in permanent disability benefits was awarded to the 171 recipients in these cases. However, the recipients lived to collect only \$452,973.72 or 69 percent of the amounts awarded. Those persons who received all of their permanent disability benefits also received a life pension for an average of 93.3 weeks.

Recipients in nine (5.3 percent) of the 171 cases received no subsequent injury benefits at all because they died prior to the termination of their "waiting periods." Eight, or 4.7 percent, of these recipients died prior to the full accrual of the attorney fees. Of the \$53,631 which was awarded in attorney fees in these cases, \$4,500 or 8.4 percent was never paid because the recipient died before the fee was fully accrued. (The average attorney fee in these cases was \$314, which is lower than the average in the cases reported by the Attorney General because the sample cases are much older and were litigated several years ago when the average fee was lower.)

Simplifying Administration

We recommend that legislation be enacted to (1) transfer administrative responsibility for the subsequent injury program to the Department of Industrial Relations and (2) revise claims settlement procedures to parallel those used by insurance companies to minimize litigation.

As pointed out above, there is presently no real administration of the subsequent injury program because the Workers' Compensation Appeals Board has sole authority to "fix and award the amounts" of subsequent injury benefits. This system requires an excessive amount of litigation for both the state and recipients of benefits under the program. The recipient, in fact, often has to pay the heavy cost for hiring an attorney twice: first to represent his interests in disputes involving benefits from the employer for whom he worked when he sustained his second injury, and again to represent him before the board in his claim for workers' compensation benefits. This factor can also contribute to disruptions in the flow of benefits because of the legal delays before the Workers' Compensation Appeals Board, which are growing longer and more complex.

High state legal costs produce marginal benefits. We believe that legal and administrative costs incurred by Subsequent Injury Fund are exces-

sive. As indicated earlier, the Attorney General will incur 30.7 cents in legal defense costs for each dollar spent for benefits. Adding State Compensation Insurance Fund administration costs increases the figure to 35.7 cents for each dollar paid in benefits.

In contrast, the State Compensation Insurance Fund, the state's largest workers' compensation company, pays a total of only 10½ cents for administration of claims for each dollar paid in benefits. Similarly, the Department of Industrial Relations spends only 11 cents per dollar of paid benefits to adjust and defend workers' compensation claims against the Uninsured Employers' Fund. The department's program is patterned after the operations of an insurance company.

Notwithstanding the high costs incurred by the Attorney General's office in contesting claims, very few claims filed with the WCAB are denied payment. As shown in Table 2, the approval rate for claims has ranged from 71.4 percent to 93.5 percent over the past four years. This raises a serious question about the cost-effectiveness of routine litigation of claims.

We believe that the program should be administered by the Director of Industrial Relations, following general practices and procedures of insurance companies, and that legal defense should be pursued only in those cases where the claim's validity is subject to reasonable doubt. The director should establish rules and regulations for awarding benefits under the program in as many cases as possible to avoid litigation before the Workers' Compensation Appeals Board. Such a program could eliminate the need for litigation in approximately 75 percent of the cases. The State Compensation Insurance Fund reports that only 25 percent of its cases require formal litigation.

Table 2

Number of Subsequent Injury Fund Claims Filed with the Workers' Compensation Appeals Board Compared with the Number Approved for Payment

<i>Year</i>	<i>Number of Claims Filed with the WCAB</i>	<i>Number of Claims Approved</i>	<i>Percent Approved</i>
1974-75	543	450	82.9%
1975-76	447	319	71.4%
1976-77	556	430	77.3%
1977-78	537	502	93.5%

Reimbursing Employers

We recommend legislation be enacted that provides for the reimbursement of employers or their insurance carriers for subsequent injury benefits rather than direct payments to employees.

Most of the subsequent injury programs adopted by other states in recent years have incorporated a feature recommended by the Council of State Governments. Under it, insurance carriers or self-insured employers make the subsequent injury payments directly to the recipients and then file for reimbursement from the state. This approach simplifies administration of such programs and significantly reduces legal costs. Under it, the employee files *only one* claim with his insurance company or employer. The claim would be litigated before the WCAB if the parties are unable

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

to reach agreement as to proper level of benefits. The insurance company or self-insured employer would assume full responsibility for paying all workers' compensation payments, but would recover the subsequent injury fund portion (the portion now paid directly to workers) from the state on a quarterly basis. Disputes between the insurance carrier and the state over such claims would be resolved by the WCAB.

This approach has several advantages. First, it shifts the burden of screening cases to the employer or his insurance company and greatly reduces the employee's need to litigate for benefits. It relieves the state of its present responsibility for collecting fees for attorneys representing subsequent injury clients. It also reduces administrative costs of paying benefits. For example, the State Compensation Insurance Fund mailed 42,438 semi-monthly checks to 2,447 recipients in 1977-78. Under our recommendation, payments would be made quarterly to not more than 200 insurance companies which sell workers' compensation insurance plus a few self-insured employers. Finally, this approach would be more effective in encouraging employers to hire the handicapped because it would make them more aware of the fact that their liability for workers' compensation costs would not be increased in the event a handicapped employee sustains a new injury. A great deal of doubt has been expressed over the years as to whether the present program achieves its primary goal of encouraging employers to hire the handicapped because of the lack of awareness on the part of employers regarding the program.

Potential Cost Savings

As noted above, a number of states, such as New York, Florida, Georgia and Louisiana, have adopted a subsequent injury program modeled after the plan recommended by the Council of State Governments. Unfortunately, these states do not maintain sufficient data for assessing the potential impact of the plan's features on administrative costs in California. Moreover, caseload data as well as the data provided by the Department of Justice and the State Compensation Insurance Fund studies, are not sufficiently reliable for use in projecting cost savings. However, based on the general claims management experiences of the State Compensation Insurance Fund and the Uninsured Employers' Fund, it is reasonable to assume that adoption of our recommendation would result in administrative and legal cost savings of at least two-thirds of current costs or approximately \$850,000 annually.

Elimination of Waiting Period

We recommend legislation to eliminate the "waiting provision" in existing law and provide instead a presumption that all employees who apply for workers' compensation permanent partial disability benefits under the subsequent injury program have already received full compensation for their preexisting disability. We recommend that the waiting period be abolished entirely for permanent total benefits.

A basic purpose of the workers' compensation permanent partial disability program is to supplement the lost income resulting from the indus-

trial injury until the worker is able to reenter the labor market and again generate his or her own income. Such benefits are limited to the period during which the employee is reasonably expected to require supplemental income. These periods range from three weeks to almost 12 years, depending on the seriousness of the disability. Life pensions are provided only for those persons with the most serious disabilities as determined by the Workers' Compensation Appeals Board. The statutory "waiting period provision" of the subsequent injury program violates the objective of the permanent partial disability program by disrupting the normal flow of benefits while a credit is built up for compensation which was received for the preexisting disability. The purpose of the "waiting provision" in existing law is to prevent employees from receiving subsequent injury benefits which would duplicate benefits received earlier from other sources for the preexisting injury. As far as we can determine, none of the other 49 states which have subsequent injury programs is concerned whether recipients may receive double compensation in some cases for the preexisting disability.

Under our recommendation, there would be a presumption in all permanent *partial* cases that an employee was adequately compensated for his preexisting injury. In most cases, the employer for whom the employee worked would be responsible for all permanent partial disability benefits, and the Subsequent Injury Fund would be responsible for the life pensions. Under this approach, using the example cited earlier, the injured employee would receive disability payments from the employer for whom he worked for the same period and at the same rate as shown in the example. However, there would be no waiting period before the commencement of subsequent injury benefits. Immediately after the termination of employer-paid benefits, the employee would begin receiving the life pensions from the subsequent injury program. For permanent total disability cases the waiting period would be abolished altogether, and benefit payments from the Subsequent Injury Fund would begin immediately after the subsequent injury occurred.

It should be noted that our recommendation would substantially increase costs to the fund. Because adequate statistics are not maintained on the subsequent injury program, it is not possible to estimate the costs accurately, especially for the relatively new permanent total disability cases which have life pension benefits ranging from \$49 to \$154 per week. However, based on statistics furnished by the Department of Justice and the State Compensation Insurance Fund, the recommendation probably would result in a net annual cost increase of \$187,610 to \$3.1 million, depending on the level of the wages of the employees at the time of their injuries. Because the average waiting period is approximately three years, it would take that long for the cost increases to materialize. Our cost estimate for this proposal, shown in Table 3, is based on the current disability-benefit levels.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

Table 3
Estimated Cost for Abolishing the Waiting Period
in Subsequent Injury Program

<i>First Year Increase</i>	<i>Minimum</i>	<i>Maximum</i>
Permanent Total (54 cases)	\$137,592	\$432,432
Permanent Partial (261 cases)	208,278	868,608
Total	\$345,870	\$1,301,040
<i>Second-year Increase</i>	691,740	2,602,080
<i>Third-year Increase</i>	1,037,610	3,903,120
<i>Administrative Savings</i>	-850,000	-850,000
<i>Net Increased Costs</i>	\$187,610	\$3,053,120

**WORKERS' COMPENSATION FOR DISASTER SERVICE
 WORKERS**

Item 386 from the General
 Fund

Budget p. 1138

Requested 1979-80	\$200,000
Estimated 1978-79	182,250
Actual 1977-78	151,612
Requested increase \$17,750 (9.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides funds for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster services. The total amount of compensation paid fluctuates with the volume of both training exercises and actual emergencies such as fires, floods or earthquakes. Past experience indicates that cost estimates prepared by the State Compensation Insurance Fund, which administers the program, have been realistic.

**COMMISSION ON CALIFORNIA
STATE GOVERNMENT ORGANIZATION AND ECONOMY**

Item 387 from the General
Fund

Budget p. 1139

Requested 1979-80	\$176,591
Estimated 1978-79.....	150,777
Actual 1977-78	144,201
Requested increase \$25,814 (17.1 percent)	
Total recommended reduction	\$19,868

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Permanent Staff Position.** Recommend approval of associate governmental program analyst position to assist in researching commission studies. 1259
2. **Consultant Services.** *Reduce Item by \$19,868.* Recommend reduction of request for consultant and professional services to reflect expenditure savings made possible by additional permanent staff analyst position. 1260

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 members of the Senate and two are members of the Assembly. In the past, public members have served at the pleasure of the appointing body, but beginning in 1979, they will serve four-year terms. The commission's permanent staff consists of an executive director, an assistant and a secretary. Funds equivalent to one personnel-year also are available for temporary help (part- or full-time).

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$176,591 for the 1979-80 fiscal year, which is \$25,814 or 17.1 percent more than is estimated to be expended during the current year.

Permanent Staff Analyst Position

We recommend approval.

The commission is requesting \$19,868 for an associate governmental program analyst to assist in the research involved in commission studies. This proposed position will assume duties currently assigned to a temporary analyst. These include (1) collecting information and data used by commission members for hearing preparation and as a basis for recommendations to the Legislature, (2) assisting temporary consultants to the commission, and (3) preparing the first draft of commission reports. The commission indicates that the use of a temporary full-time analyst in lieu

**COMMISSION ON CALIFORNIA
STATE GOVERNMENT ORGANIZATION AND ECONOMY—Continued**

of part-time consulting services has increased staff flexibility, enhanced service levels, and resulted in a reduction in expenditures for professional and consulting services. The associate governmental program analyst position proposed in the budget year will allow the commission to continue the existing arrangement on a permanent basis and to upgrade the staff analyst position to the journeyman level.

Reduced Need for Consultant Services

We recommend that the commission's request for \$26,182 for professional and consultant services be reduced by \$19,868 to reflect expenditure savings expected as a result of the proposed increase in the commission's permanent technical staff.

The commission's primary justification for the permanent analyst position proposed in the budget year is that the position will permit a reduction in expenditures for consulting services. (The commission maintains that this additional position will provide benefits other than just a corresponding offset in expenditure savings, including increased flexibility and enhanced levels of service to commission members.) No reduction in expenditures for consulting services, however, is reflected in the proposed budget.

We can find no justification for increasing the *total* consulting and technical staff resources available to the commission. There is no evidence of a substantial change in the commission's workload nor has the commission been assigned any new or increased responsibilities which would support a significantly higher overall level of resources. Therefore, we recommend that the commission's request for \$26,182 for professional and consulting services be reduced by \$19,868, which is the amount added to the budget by the addition of the proposed staff analyst position.

Commission Reports

The commission plans to have the following reports completed in 1978-79:

1. Study of the utilization of public school facilities;
2. Review of the regulatory boards, Department of Consumer Affairs;
3. Study of the feasibility of establishing a separate tax appeals structure, as requested in ACR 143; and
4. Supplemental health reports on:
 - Medi-Cal;
 - Health planning; and
 - State Hospitals

In 1979-80, the commission plans to (1) initiate a study of the civil service structure and operations of the State Personnel Board and (2) continue review of the newly-established health agencies.

COMMISSION ON INTERSTATE COOPERATIONItem 388 from the General
Fund

Budget p. 1140

Requested 1979-80	\$78,964
Estimated 1978-79.....	88,265
Actual 1977-78	69,895
Requested decrease \$9,301 (10.5 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. The council is 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.

This item provides the state's membership fee for the Council of State Governments. The council's assessments are based on a population formula which provides a pro rata distribution of the costs of the organization. For California it is estimated that the assessments will total \$275,670 in 1979-80. Other components, in addition to this item, include \$46,750 for the National Governor's Conference contained in the budget of the Governor's Office, \$5,870 for the National Association of Budget Officers in the Department of Finance budget, \$2,876 for the Council of State Planning agencies in the Office of Planning and Research budget, \$7,790 in the Employment Development Department for services rendered by the National Association of Governors and \$133,420 in the budget of the Joint Rules Committee for the National Conference of State Legislators.

The amount budgeted in this item is based on estimated costs, which will be adjusted when actual assessments are levied. Although \$81,595 was budgeted for the 1977-78 fiscal year, actual charges were \$69,895, allowing the Governor's Budget to reflect savings of \$11,700.

CALIFORNIA ARTS COUNCIL

Item 389 from the General
Fund

Budget p. 1141

Requested 1979-80	\$10,791,057
Estimated 1978-79.....	1,390,778
Actual 1977-78	3,359,457
Requested increase \$9,400,279 (676 percent)	
Total recommended reduction	\$6,108,825

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Direct Aid to Cities and Counties. Reduce by \$1,500,000.* 1271
Recommend elimination of this new program element to avoid establishing undesirable policy for local fiscal relief.
2. *Program Consolidation. Reduce by \$2,600,000.* 1272
Recommend programs aimed at increasing public accessibility be consolidated. Further recommend state funding of \$1,000,000 rather than the proposed \$3,600,000, for this consolidated effort.
3. *Artists in Social Institutions. Reduce by \$320,000.* 1274
Recommend the Artists in Social Institutions element be reduced to its 1977-78 program level.
4. *Alternatives in Education. Reduce by \$400,000.* 1274
Recommend elimination of budget-year funding for Alternatives in Education to avoid continuing a pilot project still being evaluated.
5. *Statewide Arts Organizations. Reduce by \$234,507.* 1276
Recommend the Statewide Arts Service Organizations element be reduced to current-year expenditure level.
6. *Technical Assistance. Reduce by \$290,000.* 1276
Recommend technical assistance be provided only through regional organizations.
7. *Documentation Funds. Reduce by \$163,300.* 1277
Recommend reductions in documentation funds proportional to recommended program limitations.
8. *Personal Services. Reduce by \$82,691.* 1277
Recommend eliminating six of 19 new positions.
9. *Salary Savings. Reduce by \$25,700.* 1278
Recommend recognition of salary savings.
10. *Out-of-State Travel. Reduce by \$17,000.* 1278
Recommend reduction in out-of-state travel to avoid overbudgeting.
11. *Equipment Costs. Reduce by \$45,000.* 1279
Recommend reduction in equipment expenditures to a level commensurate with the needs of 13 new positions.
12. *Operating Expense. Reduce by \$430,627.* 1280
Recommend reductions to levels commensurate with recommended program support.

GENERAL PROGRAM STATEMENT

The California Arts Council, successor to the California Arts Commission, began operation in January 1976. The council's enabling legislation, Chapter 1192, Statutes of 1975, directs the agency 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 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 five categories: (1) Cultural Participation, (2) Organizational and Group Support, (3) Direct Support and Training for Artists, (4) Statewide Projects, and (5) Administration. Each of these categories and its components is discussed below.

CULTURAL PARTICIPATION**Artists in Schools and Communities**

This element is designed to integrate the artist, the community, and the school through the employment of resident artists in various arts disciplines.

Artists in Social Institutions

Designed to make art available in social institutions such as hospitals, prisons, and mental health facilities, this element employs resident artists and supports arts classes and workshops involving residents and patients of institutions.

Alternatives in Education

This element (1) tests innovative methods of teaching conventional subjects through the use of art and (2) investigates evaluation strategies for arts education programs.

ORGANIZATIONAL AND GROUP SUPPORT**Local Organization and Group Development**

This element, designed to strengthen programs of nonprofit arts organizations, is proposed to be reinstated in the budget-year. It provides grants to enable employment of management and artistic personnel, and development of specific art programs for the community.

Expanding Public Participation

This element, also reinstated in the budget-year, provides support to nonprofit arts organizations for activities, such as publicity, "ticket vouchers" (subsidy of ticket prices), and audience evaluation, which seek to develop and expand public participation in the arts.

Touring Programs

Local and regional nonprofit touring companies receive assistance with travel and related expenses for presentations and performances throughout the state. This element includes tours in dance (partially funded by

CALIFORNIA ARTS COUNCIL—Continued

the National Endowment for the Arts), theater, and music.

Support to Large-Budget Arts Organizations

Designed to expand community service programs provided by organizations with budgets in excess of \$1 million, this element (new in the budget-year) will provide support for specific out-reach proposals which benefit the general public. Grants will not exceed 10 percent of the organization's budget.

Technical Assistance

This element, originally an activity of the Information and Services Division, provides technical assistance to arts organizations throughout the state in areas such as accounting, publicity, and program production.

Direct Support to Cities and Counties

This element, new in the budget-year, consists of two activities: (1) Assistance for Local Government Supported Cultural Institutions, which provides funds to local governments to distribute, at their discretion, to arts organizations adversely affected by Proposition 13, and (2) Support for Arts Projects Vital to Economic Development, which supports special projects identified by local governments as contributing to economic development.

DIRECT SUPPORT AND TRAINING FOR ARTISTS**State Performing Arts Center**

Designed as a new pilot project for the budget-year, this element is a joint venture with the Department of Parks and Recreation to assess the feasibility of using a state-owned facility as a performing arts center.

STATEWIDE PROJECTS**Grants Evaluation and Public Arts Documentation**

This element monitors grant programs and provides information to the Arts Council to aid in evaluation and planning.

Information and Services Division and Grants

Designed to increase public awareness and utilization of local arts resources, this element functions as the information office for the administration program. It provides a monthly newsletter, a yearly directory of artists and arts organizations and general information about arts in California. It does not dispense grants.

Statewide Arts Service Organizations

This element supports such groups as statewide associations of symphony orchestras, theaters, and community arts agencies through grants for conferences, research, and information services.

ADMINISTRATION

This program provides staff support to the council through budgeting, personnel and accounting functions, evaluative studies, and administration of state and federal grant funds.

ANALYSIS AND RECOMMENDATIONS

The budget proposes state funding of of \$10,791,057 for the California Arts Council in 1979-80. This is an increase of \$9,400,279, or 676 percent, over the \$1,390,778 estimated to be expended in the current year. In addition, the council anticipates federal funds in the amount of \$1,156,400, which is \$513,811, or 80 percent, above estimated federal support in the current year. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$11,947,457, an increase of \$9,914,090, or 488 percent, over the \$2,033,367 estimated in the current year.

The General Fund increase consists of \$1,045,790 to augment the council's administration program (including 19 new positions) and \$8,354,489 for its grant program. The increase in grant expenditures, as detailed in Table 2, amounts to 1,463 percent above the \$571,214 allocated for this purpose in the current year. The rise is attributable to (1) reinstatement of three program activities included in the council's 1977-78 budget but discontinued in the current-year (\$2,225,000), (2) addition of three program elements which are new in the budget-year (\$3,025,000), and (3) expansion of eight current-year grant elements (\$3,104,489). These proposals are discussed in more detail below.

Table 1
Budget Summary
California Arts Council

Funding	Estimated 1978-79	Proposed 1979-80	Change from Current-year	
			Amount	Percent
General Fund.....	\$1,390,778	\$10,791,057	\$9,400,279	676%
Federal Funds	642,589	1,156,400	513,811	80
Total	\$2,033,367	\$11,947,457	\$9,914,090	488%
<i>Program</i>				
Cultural Participation.....	\$610,241	\$2,791,752	\$2,181,511	358%
Grant Expenditures	(461,900)	(2,482,103)	(2,020,203)	(437)
Administrative Costs	(148,341)	(309,649)	(161,308)	(109)
Personnel-years	3.8	6.6	2.8	74
Organizational and Group Support	711,769	6,992,861	6,281,092	882
Grant Expenditures	(633,910)	(6,700,000)	(6,066,090)	(957)
Administrative Costs	(77,859)	(292,861)	(215,002)	(276)
Personnel-years	2	6.3	4.3	215
Direct Support and Training for Artists	—	55,596	55,596	—
Grant Expenditures	—	(50,000)	(50,000)	—
Administrative Costs	—	(5,596)	(5,596)	—
Personnel-years	—	0.1	0.1	—
Statewide Projects.....	195,852	1,258,513	1,062,661	543
Grant Expenditures	(117,993)	(850,000)	(732,007)	(620)
Administrative Costs	(77,859)	(408,513)	(330,654)	(425)
Personnel-years	2	8.8	6.8	340
Administration (Net).....	515,505	848,735	333,230	65
Personnel-years	13.2	18.2	5.0	38
Totals (all funds)	\$2,033,367	\$11,947,457	\$9,914,090	488
Grant Expenditures	(1,213,803)	(10,082,103)	(8,868,300)	(731)
Administrative Costs	(819,564)	(1,865,354)	(1,045,790)	(128)
Personnel-years	21	40	19	90

CALIFORNIA ARTS COUNCIL—Continued

Activities Reinstated

The budget includes three reinstated elements (Local Organization and Group Development, Expanding Public Participation, and Information and Services Division) which were funded by the council in 1977-78 but discontinued in the current-year as a result of significant budgetary reductions which we recommended in our Analysis of the 1978 Budget Bill, and which were made by the Legislature. In our analysis, we recommended that the council's budget be reduced to the 1976-77 state funding level (a reduction of 60 percent) until the council could demonstrate effective management and administration of its programs. The council's progress in this regard is discussed later in this analysis.

Two of the three reinstated elements, Local Organization and Group Development and Expanding Public Participation, will retain their former program objectives. The council, however, intends to focus them more clearly on enhancing public accessibility to art-related activities. With regard to the Information and Services Division, while the Governor's Budget has identified this element as a grant activity (consistent with its 1977-78 status); this division will not perform a grant function in the budget-year. Instead, it will provide an information-related administrative service.

Table 2
California Arts Council
General Fund Grants Program

Program/Element	Estimated 1978-79	Proposed 1979-80	Change from Current-Year	
			Amount	Percent
Cultural Participation				
Artists in Schools and Communities.....	\$21,600	\$1,125,703	\$1,104,103	5,112%
Artists in Social Institutions.....	12,000	500,000	488,000	4,067
Alternatives in Education.....	200,000	400,000	200,000	100
Organizational and Group Support				
Local Organization and Group Development ^a	—	1,750,000	1,750,000	—
Expanding Public Participation ^a	—	350,000	350,000	—
Touring Programs.....	83,000	550,000	467,000	563
Support for Large-Budget Arts Organizations ^b	—	1,500,000	1,500,000	—
Technical Assistance.....	154,121	500,000	345,879	224
Direct Support to Cities and Counties ^b	—	1,500,000	1,500,000	—
Direct Support and Training for Artists				
State Performing Arts Center ^b	—	25,000	25,000	—
Statewide Projects				
Grants Evaluation and Public Arts Documentation.....	35,000	300,000	265,000	757
Information and Services Divisions and Grants ^{a,c}	—	125,000	125,000	—
Statewide Arts Service Organizations.....	65,493	300,000	234,507	358
Totals	\$571,214	\$8,925,703	\$8,354,489	1,463%

^a Reinstated program element previously funded in 1977-78.

^b New activity proposed for 1979-80.

^c No grants awarded by this element; serves administrative support function.

Proposed New Programs

For 1979-80, the council proposes three new elements. Two of these activities, Support to Large-Budget Arts Organizations and Direct Support to Cities and Counties, are in response to Proposition 13-related funding reductions experienced by local arts organizations. The third program element, State Performing Arts Center, seeks to determine alternate ways of using existing state-owned facilities for art-related activities. The council anticipates that this pilot project will generate sufficient revenues from performances to offset the additional cost of operating state facilities for such purposes.

Program Expansion

Eight of the council's existing program elements are proposed for expansion in the budget-year. Significant programmatic changes in these activities are discussed below:

Alternatives in Education. Alternatives in Education (AIE) is a three-year pilot project initiated in 1976. During the current-year, this element is being evaluated by an independent contractor, California Learning Designs, Incorporated. The contractor's final evaluation report should be delivered to the council by August 3, 1979. The council proposes two activities for this project in the budget-year. First, 10 sites would be selected for funding (\$20,000 each) in a manner similar to the existing pilot project. (The council advises that existing AIE sites would not be precluded from participating in this activity.) Second, two additional in-depth pilot sites would be selected specifically to test the impact of correlating and integrating art methodology with standard school subject materials.

Touring Programs. The council currently conducts two types of tours: theater and dance. In the budget-year, the council is requesting \$25,000 to add a music tour which would include such groups as jazz ensembles and chamber musicians performing for audiences throughout the state in a manner similar to the existing state-sponsored tour groups.

Technical Assistance. Technical assistance is identified as a separate program element for the first time in the budget-year. However, the Governor's Budget reflects this element as a continuing activity because similar activities are being performed in the current-year as part of the Statewide Projects program. The council proposes an expenditure of \$210,000, new in the budget-year, to contract with organizations in six geographical regions to render technical assistance in fiscal accountability, managerial support, and audience development to community arts programs. Federal funds, which cover a portion of this element's current-year costs, are not available in the budget-year, primarily because, in the National Endowment for the Arts' judgment, this element is more of an administrative activity than a grant program.

Grants Evaluation and Public Arts Documentation. This program element is increased in the budget-year to provide funds for individual grant recipients to document their activities by narrative and visual means (such as photographs, slides and video tapes) for evaluation purposes. Current council policy, as reflected in the Governor's budget, would allow a maximum of \$150 for resident artists to document their projects in the

CALIFORNIA ARTS COUNCIL—Continued

Cultural Participation program, and \$200 for participants in the Organizational and Group Support program to do the same. Council staff proposes to recommend to the council that these maximum levels be raised to \$200 and \$300, respectively. A council decision on this issue is anticipated prior to legislative hearings on the council's budget.

Federal Funds

In response to a resolution of the Joint Legislative Audit Committee, the state Auditor General has examined the council's federal funds activity. In a letter report dated November 2, 1978, the Auditor General concluded that the council was underutilizing federal funds. Specifically, the report noted that 17 federal assistance programs are available to state art agencies. Within these programs, there are 31 funding categories. During the period 1977-78 through 1978-79, the council has sought support in only eight of the 31 categories.

The council advises that three of the proposed new positions (two technical and one clerical) would be devoted to federal grant activity in the budget-year. As shown in Table 3, federal grants are expected to total \$1,156,400 in 1979-80. However, it should be noted that three grants, totaling \$656,400, are identified in the council's budget because it is required to act as the intermediary between the federal and local governments. Matching funds for these grants are provided locally.

Table 3
California Arts Council
Federal Funds
1979-80
National Endowment for the Arts (NEA)
Department of Health Education and Welfare (HEW)

<i>Program/Element</i>	<i>Source</i>	<i>Amount</i>	<i>Required State Match^a</i>
Local Organization and Group Development	NEA	\$250,000	\$250,000
Direct Support and Training for Artists.....	NEA	25,000	25,000
Theater Tour	NEA	100,000	100,000
Information Services	NEA	125,000	125,000
Dance Tour	NEA	200,000	None ^b
Artists in Schools ^c	NEA	356,400	None ^b
Artists in Schools ^d	HEW	100,000	None ^b
Total		\$1,156,400	\$500,000

^a Reflects minimum state match required to receive federal support.

^b The council serves as the entry point for these grants coming to California. Local communities provide the required matching funds.

^c Provides support for ten school sites, chosen by the council, but funded by NEA.

^d Funding available from Emergency School Aid Act. The Pasadena School District, the grant recipient since 1977-78, will continue to be the site for this project. The participating district must have an approved desegregation plan and a minority population of at least 20 percent.

Proposed Positions

The council proposes to augment its present staff of 21 by 19 positions (10 technical and nine clerical) in the budget-year. This is a staff increase of 90 percent. Table 4 summarizes these positions by function.

Table 4
California Arts Council
Summary of Proposed Positions
1979-80

	<i>Number</i>	<i>Salary and Wages</i>	<i>Assignment</i>
Assistant Information Officer.....	1	\$15,528	Assist Public Information Officer
Tour Coordinator	2	29,760	Direct dance and theater tours
Administrative Assistant	1	15,528	Coordinate federal funds
Staff Services Analyst.....	6	71,064	Assist federal funds coordinator (1), budget analysis (1), evaluation analysis (1), monitor grant projects (3)
Secretary	2	21,024	Support for deputy directors
Office Assistant II	5	43,080	Support for information services, federal funds, evaluation and grants
Steno.....	1	8,424	Increase clerical pool-all programs
Management Services Assistant.....	1	8,304	Augment accounting management
Total	19	\$212,712	

It is significant to note that the two proposed tour coordinator positions are presently funded by contract. Converting them to civil service status, as the budget proposes, is consistent with the Department of Finance's recommendation included in its 1977 evaluation report covering council activities. The State Personnel Board has approved this new civil service classification. We agree that these positions should be budgeted directly, rather than funded by contract.

As noted in the Governor's Budget, 14 of the new positions (including the two just discussed) are directly attributable to budget-year increases in various grant programs. The remaining five positions are directly related to administrative services.

State Matching Requirements

Beginning in the budget year, the council will require all grant recipients to provide a match equal to the amount of the grant. Thus, for each state dollar invested, a two dollar program impact will be achieved. This is a significant program change because in past years, the council did not have a consistent policy on matching requirements.

There are two exceptions to the general policy on matching. First, the Direct Support to Cities and Counties element presently anticipates only a 25 percent, rather than 100 percent, match, because of the limited amount of resources expected to be available to local governments for use in meeting such requirements. Second, the Artists in Social Institutions element allows an in-kind match of, for example, housing and child care, rather than the dollar for dollar commitment required for each of the other program activities.

CALIFORNIA ARTS COUNCIL—Continued**Legislative Changes**

Chapter 1356, Statutes of 1978 (SB 1678), increased the membership of the Arts Council from nine to 11 with the addition of two members to represent the general public appointed, respectively, by the Speaker of the Assembly and the Senate Rules Committee. This act further provides that council members will serve staggered terms of two, three, and four years and that the council may meet no more than eight times per year. In addition, council members are prohibited by the statute from serving more than four consecutive years as a member of the council, or its predecessor, the Arts Commission. Three of the council's original nine members resigned as a result of this last statutory change. As of this writing, these vacancies have yet to be filled.

Management Improvements Being Accomplished

Since the inception of the California Arts Council in fiscal year 1976-77, our office has expressed concern about its ability to develop a workable budget proposal and an identifiable management system which could demonstrate accountability for state and federal funds. As noted earlier in this analysis, we recommended last year that the Legislature reduce the council's budget to the 1976-77 level primarily because of the council's inadequate management controls. The Legislature acted in accordance with this recommendation, significantly reducing funding for the current year.

We believe the council has made progress in improving its management system during the past year. The Department of Finance recently conducted a management evaluation and a fiscal review of the council in response to supplemental language adopted by the Conference Committee on the 1978 Budget Bill. We have reviewed these reports and held follow-up discussions with council staff. Although further managerial improvements are needed, we believe that the council has made a sincere effort to overcome numerous deficiencies identified by both the Legislature and the administration.

Specific Accomplishments

The council's progress during the last year in the following specific areas demonstrates its improved ability to manage state and federal funds.

1. It has adopted regulations specifying funding criteria, grant application procedures, and state requirements for carrying out projects. The council now will withhold 10 percent of each grant until the final evaluation report is submitted by the grantee.

2. It has revised the grant selection procedure to (a) delegate more review to staff, (b) provide written selection criteria for those individuals reviewing applications, and (c) eliminate a council subcommittee veto of recommendations made by the grant review panels.

3. It has adjusted grant deadlines to provide smoother transitions between grants. In addition, application deadlines are now staggered to avoid paperwork bottlenecks.

4. It has adopted criteria, guidelines and policies on individual, on-going grant programs.

5. It has reduced dependency on consultants to perform on-going staff functions.

6. It has redesigned grant applications to facilitate data collection.

7. It has improved cooperation with other state agencies, including the Departments of General Services, Transportation, and Parks and Recreation and the State Personnel Board.

We believe that the improvements cited above indicate that council staff has the basic management skills necessary to undertake an expanded program in 1979-80. Nevertheless, we believe that the magnitude of the proposed increase—676 percent—is excessive, for two reasons. First, an expansion of this magnitude would overtax the capabilities of the council. Even the most efficient agency experiences significant problems when its programs are expanding. These problems are all the more significant in expanding agencies that have demonstrated managerial weaknesses in the past, as the now-defunct Department of Health's experience illustrates.

Second, we believe that some of the proposed increases cannot be justified, given the fiscal pressures facing the state that are manifested in the funding levels provided for virtually all other programs in the budget.

The recommendations that follow would eliminate or reduce certain programs that, in our judgment, have a relatively lower priority than other pending requests. The funding levels which we are recommending will still provide not only a substantial increase in state support to the arts—237 percent—but will also provide the council with an opportunity to demonstrate that it can successfully manage and evaluate its programs in 1979-80.

Dedicated Fiscal Relief for Arts Contradicts Local Discretion Policy

We recommend deletion of funds proposed for direct aid to cities and counties, for a savings of \$1,500,000.

The budget includes \$1,500,000 for a new program element (Direct Aid to Cities and Counties) which is intended to offset the impact of Proposition 13 on the arts. The requested amount would be distributed to cities and counties in two ways. An unspecified portion would be distributed on a "formula" basis, with the receiving jurisdiction determining the specific local programs which would receive state support. The formula would take into account the population served as well as the amount of local support provided to the arts. The specific formula has yet to be developed by the council.

The remaining portion of the \$1,500,000 would be awarded on the basis of specific proposals which purport to show that reduced local support for the arts has been detrimental to local economic development. For example, a city could request financial assistance for its museum if it could demonstrate that reduced operating hours resulting from Proposition 13 had reduced tourism and thereby hurt the local economy.

To assess the impact of Proposition 13, the Arts Council requested arts organizations to provide information regarding their total budget support for 1977-78 and 1978-79. A total of 137 organizations responded, with 64 agencies reporting increases, 65 indicating reductions, and eight anticipating a stable level of support. In the aggregate, the budgets for the

CALIFORNIA ARTS COUNCIL—Continued

surveyed organizations increased by over \$1.7 million. Based on the council's survey, it would appear that arts organizations have not suffered unnecessarily in the current-year as a result of Proposition 13.

More importantly, the proposed program is inconsistent with the approach taken by the Legislature (and recommended by the Governor) in assisting local governments to adjust to the reduced revenue flows resulting from Proposition 13. Generally, this approach has emphasized local control by providing aid in the form of block grants and, with the exception of a provision requiring a maintenance of effort for public safety programs, has allowed local officials flexibility to allocate the funds on the basis of their own program priorities.

In summary, the council's data do not substantiate the contention that arts organizations were "unfairly singled out" for budget reductions as a result of Proposition 13. Additionally, we believe that a policy of providing local fiscal relief on a program-by-program basis would severely undermine local control and the provision of services in line with locally-perceived needs. Therefore, we recommend that funding for direct aid to cities and counties be deleted for a savings of \$1,500,000.

Access to Arts Projects Needs Consolidation

We recommend consolidation of Local Organization and Group Development, Expanding Public Participation and Support to Large-Budget Arts Organizations program elements. We further recommend state funding of \$1,000,000 for this consolidated effort, for a General Fund savings of \$2,600,000.

In keeping with its legislative mandate to encourage artistic awareness and expression, the council historically has been concerned with accessibility of the arts to the general public. The following three program elements reflect this concern:

- (1) *Local Organization and Group Development*—conducts specific arts programs of benefit to communities;
- (2) *Expanding Public Participation*—supports activities designed to encourage broader participation in arts programs. Special outreach efforts may include publicity and modifications to buildings to facilitate use by handicapped persons.
- (3) *Support to Large-Budget Arts Organizations*—assists the 10 largest arts organizations in the state (those having budgets in excess of \$1 million) to expand their community service activities.

Table 5 summarizes the budget history and number of organizations assisted by these program elements in 1977-78 and proposed for 1979-80. As noted in the table, there has been no activity in this area in the current-year. Two of the elements have been reinstated from the council's 1977-78 program, while support to Large-Budget Arts Organizations is a new element in the budget-year. The table illustrates that the council proposes to increase total state expenditures by 365 percent over 1977-78 levels, but only 119 additional organizations, an increase of 74 percent, would be assisted.

We are concerned about this significant expansion in state support for a number of reasons.

Table 5
California Arts Council
Accessibility of the Arts Projects
State Funding Only

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change from</i> 1977-78	
				<i>Amount</i>	<i>Percent</i>
Local Organization and Group Development.....	\$601,444	—	\$1,750,000	\$1,148,556	191%
Organizations Assisted.....	124	—	210	86	69
Expanding Public Participation.....	\$173,145	—	\$350,000	\$176,855	102
Organizations Assisted.....	37	—	60	23	62
Support to Large-Budget Arts Organizations	—	—	\$1,500,000	\$1,500,000	—
Organizations Assisted.....	—	—	10	10	—
Total State Expenditures.....	\$774,589	—	\$3,600,000	\$2,825,411	365%
Total Organizations Assisted	161	—	280	119	74%

First, we believe that these three program elements serve overlapping purposes. For example, if a large-budget art group, such as the San Francisco Museum of Modern Art, desired to develop an innovative publicity program for community involvement, it legitimately could seek support from any of these grant programs.

Second, no evaluation has been made regarding the effectiveness of the two community participation grant programs which the council conducted in 1977-78. The council itself acknowledges that funds were allocated to organizations which did not clearly advance or achieve the state's objective of "increased accessibility." The council recently has distributed questionnaires to 1977-78 program participants in an effort to gather information on past accomplishments and problem areas. As noted later in our discussion of the Artists in Social Institutions element, we are skeptical that the council will be able to collect sufficient data to document and justify such a substantial increase in program support.

Third, we believe it is inappropriate to designate funds for use only by organizations with budgets in excess of \$1 million. These organizations should compete for state dollars with other arts groups which may have equally viable proposals to expand public participation. In our judgment, it is inequitable to preclude such competition by earmarking a substantial amount for use by only ten organizations.

Consolidation of these three elements, at a reduced support level, offers the following advantages: (1) Duplication among elements would be eliminated; (2) Arts organizations, regardless of size, could compete for state dollars designated to expand the accessibility of the arts; and (3) The council, with the help of some federal funds anticipated for the Local Organization and Group Support element, would have the opportunity to validate the appropriateness of continued future support of these activities. Accordingly, we recommend state funding of \$1 million for this consolidated effort. This represents a 29 percent increase above actual 1977-78 expenditures. Of this amount, \$250,000 should be designated as the state match for comparable support available from the federal government. Thus, total expenditure (all funds) for increasing public participation

CALIFORNIA ARTS COUNCIL—Continued

would be \$1,250,000 in the budget-year, resulting in a savings of \$2,600,000 for the General Fund. This would leave a program element of sufficient size to serve in excess of 200 organizations, based on the average grant amount in 1977-78.

Program Expansion Overly-Ambitious

We recommend that the Artists in Social Institutions program element be reduced to approximately the 1977-78 program level, for a savings of \$320,000.

As described earlier, the Artists in Social Institutions program element provides grants to artists as a means of demonstrating and encouraging artistic expression among residents of hospitals, prisons and mental health facilities. Artists are paid \$800 per month for approximately 20 hours of activity per week. The council's grant provides one-half of the salary, with the remainder of the salary, supplies and necessary work space being furnished by the employing institution. In 1977-78, 39 artists were employed at 27 institutions. During the current year the program is operating at only two facilities—the state prisons at Vacaville and Frontera. The \$500,000 budget request is \$488,000 more than estimated expenditures in 1978-79, and would permit expansion of this program to 84 institutions.

This program was started in 1975-76. At various times over the last two years, the council has indicated that program evaluations would be available. For example, the council indicated in December 1977 that an evaluation would be available by January 15, 1978. None was received. The most recent indication is that an evaluation of the 1977-78 program will be available in February 1979. However, the council has indicated this report will not be conclusive because an evaluation component was not built into the program prior to the awarding of these grants. The council has requested each artist who participated in the 1977-78 program to complete a questionnaire evaluating his or her activities. Because the contract period is over, responses are expected to be minimal.

The council proposes a more rigorous evaluation design for 1979-80. While we agree that some program expansion is appropriate in view of the reduced current-year program, we believe that the proposed increase would exceed the council's ability to provide effective oversight. Moreover, we do not believe an increase of this magnitude should be provided, absent positive evaluation results. A more modest expansion to approximately 25 sites (from the present two) and 40 artists (from four) would permit a significant number of institutions to participate and provide an adequate evaluation base. Therefore, we recommend a funding level of \$180,000 for the Artists in Social Institutions element, for a savings of \$320,000.

Premature Continuance of Pilot Project

We recommend deletion of \$400,000 proposed for the continuance of the Alternatives in Education pilot project.

As discussed earlier in this analysis, the Alternatives in Education (AIE) pilot project is a 3-year program element concluding in the current year. The council initiated this element by establishing AIE programs at 10 sites

(principally schools) to test innovative methods of teaching conventional subjects through the use of art. The council has contracted with California Learning Design, Incorporated, for an independent evaluation of this project. The contractor commenced work on December 1, 1978, and will provide three interim reports during the course of the evaluation. It is anticipated that a final report will be transmitted to the council by August 3, 1979.

Specifically, the contractor will address the following questions:

1. Has the AIE program had an impact on student learning?
2. Does participation in the AIE program have an effect on the self-image of students?
3. Has participation in the arts process had any impact on student behavior?
4. What are the cost factors associated with the AIE program and what are the cost implications?
5. Which factors seem to be the most significant/least significant in impacting academic performance or student activities?

The council proposes two activities for this project in the budget year, for a total General Fund expenditure of \$400,000. First, it would select (in a manner similar to the existing program) 10 AIE sites, at a state cost of \$20,000 each. The council advises that existing AIE sites would not be precluded from participating in this activity.

Second, two additional pilot sites would be selected for "in-depth" testing of the impact of correlating and integrating art methodology with the standard school subject material. These sites, one each in northern and southern California, would receive state funding of \$100,000 and would require the same amount of local support.

We believe the timing of this expansion is premature for the following reasons. First, the contractor's final analysis will not be available until after the start of the budget year. Thus, the council's proposed activities would commence operation before complete pilot project results are identified. We believe that the council should consider carefully the evaluation's findings before developing additional project-related activities.

Second, the council has been advised repeatedly by our office that evaluation schedules should proceed in a time frame consistent with legislative review of the budget. The Legislature was advised last year that the request for proposal (RFP) for this evaluation would be sent out to bid on February 20, 1978. This was not accomplished, however, until October 9, 1978, causing a delay of approximately eight months in the availability of a complete evaluation report. Had the council met its own deadline, additional information might have been available to justify continued experimentation in this project area. In the absence of such documentation, we have no basis on which to justify the proposed continuation of the project.

For these two reasons, we believe it would be premature to approve the proposed activities in the budget year, and recommend deletion of \$400,000.

We recognize that project follow-up may be warranted in some future year. However, any such proposal should be considered on the strength

CALIFORNIA ARTS COUNCIL—Continued

of its merits, based on what the AIE pilot project has demonstrated to date.

Specific Funds Not Needed to Expand Support for Statewide Arts Organizations

We recommend that funding for support of Statewide Arts Service Organizations be reduced to the current-year expenditure level, for a savings of \$234,507.

Grants in the Statewide Arts Service Organizations (SASO) element are used to support conferences, workshops and publications involving statewide organizations of symphony orchestras, theaters, community arts agencies and arts educators. This element, supported entirely from the General Fund in the budget year, is budgeted to increase from \$65,493 to \$300,000 in 1979-80. An unspecified portion of this expenditure is intended to support a pilot technical assistance program.

While not a grant function, the Information and Services Division element serves the same general purpose (coordination and communication) as the SASO element. Both provide information to, and communication among, persons and groups interested in the arts. We believe that the newsletter and directory services approach of the Information and Services Division is more cost efficient than support of individual conferences and workshops on a grant basis.

During the current year, the council is assisting 20 organizations by giving grant support from SASO. In the budget year, it proposes to increase the number served to 25, and to provide expanded services to all of them. In 1977-78, this element served 27 organizations and expended only \$51,348 (General Fund). In view of the duplicative goals of these two elements, the small increase in number of organizations to be served, and the lack of any data justifying an expanded level of service, we recommend that General Fund support for Statewide Arts Service Organizations be continued at the current-year level (\$65,493), for a savings of \$234,507.

Eliminate Technical Assistance Overlap

We recommend that technical assistance to local arts organizations be provided only through regional organizations, and that funds budgeted to permit the council to provide direct technical services be eliminated for a savings of \$290,000.

The budget includes \$500,000 to permit arts organizations to secure technical assistance in management, fiscal and publicity areas. The council proposes to fund, at a cost of \$210,000, one organization in each of six state geographical regions, as defined by the council, to provide such services to local arts organizations. The remaining \$290,000 will be administered by headquarters staff in an effort to provide grants for such services on a statewide basis.

We believe this system is overlapping and unnecessary. If the regional structure is appropriate (and we believe it is), local agencies should turn to the regional organization for assistance. Giving local groups the option of also seeking direct state assistance would be detrimental to the development of strong regional support networks. Therefore, we recommend that funds included in the budget to provide state-level technical assistance

grants to individual art organizations be deleted for a savings of \$290,000.

Reduce Documentation Funds Consistent with Program Reductions

We recommend that funds for project documentation be reduced in a manner commensurate with recommended program reductions, for a savings of \$163,300.

The budget includes \$300,000 for Grants Evaluation and Public Arts Documentation. This element provides individual grants of \$150 for resident artists to document their projects in the Cultural Participation program and \$200 for participants in the Organizational and Group Support program to do the same. Total cost of this effort, on the basis of workload data shown in the Governor's Budget, would be \$248,200. The balance of the element (\$51,800) would be used for independent evaluations of the council's programs.

Consistent with our recommendations to scale back or eliminate some of the proposed program expansions, we recommend that funding for documentation be reduced accordingly, for a savings of \$163,300.

Reduce Staffing to Eliminate Excessive Administrative Cost

We recommend deletion of six of the proposed 19 new positions, for a savings of \$82,691.

Of the 19 new positions requested for 1979-80, 14 are distributed to the council's four grant programs and the remaining five are for administration. We have chosen to analyze the proposed positions on a functional basis. Table 4 (page 1269) details the 19 new positions on the basis of their proposed function. Our recommended reductions are discussed below.

Public Information. The council proposes to expand staffing for its public information function (currently, one information services coordinator and one editorial technician) by two positions—an assistant information officer and an office assistant II. Workload data are not available to support this increase. However, the council has advised us that the assistant information officer is needed to write articles and news stories, leaving the editorial technician free to concentrate on technical production activities. We believe that the existing staffing level is adequate for this function because (1) no workload information is available, (2) the editorial technician's job specifications specifically authorize him to write articles for publication, and (3) clerical support already is available from the clerical pool which is expanding from five to nine positions. We therefore recommend deletion of the two proposed positions for a savings of \$30,421.

Federal Funds Coordination. "Coordination of federal funds," a new function in the budget year in response to the state Auditor General's recommendations, is proposed to be staffed by an administrative assistant, a staff services analyst, and an office assistant II. We believe that one professional position is adequate staff support for this new activity until the council demonstrates that a special staff commitment can attract significant additional federal support. We therefore recommend approval only of the administrative assistant for this effort. Clerical support, as noted earlier, can be obtained from the clerical pool. Deletion of the remaining two positions results in a savings of \$25,780.

Secretaries for Deputy Directors. Two positions are proposed to serve

CALIFORNIA ARTS COUNCIL—Continued

as secretaries to the deputy directors. The deputy directors currently receive secretarial support from the clerical pool, consistent with our recommendation in the 1977-78 Analysis. In the absence of workload data, we believe these individuals can continue to obtain secretarial support in this manner. Deletion of these two positions results in a savings of \$26,490.

Our recommended deletions will result in a staff of 34 positions: 20 managerial and technical, 12 clerical, and two position equivalents of temporary help. This staffing ratio, in contrast to the council's proposal, represents a more typical balance between management/technical staff and clerical positions. Although our recommended staffing level is less than proposed in the Governor's Budget, it does not significantly reduce the number of positions which provide oversight to, and management of, the grants programs.

Salary Savings Not Budgeted

We recommend that salary savings be reflected in the council's budget for a reduction of \$25,700.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate and that all positions will not be filled for a full 12 months. Experience shows that savings will accrue due to the following factors: vacant positions, leaves of absences, turnover, delays in the filling of positions, and the refilling of positions at the minimum step of the salary range. Therefore, to prevent overbudgeting, an estimate of salary savings is included in each budget as a percentage reduction in the gross salary and wage amount.

Despite the council's history of extremely high staff turnover (50 percent in 1977-78), no amount is included for salary savings in the budget-year. Because no data are available, we believe that four percent is a conservative estimate of the savings which should accrue for *existing* positions. This is equivalent to the projected salary savings rate for the Department of Finance, which has a relatively stable program, and would reduce the council's 1979-80 funding needs by \$16,500.

The State Administrative Manual specifies that a five percent salary savings rate is generally acceptable for *new* positions. Based on the number of new positions for which we recommend approval, salary savings of \$9,200 can be anticipated. Thus, in order to prevent overbudgeting and reflect salary savings for existing and proposed positions in the council's budget, we recommend that a total of \$25,700 be deleted.

Out-of-State Travel Overbudgeted

We recommend that funding for out-of-state travel be reduced to the level of recent experience, for a savings of \$17,000.

The Arts Council is requesting \$24,000 for out-of-state travel in the budget-year. This is approximately four times actual expenditures in 1977-78, as well as estimated expenses for the current year. The council's request is summarized in Table 6.

Table 6
California Arts Council
1979-80 Out-of-State Travel Request

<i>Organization</i>	<i>Location</i>	<i>Number of persons/trips</i>	<i>Cost</i>
National Endowment for the Arts.....	Washington, D.C.	12	\$8,400
National Assembly of State Arts Agencies.....	Boston/New York	4	3,048
Western States Arts Foundation	Various	8	2,136
Pacific Rim Arts Consortia	Alaska/Hawaii	2	1,662
State Arts Agencies	Various	6	3,530
Conferences.....	Various	Not specified	3,224
Miscellaneous	Various	Not specified	2,000
Total			\$24,000

The council's staff will face significant challenges in implementing new and expanded programs in 1979-80. We question the appropriateness of significant increases in out-of-state travel which will divert staff resources from the administration of state programs. While information of some value may be gained from attendance at various meetings, we believe that the number of out-of-state trips anticipated in 1979-80 would not be worth either the expense or the time lost from program management.

Because the National Endowment for the Arts is the council's primary federal funding agency, it is appropriate that some monies be available for staff to meet with their federal counterparts regarding program concerns. However, we believe that the council's out-of-state travel request is excessive. For example, the trips to Alaska and Hawaii to assist in the formulation of the Pacific Rim Arts Consortia are peripheral to the council's program responsibilities. Similarly, visits to other states' art agencies are nonessential. Therefore, we recommend that the council's out-of-state travel request be reduced to \$7,000, for a savings of \$17,000.

Equipment Needs Not Detailed

We recommend that the council's equipment budget be reduced to \$20,000, for a savings of \$45,000.

The budget includes \$65,000 for equipment, primarily to provide necessary furniture and office machines for new personnel. However, no equipment list or other detail is available to verify the request. In lieu of such information, we have assumed that normal office furnishings would be needed for each position. Based on a standard complement for each new technical position (desk, two chairs, table, bookcase and calculator), and each new clerical position (desk, chair, and typewriter) only \$20,280 would be required for the 19 new positions requested.

Assuming 13 new positions, as we recommend, \$14,200 would be needed for equipment purchases. No justification for *any* replacement items is available. However, allowing a reasonable amount of \$5,800 for replacement items, a total of \$20,000 should meet the council's equipment needs in 1979-80. Therefore, we recommend that the council's equipment budget be reduced from \$65,000 to the level required for 13 new positions, plus replacement costs, for a savings of \$45,000.

CALIFORNIA ARTS COUNCIL—Continued

Operating Expense Overbudgeted

We recommend that operating expense funds be reduced to a level commensurate with the proposed increase in staff and the grants program, for a savings of \$430,627.

As shown in Table 7, the council is requesting an increase of \$721,239 or 156 percent in operating expense and equipment.

Table 7
California Arts Council
Operating Expense and Equipment

	Estimated 1978-79	Proposed 1979-80	Change from Current Year	
			Amount	Percent
General Expenses.....	\$85,440	\$282,477	\$197,037	231%
Printing.....	52,000	162,000	110,000	212
Communications.....	40,000	150,000	110,000	275
Travel-in-state.....	35,000	150,000	115,000	329
Travel-out-of-state ^a	6,000	24,000	18,000	300
Consultant and Professional Services.....	189,587	165,000	-24,587	-13
Contractual Services.....	—	45,000	45,000	—
Facilities Operations.....	30,500	65,000	34,500	113
Data Processing.....	10,000	75,000	65,000	650
Equipment ^a	13,711	65,000	51,289	374
Total.....	\$462,238	\$1,183,477	\$721,239	156%

^a Discussed earlier in this Analysis

We believe many of these increases are excessive even when program and staffing increases are taken into account. In-state travel, for example, is anticipated to rise from \$35,000 in the current year to \$150,000 in 1979-80, an increase of \$115,000 or 329 percent. Included in this growth is a 110 percent increase (from \$10,000 to \$21,000) for travel of council members. While Chapter 1356, Statutes of 1978, increased the number of council members from nine to 11, it reduced, as noted earlier, the meeting frequency from at least 10 meetings per year to a maximum of eight meetings. When the bill was being considered by the fiscal committees, the council advised that the increased travel and per diem expenses of the new members would be offset by savings from the reduced number of meetings. In spite of these assurances, these costs are budgeted to rise by 110 percent. Another example of an excessive increase is the cost of rented vehicles for staff travel. It is budgeted to rise by 561 percent, although the staff level is projected to grow by less than 100 percent.

Similarly, the projected cost increase for communications far exceeds the growth in staff. Charges for calls on the ATSS system, which are anticipated to rise from \$5,500 to \$25,000 (354 percent) may be properly budgeted because of the projected increase in grant recipients. However, off circuit calls (primarily out-of-state) will cost \$30,000 in the budget year. This is about \$62 per month for *each* staff member (including clerical positions).

The cost of office supplies is anticipated to increase by 332 percent (to \$81,000 in 1979-80). No data were supplied to justify this increase, which

exceeds by more than two times the growth of staff.

Based on our analysis, it appears that budget-year operating expense and equipment adjustments were made in an arbitrary manner. Because, so little justification is available for most operating expense categories, we believe that the overall growth in this support component should be limited to 50 percent of the current-year level. This recommendation would allow a total of \$663,850 for operating expenses (not including out-of-state travel and equipment which were discussed earlier in this Analysis). This adjusted amount takes into account the following factors: (1) inflation, (2) our recommended program and staff reductions, and (3) reductions in areas that are overbudgeted *even if all proposed grant programs are approved*, and results in a savings of \$430,627.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 390 from the General
Fund and Item 391 from the
California Public Broadcasting
Fund

Budget p. 1148

Requested 1979-80	\$611,634
Estimated 1978-79.....	674,197
Actual 1977-78	807,182
Requested decrease - \$62,563 (9.3 percent)	
Total recommended reduction	\$1,233

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
390	California Public Broadcasting Commission (for transfer to Public Broadcasting Fund)	General	\$595,967
-	Available surplus used	Public Broadcasting	15,667
391	California Public Broadcasting Commission Support	Public Broadcasting	\$611,634

SUMMARY OF RECOMMENDATIONS

*Analysis
page*

1. *Administration. Increase Item 391 by \$2,547. Recommend elimination of one clerical position and related equipment support instead of the staff position proposed for elimination in the Governor's Budget.* 1283
2. *Newsletter. Reduce Items 390 and 391 by \$3,780. Recommend elimination of unnecessary newsletter expense.* 1284

GENERAL PROGRAM STATEMENT

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. The purpose of the commission is to encourage the growth and development of public broadcasting. Specified duties and powers of the commission include (1) making grants

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

to public broadcasting stations, (2) facilitating statewide distribution of public television and radio programs, (3) applying for, receiving and distributing funds, (4) conducting research and demonstration activities, (5) promulgating regulations, (6) supporting systems of interconnection between stations, and (7) 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.

Chapter 1068, Statutes of 1978, provides the commission greater flexibility in allocating broadcasting station grant money by establishing a new discretionary account for 15 percent of the appropriated moneys and reducing the previous levels for television to 70 percent and for radio to 15 percent of the available grant amounts. Authority for this new discretionary account will expire January 1, 1981.

ANALYSIS AND RECOMMENDATIONS

The proposed 1979-80 CPBC budget is \$611,634. This amount consists of \$595,967 from the General Fund plus \$15,667 carried forward from prior year funding. The proposed expenditure level represents a reduction of \$62,563, or 9.3 percent, from expenditures in the current year.

Funding for the commission and its grant program is provided by a General Fund appropriation (Item 390) which is placed in a special fund, the California Public Broadcasting Fund. Moneys are then budgeted from this fund (Item 391) on a specific schedule. Although money from other sources may be placed in the Public Broadcasting Fund, the commission has only received General Fund support in the past. One purpose of the special fund is to allow the commission to carry forward and re-budget any grant funds that were not awarded or spent during a given fiscal year.

Special Fund Balance

The Governor's Budget shows that the current-year CPBC budget has been reduced \$10,000 in response to Control Sections 27.1 and 27.2. However, this money is not scheduled for return to the General Fund, but instead was placed in the Public Broadcasting Special Fund. In addition to this \$10,000, the fund also has \$41,021 carried forward from 1977-78, giving it a total surplus of \$51,021 during the current year. The Governor's Budget request for 1979-80 would appropriate only \$15,667 of the surplus, leaving an unappropriated fund balance of \$35,354. We believe it is prudent to retain some balance in the fund in order to meet unforeseen contingencies and finance any salary increase authorizations.

Grant Reductions

Table 1 summarizes the commission's budget. It shows that substantial support and grant program reductions occurred in 1978-79, and that additional reductions are proposed for 1979-80.

Table 1
CPBC Budget Summary

Program	Actual 1977-78	Estimated 1978-79	Budgeted 1979-80	Change	
				Amount	Percent
Personnel services	\$67,423	\$116,731	\$96,445	-\$20,286	-17.4%
Operating expense and equipment	108,801	65,166	52,731	-12,435	-19.1
Grants to broadcast stations	630,958	492,300	462,458	-29,842	-6.1
Totals	\$807,182	\$674,197	\$611,634	-\$62,563	-9.3%

The table also shows that \$492,300 was provided for the broadcast station grant program in 1978-79. This amount was allocated to (1) the Sacramento radio and TV news bureau (\$310,148); (2) a joint film production project with the California Council for Humanities and Public Policy (\$45,077); (3) pro rata grants to all California public radio and TV stations (\$123,075); and (4) emergency assistance to specific stations (\$14,000). The commission has not yet determined its allocation policy for the 1979-80 grant proposal of \$462,458.

Past funding levels have been arbitrary and are not based on any particular assessment of need or program workload. The reduction in the Governor's Budget is based on a determination that this is a "lower priority program." Because the funding level for broadcast station grants is subjective and arbitrary, there is no rational basis upon which to recommend any changes.

Administration

We recommend elimination of one clerical position and related equipment support instead of the staff position proposed for elimination in the Governor's Budget. (Net increase to Item 391 of \$2,547).

The commission has an authorized staff of five: the executive secretary, a program funding specialist, an associate governmental program analyst, and two clerical positions. The commission has been able to operate without one of its authorized clerical positions. We are recommending this vacant position be eliminated.

The Legislature requested by supplemental budget language last year that the commission's required annual report include information to allow an evaluation of the composition, size, and growth of public broadcasting. In responding to this request, we believe the commission should attempt to document that state monies are being used to provide broadcasting services to an audience that, for measurable and objective reasons, is not being served adequately by commercial broadcasting. Financial data on station operations should also be provided so that the Legislature may evaluate the need for the CPBC grants program, as well as the commission's present funding policies.

To meet this additional data collection workload we supported the addition of a staff position last year. We believe the information requested by the Legislature is pertinent and we recommend against the proposed reduction of the staff analyst position. Instead we recommend elimination of the unfilled clerical position. An augmentation of \$3,612 will be required to meet the net salary difference between these two positions.

Last year's approved budget provided funds for a typewriter and dictat-

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

ing machine. An amount of \$1,065 is included for the same purposes this year. Because sufficient funds were budgeted last year for the dictating machine and are currently available for purchase of this item, the 1979-80 request constitutes double-budgeting and should be eliminated. The typewriter will be unnecessary if the clerical position is eliminated as recommended. The difference between the amount needed to retain the staff position (+\$3,612) and the recommended equipment savings (-\$1,065) equals a net increase of \$2,547. Our recommendation would fund this increase from the unbudgeted special fund reserve balance (Item 391).

Annual Report Delayed

Implementing legislation requires the commission to submit annually on or before December 31, a report "covering the commission's activities, financial condition, and accomplishments for the preceeding fiscal year." The report had not been submitted when this analysis was written.

The commission staff has reported also that the supplemental information requested by the Legislature last year on (1) the extent of and changes in the composition of the California public broadcasting audience, (2) audience preferences, (3) the extent of and changes in public broadcasting and (4) financial data on station operations, has been collected and is being prepared for inclusion in its forthcoming annual report.

Newsletter

We recommend elimination of unnecessary newsletter expense for a General Fund savings of \$3,780 (Reduce Items 390 and 391 by \$3,780).

The newsletter is a monthly publication which is mailed to about 800 persons. Although the publication serves to announce commission meeting dates, it is used almost totally to reproduce public broadcasting news items published elsewhere. Attempts by the commission to encourage articles or inputs from recipients have been unsuccessful. Because this activity is nonessential in nature, it should be eliminated for a General Fund savings of \$3,780.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 392 from the General Fund

Budget p. 1150

Requested 1979-80	\$319,420
Estimated 1978-79.....	308,679
Actual 1977-78	281,121
Requested increase \$10,741 (3.5 percent)	
Total recommended reduction	\$319,420

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Funding. Reduce \$319,420.* Recommend deletion of General Fund support for the commission. 1285

GENERAL PROGRAM STATEMENT

The Commission for Economic Development was established in 1972 to provide guidance on statewide economic development. It is composed of legislative and private sector members, and is chaired by the Lieutenant Governor. Its statutory responsibilities include considering and recommending economic development programs. It is also required to report its activities and findings with recommendations to the Legislature and the Governor, annually. The budget for the commission provides for expenditures of \$319,420 in 1979-80, \$10,741, or 3.5 percent more than estimated expenditures in the current year.

ANALYSIS AND RECOMMENDATIONS

The commission's staffing and expenditures for the past, current and budget year are summarized in Table 1.

**Table 1
Budget of the Commission for Economic Development**

	<i>Staff-Years</i>			<i>Expenditures (thousands)</i>		
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>
Personal services	7.5	9	9	\$144.1	\$185.2	\$192.1
Operating expenses.....				137.0	123.4	127.3
Total General Fund Cost.....				\$281.1	\$308.6	\$319.4

Commission Is Duplicative

We recommend deletion of the proposed \$319,420 General Fund support for the commission because it duplicates ongoing economic development guidance efforts. We also recommend enactment of legislation to terminate the commission.

Chapter 345, Statutes of 1977 (SB 28), replaced the Department of Commerce with a new Department of Economic and Business Development. Although the Commission for Economic Development had the statutory responsibility to advise the Department of Commerce, it does not have a similar responsibility with respect to the new department.

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

Instead, responsibility for advising the department has been assigned to a 21-member advisory council, also established by Chapter 345, representing various sectors of the state's economy.

The Commission's general statutory responsibilities to provide economic development guidance completely duplicate the responsibilities of the advisory council. Therefore, in the interest of efficiency and economy in state government, we recommend deletion of state fiscal support for the commission.

Assembly Bill No. 76 of the 1979-80 Regular Session would abolish the Commission for Economic Development and would make the chairman of the commission the new chairman of the advisory council.

In making this recommendation, we are not suggesting that the advisory council should not be reorganized and improved to provide more effective economic development guidance for California.

MILITARY DEPARTMENT

Item 393 from the General Fund

Budget p. 1151

Requested 1979-80	\$8,346,735
Estimated 1978-79	8,094,478
Actual 1977-78	7,673,328
Requested increase \$252,257 (3.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The purpose of the Military Department is 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 U.S. 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 20,489 officers and enlisted personnel in 158 company-sized units plus a number of smaller units.

Air National Guard

The Air National 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 U.S. Department of the Air Force allocates the units and the 5,312

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: (1) command management and (2) military support to civil authority. Command Management determines overall policies and exercises general supervision over those activities necessary to accomplish departmental 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 provides training courses in civil emergency management, officer survival and internal security, school security and aspects of terrorism for civilian and military personnel.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The total proposed budget for the Military Department is \$139,495,686, including state and federal funds. Of this amount, approximately 92 percent is federally funded, 1.1 percent is from reimbursements and 6.9 percent is from the General Fund. The proposed General Fund appropriation of \$8,346,735 for departmental support (excluding military retirement and the California Cadet Corps) is \$252,257 or 3.1 percent above estimated state expenditures in the current year. This increase is discussed as it relates to the various programs below.

Table 1 shows the General Fund support by program area.

Table 1
Military Department
Budget Summary^a

Program	Estimated 1978-79	Proposed 1979-80	Change from current year	
			Amount	Percent
I. Army National Guard	\$5,111,828	\$5,277,960	\$166,132	3.3%
II. Air National Guard.....	770,094	807,647	37,553	4.9
III. Office of Commanding Guard	2,212,556	2,261,128	48,572	2.2
Total	\$8,094,478	\$8,346,735	\$252,257	3.1%
Personnel-years.....	732.1	605.8	-126.3	-17.3

^a Excluding Military Retirement and California Cadet Corps.

State-authorized positions in this department are funded either entirely by the state, entirely by federal reimbursements, or 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.

MILITARY DEPARTMENT—Continued**I. ARMY NATIONAL GUARD**

Table 1 shows total 1978-79 General Fund support of \$5,277,960 for the Army National Guard, an increase of \$166,132, or 3.3 percent, over current-year estimated expenditures. This increase results primarily from merit salary and staff benefit adjustments and price increases.

In addition, federal funds totaling \$83,815,241 and reimbursements of \$483,248 are proposed for expenditure in the budget year, for a total program of \$89,576,449. The budget shows a reduction of eight positions and \$239,553 in federal reimbursements, reflecting the anticipated termination of a one-year, federally funded project which provides counseling and aptitude testing for potential enlistees from the Oakland area. The department now believes that federal funding will be available to permit continuation of the program another year. If this occurs, the department will seek restoration of the positions through the Section 28 procedure of the Budget Act.

The narrative portion of the Governor's Budget refers to a reduction of 74.2 positions to meet the Governor's policy of reducing government, while the "summary of authorized positions" reports the deletion of 75.2 positions. The difference reflects the addition of one new position requested for the Office of Commanding General. While the position reductions bring down the total number of state employees, there is no impact on the state's General Fund because the positions are 100 percent federally funded.

The Governor's Budget reports the establishment of 42 federally funded positions in the current year, which have been assigned to training and logistics functions at a salary cost of \$626,662. The positions are scheduled to terminate on June 30, 1979.

II. AIR NATIONAL GUARD

General Fund expenditures for the Air National Guard in the budget year total \$807,647, an increase of \$37,553 or 4.9 percent over the current year. The General Fund increase consists primarily of merit salary and staff benefit adjustments for civil service personnel. Total federal and state funding for this program is proposed at \$44,295,868, an increase of \$2,490,902 or 6 percent above estimated current-year expenditures. The Governor's Budget erroneously reflects proposed expenditures of \$36,468 for command support and \$178,471 for personnel. These figures are transposed and should be reversed.

III. OFFICE OF THE COMMANDING GENERAL

The proposed General Fund expenditure for this program in the budget year is \$2,261,128, an increase of \$48,572 or 2.2 percent over current-year estimated expenditures. The increase includes one new position and merit salary and price increases, partially offset by the deletion of two programmer positions which were limited to June 30, 1979. The total expenditure program, including General Fund support, direct federal funds and reimbursements from federal programs such as the Law Enforcement Assistance Administration (LEAA), is proposed at \$4,339,823. This is an increase

of \$49,715 or 1.2 percent over current-year expenditures. The LEAA funding and a contribution from the Peace Officer Standards and Training Fund largely support the California Specialized Training Institute previously described in the General Program statement.

Data Processing

The current-year budget contains an associate data processing analyst and a programmer to evaluate EDP needs of the department. This work is expected to be completed by the end of the year, at which time the positions will terminate. In order to implement the recommendations resulting from this evaluation, the 1979-80 Governor's Budget proposes a one-year authorization for a captain position at a cost of \$24,132, to serve as chief of the information system branch. The proposal represents a continuation of the data management review process commenced in the current year, and we recommend approval of the position.

Report on Community Affairs Positions

The 1978 Budget Act included one lieutenant colonel and one sergeant to provide direction to an augmented community relations program, and to establish and supervise the State Military Reserve (SMR) which, although authorized by the Military and Veterans Code, had not been activated. The SMR was to be limited initially to 100 officers and enlisted personnel but would eventually be expanded to include 1,000 medical personnel of various classifications who would be available in the event of a major disaster. Participation in SMR is voluntary, and the state incurs costs only if the participants are ordered into active service.

The Supplemental Language Report of the Conference Committee on the 1978 Budget Bill directed our office to evaluate the effectiveness of the community affairs positions and report thereon in the Analysis of the 1979-80 Budget Bill.

These positions were established in July 1978 and have been involved in establishing community relationships, encouraging local guard units to become involved in community activities, urging counties having National Guard units (45) to establish county National Guard Commissions and setting up the State Military Reserve. To date, four counties have set up national guard commissions to provide liaison with the guard and to act as a community resource in the advancement of guard programs. As of January 1979, 17 of the 100 authorized state military reservists had been recruited.

The two new positions have not been operative for a sufficient time to permit full evaluation of their effectiveness in improving the guard's public image and easing its recruitment problems. However, it appears that the positions are being utilized in a manner conducive to the accomplishment of those goals. We will be able to make a more definitive assessment of their impact next year.

MILITARY RETIREMENT

Item 394 from the General
Fund

Budget p. 1153

Requested 1979-80	\$920,350
Estimated 1978-79.....	900,565
Actual 1977-78	832,673
Requested increase \$19,785 (2.2 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This program applies only to military personnel who were ordered to state active duty prior to October 1, 1961, and served 20 or more years, at least 10 of which were on active duty status. The benefits under this program are similar to those of the federal military retirement system. Persons ordered to active duty subsequent to the specified date are members of the Public Employees' Retirement System.

It is anticipated that 48 retirees will be receiving benefits under the program in the budget year, leaving three individuals subject to retirement thereafter.

CALIFORNIA CADET CORPS

Item 395 from the General
Fund

Budget p. 1153

Requested 1979-80	\$363,196
Estimated 1978-79.....	348,302
Actual 1977-78	321,531
Requested increase \$14,894 (4.3 percent)	
Total recommended reduction	None

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, using credentialed instructors through the regular educational system. A portion of the instruction is conducted in a one-week training session at Camp San Luis Obispo, which is one of several military facilities operated by the state.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Approximately 87 junior and senior high schools will participate in the program with an estimated enrollment of 4,000 cadets. This represents a decline of 13 schools or 13 percent and a decrease of 1,000 cadets or 20

percent from the level budgeted for the current year in the Budget Act of 1978. The reduction is primarily a result of local school district reactions to Proposition 13.

Savings accruing to the Cadet Corps as a consequence of these local actions are more than offset by increased costs in its program. The Corps is requesting a total of \$363,196 in the budget year, an increase of \$14,894 or 4.3 percent. The overall increase results from merit salary and staff benefit adjustments totaling \$4,505 or 3.3 percent, plus an increase of \$10,389 or 4.9 percent in operating expenses. The increase in operating costs results from price adjustments and a decision to transport cadets to their summer encampment by commercial carrier instead of in federal vehicles. This decision was necessitated by a federal determination that its vehicles could not be used due to the potential liability involved. In total, cost increases more than offset the savings resulting from the decrease in the number of cadets and cadet units.

PUBLIC UTILITIES COMMISSION

Item 396 from the General
Fund and Item 397 from the
Transportation Rate Fund

Budget p. 1158

Requested 1979-80	\$23,332,335
Estimated 1978-79.....	24,788,973
Actual 1977-78	24,559,995
Requested reduction \$1,456,638 (5.9 percent)	
Total recommended reduction	\$1,753,000

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
396	Public Utilities Commission	General	\$14,446,163
397	Public Utilities Commission	Transportation Rate	8,886,172
	Subtotal of Appropriations		\$23,332,335
		Reimbursements	1,829,020
		Federal funds	135,218
	Total		\$25,296,573

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Position Reductions. Withhold recommendation on 69 specified positions proposed for elimination in the Governor's Budget pending receipt and evaluation of implementing legislation. 1294
2. LNG Task Force. Recommend 28 new positions be limited to June 30, 1980 to allow further evaluation before permanent continuation. 1294
3. *Reappropriation. Reduce Item 396 by \$1,668,000. Rec-* 1295

PUBLIC UTILITIES COMMISSION—Continued

ommend the remaining balance of funds appropriated by Chapter 855, Statutes of 1977 be reappropriated for a one-time General Fund savings.

4. **Special Fund Reimbursement.** Recommend PUC contract with the State Energy Commission for reimbursement of specified workload arising from the Warren-Alquist Act. 1295
5. **Excessive Space Allowance.** *Reduce Item 396 by \$85,000.* Recommend reduction in facilities operation budget to eliminate excessive leased space. 1296

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, decisions 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

The budget provides for total expenditures by the Public Utilities Commission of \$25,296,573 in 1979-80, a decrease of \$1,929,508, or 7.1 percent from expenditures in 1978-79. The General Fund share of the commission's budget is \$14,446,163, a decrease of \$1,247,665 or 8.0 percent from 1978-79.

Table 1 sets forth program expenditures, funding sources and proposed changes. The overall reduction of approximately \$2 million is a result of proposed personnel and program reductions.

Table 1

PUC Budget Summary

Programs	Actual	Estimated	Proposed	Change	
	1977-78	1978-79	1979-80	Amount	Percent
Utilities.....	\$14,614,115	\$14,923,457	\$14,199,251	\$ -724,206	-4.9
Transportation.....	13,241,615	12,302,624	11,097,322	-1,205,302	-9.8
Administration.....	(4,851,722)	(4,699,671)	(5,067,529)	(367,858)	(7.8)
Totals.....	\$27,855,730	\$27,226,081	\$25,296,573	\$ -1,929,508	-7.1%
<i>Funding Sources</i>					
General Fund.....	\$15,419,867	\$15,693,828	\$14,446,163	\$ -1,247,665	-8.0
Transportation Rate Fund.....	9,140,128	9,095,145	8,886,172	-208,973	-2.3
Reimbursements.....	3,212,241	2,376,564	1,829,020	-547,544	-23.0
Federal.....	83,494	60,544	135,218	74,674	123.3
Totals.....	\$27,855,730	\$27,226,081	\$25,296,573	\$ -1,929,508	-7.1%

Position Reductions

The budget proposes the elimination of 157.7 positions and the addition of 33 new positions for a net reduction of 124.7 positions. This represents an expenditure reduction of approximately \$2,477,000 or about 10 percent of the personnel services budget. Of the 157.7 positions proposed for reduction, 69 are contingent on enactment of legislation. These and the remaining 88.7 positions which can be eliminated without legislation are shown in Table 2 which identifies the nature of the 157.7 positions proposed for elimination.

Table 2

Budgeted PUC Program and Personnel Reductions

Program Activity	Positions	Amount	Funds
Reductions Contingent on Legislation *			
1. Regulation of household goods carriers.....	12.0	\$283,384	Rate
2. Regulation of air carriers.....	14.0	404,662	General
3. Regulation of warehousemen.....	1.0	23,505	General
4. Inspection of cabooses.....	1.0	24,379	General
5. Regulation of propane pipelines.....	1.0	28,660	General
6. Approval of new franchises.....	0.5	14,330	General
7. Regulation of telephone directories.....	1.0	42,391	General
8. Regulation of radiotelephone utilities.....	1.0	28,660	General
9. Safety regulation of BART.....	7.0	218,236	General
10. Regulation of small water and sewer companies.....	22.5	604,101	General
11. Regulation of PBX systems and service.....	1.0	28,660	General
12. Regulation of charter services.....	5.0	116,092	General
13. Regulation of sightseeing and tour buses.....	2.0	66,770	General
Subtotals—Contingent on Legislation.....	69.0	\$1,883,830	
Reductions Not Requiring Legislation			
14. Inspection of overhead electrical lines.....	1.0	\$28,660	General
15. Regulation of connection of customer provided telephone equipment.....	0.5	14,330	General
16. Financial and economic operations in Los Angeles.....	1.0	29,745	General
17. Reductions per Section 27.2 ^b	58.0	951,800	General
18. Estimated salary savings increase.....	28.2	873,843	Both
Subtotals—Not Requiring Legislation.....	88.7	\$1,898,378	
Totals.....	157.7	\$3,782,208	

* PUC reports that these reductions should be accompanied by changes in its existing statutory responsibilities.

^b These positions will be identified during budget hearings.

PUBLIC UTILITIES COMMISSION—Continued**Reductions Where Statute Changes Are Required**

We withhold recommendation on 69 specified positions proposed for reduction pending the receipt of enabling legislation and supporting information.

Table 2 shows that 69 positions and \$1,883,830 are identified as reductions contingent on enactment of legislation. The elimination or reduction of these activities would, in our opinion, result in regulatory workload changes that conflict with existing law. We have been informed by PUC staff that related legislation is being prepared for introduction which would change the scope of affected regulatory activities and permit the proposed staff reductions. Until we have had an opportunity to review the proposed legislation and analyze its impact on the regulatory process, we are not able to make a recommendation regarding these budget proposals.

Reductions Where Statute Changes Are Not Required

As shown in Table 2, 88.7 positions and \$1,898,378 proposed for reduction are not contingent on legislation. Of these, 58 positions would be eliminated under the provisions of Control Section 27.2 (-\$951,800), 28.2 positions would result from an increase to the salary savings estimate (-\$873,843) and 2.5 positions represent low priority activities (-\$72,735).

The budget states the 58 positions being reduced under Control Section 27.2 will be identified during the hearings. We assume the positions selected for elimination will also be from lower priority activities. Until these positions are identified, however, we are not able to assess the impact likely to result from the reductions.

The reduction equivalent of 28.2 positions resulting from an increase in salary savings is appropriate based on experience. We recommend that this proposed reduction, as well as the reduction of 2.5 positions representing low priority functions be approved.

Proposed New Positions

The budget requests 33 new positions, 28 of which are designated for the Liquefied Natural Gas (LNG) task force. The remaining five include three for the conservation branch (two of which are funded from reimbursements and are limited to June 30, 1980) and two for the finance division. We recommend approval of these five new positions on the basis of workload.

Limited Term For New LNG Positions

We recommend the proposed 28 new positions for the Liquefied Natural Gas (LNG) task force be limited to June 30, 1980 to permit a reevaluation of the need to continue the positions on a permanent basis.

Authority was granted in the 1977-78 and 1978-79 budgets for an LNG task force. Temporary help funds were provided to allow the PUC to employ individuals to assist it in evaluating applications and developing the conditional permit for Western LNG Terminal Associates to construct and operate an LNG facility at Point Conception in Santa Barbara County.

The 1979-80 budget requests 11 permanent positions at a cost of \$373,000

to develop a cost monitoring system for proposed LNG terminal construction, and 17 permanent positions at a cost of \$609,016 to develop the related safety program. The budget also provides \$130,000 to employ consultants.

Much of the workload for these positions is related to the development of a cost monitoring system and the safety program during the construction phase of the project, and is not permanent. We cannot recommend approval of all 28 permanent positions until there is some experience upon which to determine those activities which are temporary in nature and those which would be required for continued monitoring.

Consequently, we recommend that the requested positions be established for a limited term (to June 30, 1980), and that they be re-justified for permanent status in the 1980-81 budget. This would afford the Legislature a base of experience upon which to evaluate the operation and staffing of the task force and develop future recommendations on which positions and what level of total support (that is, personnel plus consultant services) should be continued on a permanent basis after 1979-80.

Unnecessary LNG funds

We recommend (1) the remaining balance of funds appropriated by Chapter 855, Statutes of 1977 be reappropriated to the PUC and (2) an offsetting reduction be made to the PUC support appropriation (Item 396), for a one-time General Fund savings of \$1,668,000.

Chapter 855, Statutes of 1977 is known as the Liquefied Natural Gas Terminal Act of 1977. It provided a total General Fund appropriation of \$2.8 million, without regard to fiscal year, for two purposes. The first, was a scheduled allocation of \$1,212,000 to the California Coastal Commission for a specified study. This study was completed and the funds spent.

The remaining \$1,668,000 was a scheduled allocation to the California Coastal Commission and the PUC to meet initial operating costs of both commissions in fulfilling their responsibilities under the act. However, the act also specified that such operating costs would ultimately be repaid to the General Fund from authorized fees imposed on the applicants and principals in the construction of any LNG terminal facility.

Because the fees charged to applicants at the outset met initial operating costs and continuing reimbursements are meeting all continuing operating costs, there has been no need for the advance. The Governor's Budget simply reports an available balance of \$1,668,000 and would continue carrying this amount, without any anticipated expenditures, through 1979-80.

We believe the commissions have no need for these funds in connection with their responsibilities under Chapter 855. Our recommendation would (1) reappropriate this amount to the PUC for use in 1979-80 (under Control Section 10) and (2) reduce the PUC support appropriation in the Budget Bill (Item 396) for a one-time General Fund savings of \$1,668,000.

Warren-Alquist Act Reimbursement

We recommend the PUC contract with the State Energy Resources Conservation and Development Commission for reimbursement of workload arising from the Warren-Alquist Act.

PUBLIC UTILITIES COMMISSION—Continued

The Warren-Alquist Act established the Energy Resources Conservation and Development Commission to insure the continuance of a reliable supply of energy in California. The commission's programs include processing utility applications for constructing thermal power plants, reducing waste and inefficient uses of energy, and developing new and/or alternative means of conserving, generating and supplying energy. The act requires PUC participation in the siting and certification processes for thermal power plants in the biennial report process and in the development of some standards and regulations.

The Warren-Alquist Act also established the State Energy Resources Conservation and Development Special Account which is supported by revenues from a surcharge imposed on the consumption of electrical energy. These moneys are earmarked for funding activities in support of the act's purposes.

There is a substantial surplus in this special account. None of these funds, however, are used to reimburse the PUC for the cost of its activities in support of the act.

Although the PUC currently undertakes some reimbursed contract work for the Energy Commission, this contract activity is in addition to that which is required of the PUC by the Warren-Alquist Act. (We understand the Energy Commission usually uses federal funds rather than its special account moneys for funding any previous PUC contracts.)

We do not believe the General Fund should continue to subsidize PUC activities which would qualify for reimbursement under the provisions of the act. Accordingly, we recommend that the PUC contact with the Energy Commission for reimbursement of these costs.

The PUC is in the process of identifying specific activities and costs which it believes would qualify for reimbursement under the Warren-Alquist Act. Current year estimates are \$318,000 and budget year estimates may exceed \$400,000. We will be prepared to recommend a specific reduction during the budget hearings, based on our review and evaluation of the information to be provided by the commission. Action on any related General Fund reduction in the PUC budget would require a corresponding action under Item 189 (Energy Commission) to provide the offsetting reimbursement.

Excessive Space and Lease Allowance

We recommend a reduction of \$85,000 in facilities operation to eliminate lease support for excessive staff space.

Chapter 180, Statutes of 1977, appropriated \$2 million to the commission to reduce the time required for processing major utility rate cases. With these funds the commission established 84.5 positions which were permanently established by the 1978-79 budget. Included in the appropriation was \$73,300 for rent based on standard space and cost guidelines (130 square feet per position and 54 cents per square foot per month in the San Francisco state office building).

Because space was not available in the state office building, the commission leased space in the Fox Plaza building at an average cost of 78 cents

per square foot. This higher charge would have resulted in a deficit of approximately \$30,000 in comparison with the amount estimated in making the appropriation. This potential deficit was further increased by a commission decision to lease 33,000 square feet of space of 22,000 square feet more than justified for the 84.5 positions. We understand this additional space has been utilized to enrich the average space allowance for several PUC activities. The average space per commission employee was increased from the 130 square feet standard to 160 square feet. The subject lease and space enrichment was accomplished without Department of Finance approval because PUC certified to the Department of General Services that funds to cover lease costs were available.

Subsequently, the commission requested an additional \$250,000 be included in the 1979-80 Governor's Budget to support its lease at Fox Plaza. The Governor's Budget does not allow this full amount. The budget provides for an increase of \$115,000, on the assumption that either the leased space will be proportionately reduced or other budgeted money can again be diverted to fund the remaining shortfall if the PUC decides to continue leasing its excessive space.

Our recommendation would allow \$30,000 for the increased cost of 11,000 square feet in Fox Plaza but would eliminate the additional \$85,000 provided for excessive space enrichment.

COMMISSION ON THE STATUS OF WOMEN

Item 398 from the General Fund

Budget p. 1168

Requested 1979-80	\$260,713
Estimated 1978-79.....	256,243
Actual 1977-78	247,332
Requested increase \$4,470 (1.7 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 members of the Assembly appointed by the Speaker, 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.

COMMISSION ON THE STATUS OF WOMEN—Continued

- (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.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The commission proposes a budget-year expenditure of \$260,713, which is \$4,470 or 1.7 percent above the current-year estimate. This increase is attributable to higher communications costs, principally for postage. Reimbursements are not reflected in the budget year due to the termination of a \$42,389 Intergovernmental Personnel Act grant in the current year. Pursuant to Sections 27.1 and 27.2 of the 1978 Budget Act, which mandated savings in state programs, the commission deleted a stenographic position approved by the Legislature for the current year and reduced its operating expense and equipment category by \$4,000. We believe the commission's functions, which are essentially informational, advisory and promotional, will not be impaired significantly by these reductions.

The commission's enabling legislation, Chapter 541, Statutes of 1971, requires it to make reports on its activities and findings, and to submit recommendations to the Legislature from time to time, but not less often than every odd-numbered year. The commission's 1977 report is still outstanding. We believe this delay should be rectified prior to the beginning of legislative hearings.

NATIVE AMERICAN HERITAGE COMMISSION

Item 399 from the General

Fund	Budget p. 1171
Requested 1979-80	\$157,327
Estimated 1978-79	166,406
Actual 1977-78	104,599
Requested decrease \$9,079 (5.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's Budget request of \$157,327 reflects a decrease of \$9,079 below estimated current year expenditures. This expenditure level provides support for an executive secretary, two staff personnel, one clerical position and temporary help.

Reductions per Section 27.1 and 27.2—Budget Act of 1978

For the current year the commission proposes to reduce its budget for operating expenses and equipment by \$4,000 to comply with Section 27.2 of the 1978 Budget Act. No reduction in positions was required.

Decentralized Services

In reviewing the activities of the Native American Heritage Commission during the current year, we have identified several other state offices which provide services exclusively to the Native American Community. These offices and their respective budgets are: Office of the American Indian Coordinator within the Office of Planning and Research (\$87,535); Native American Coordinator within the Office of Historic Preservation (\$19,621); and the Native American Advisory Council within the Department of Parks and Recreation (\$6,678). (In addition, Native Americans are eligible to receive services from most state programs.)

It is unknown to what extent, if any, these or any other agencies overlap in their service to the Native American Community. We believe that an opportunity for economy and efficiency may exist through consolidation of these entities or the services they provide. In order to determine whether any such consolidation is warranted, we will review these activities during the budget year and present our findings in next year's Analysis. We also suggest that the administration conduct a similar survey focusing on possible duplication of service or effort to ensure that the current structure of Native American offices is optional.

MOTION PICTURE COUNCIL

Item 400 from Reimbursements

Budget p. 1172

Requested 1979-80	\$191,212 ^a
Estimated 1978-79.....	148,255
Actual 1977-78	154,683
Requested increase \$42,957 (29.0 percent)	
Total recommended reduction	\$40,000

^a Amount consists of reimbursements from industry fees and Item 147.

MOTION PICTURE COUNCIL—Continued**1979-80 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
400	Motion Picture Council:		
	Reimbursements	(Industry Fees)	151,212
	Reimbursements	(General Fund)	40,000
	Total		\$191,212

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Unnecessary General Fund Support. Recommend expenditures and reimbursements be reduced by \$40,000 to offset unnecessary General Fund support. 1301
2. Administrative Control. Recommend legislation to place this agency within the Department of Economic and Business Development to clarify existing law and correct administrative problems. 1303

GENERAL PROGRAM STATEMENT

The Motion Picture Council (MPC) was created by Chapter 1226, Statutes of 1974, to serve as an advisory body to the Division of Economic Development in the former Department of Commerce. Although the Governor's Budget indicates the council was established in the Governor's Office on January 1, 1976, this reassignment is not provided by law. The ambiguous organizational status of the council is an issue discussed in our Analysis, below.

The council consists of 14 members of which 10 are public members with specific qualifications and four are members of the Legislature, two appointed by the Senate Rules Committee and two appointed 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.

ANALYSIS AND RECOMMENDATIONS

The Motion Picture Council's budget provides for expenditures of \$191,212 in 1979-80, an increase of \$42,957, or 29 percent, above current-year expenditures. The council has been funded in the past through a combination of General Fund money and reimbursements from authorized fees collected from the motion picture industry. For 1978-79, the estimated total expenditure of \$148,255 consists of \$38,255 from the General Fund and \$110,000 from industry fee reimbursements. The 1979-80 proposed budget of \$191,212 consists of \$40,000 from the General Fund (appropriated to the Department of Economic and Business Development by Chapter 962, Statutes of 1978) and \$151,212 from industry fee reimbursements.

Table 1 shows estimated expenditures and funding sources for the current and budget years.

Table 1
Motion Picture Council
Budget Summary

Category	Estimated 1978-79	Budgeted 1979-80	Change	
			Amount	Percent
Personal services	\$87,544	\$90,866	\$3,322	3.8%
General expense.....	33,711	61,821	28,110	83.4
Printing.....	2,500	11,200	8,700	348.0
Communications.....	7,610	9,400	1,790	23.5
Travel (in-state).....	4,690	8,500	3,810	81.2
Travel (out-of-state)	—	500	500	100.0
Consultant services	500	500	—	—
Facilities operation	7,500	8,200	700	9.3
Equipment.....	4,200	225	-3,975	-94.6
Totals.....	\$148,255	\$191,212	\$42,957	29.0%
<i>Funding Sources</i>				
General Fund.....	\$38,255	\$40,000 ^a	\$1,745	4.5%
Reimbursements.....	110,000	151,212	41,212	37.5
Totals.....	\$148,255	\$191,212	\$42,957	29.0

^aGeneral Fund appropriation to Department of Economic and Business Development budgeted for transfer to the MPC as a reimbursement.

Special Report

The Legislature, by supplemental language to the Budget Act of 1978, requested the Legislative Analyst to review and identify which of the council's activities most directly benefit the state and which most directly benefit the industry.

Based on our review of the council's activities, we are unable to identify any that directly benefit the state. There may, however, be indirect local and state benefits to the extent the council's activities result in increased economic activity in California, thereby producing increased tax revenues and employment. We have not been able to measure the indirect benefits. Direct benefits to the industry include increased access to state property, one-stop permit service, and a centralized site location file. Indirect benefits to the industry include savings in time, communications and travel, thereby providing a potential for increased profits.

We conclude that the direct benefits from the council's activities accrue for the most part to the motion picture industry and not to the state.

Unnecessary General Fund Support

We recommend the expenditure authorization for this agency be reduced by \$40,000. This would permit a General Fund savings of \$40,000 in the budget of the Department of Economic and Business Development (Item 147).

Chapter 1395, Statutes of 1976, required the council to establish fees for the use of state-owned property in making commercial motion pictures. Fees collected were to be used to (1) "reimburse the operating departments for their actual additional costs" and (2) "for the support of the council." For three years the Governor's Budget endorsed a plan to make

MOTION PICTURE COUNCIL—Continued

the council self-supporting by the following year, but this has not been accomplished to date.

Chapter 962, Statutes of 1978, appropriated \$40,000 in General Fund money to the Department of Economic and Business Development for transfer to the council in 1979-80. This legislation specifies that the money be used for "motion picture development work, staff, office space rental, office expenses and industry communications." It further states that it is the intent of the Legislature to continue such future General Fund support through the Department of Economic and Business Development and that the fees collected from industry sources be applied to offset the council's "industry-service function."

We believe the council can and should be made self-supporting in the budget year. This can be done consistent with the Legislature's intent in enacting Chapter 962. As previously noted, our review of the council's activities indicates that all of these activities are related to the "industry-service function" and thus should be funded by fees collected from industry sources. Accordingly, we recommend that no General Fund support be provided to the council in the budget year.

Our recommendation would limit the council's budgeted expenditures to its projected reimbursement level (\$151,212) and would still provide an overall increase of \$2,957, or 2.0 percent over 1978-79. (This increase exceeds the percentage increase provided in the budget year for many departments providing public services.) In addition, a General Fund savings of \$40,000 could result in the budget for the Department of Economics and Business Development (Item 147). Contingent upon approval of our recommendation here, we have recommended a corresponding \$40,000 reduction under Item 147.

Reimbursement Potential

Past justifications for continuing General Fund support, in spite of the original policy that the council should be self-supporting, were based on the possibility that the council might not generate its budgeted level of industry reimbursements. We believe this is no longer an obstacle to achieving self-support. The council should have no difficulty meeting the \$110,000 reimbursement level estimated for the current year (approximately \$71,000 had been received by midyear). In fact, this collection rate suggests the council will be able to achieve the \$151,212 in revenues projected from industry sources for 1979-80. This is all the more impressive in light of the council's failure to exercise fully its fee charging mandate, discussed below.

Noncompliance

Prior to establishment of the MPC, only the Department of Parks and Recreation consistently collected fees from the motion picture industry for use of state properties. The original MPC legislation encouraged increased use of state property for filming purposes and allowed the council to charge and collect appropriate fees on behalf of all state agencies.

Two years ago the Legislature, through supplemental budget language directed the council to submit "(a) its permit fee schedule policy, (b) its

estimated future reimbursements and (c) its timing to reach self-funding." The council did not comply with this request, and a fee policy and schedule have yet to be approved and implemented. As a result, the Department of Parks and Recreation has continued its historical billing and collection activity, and periodically transfers money to the council's account.

We believe a potential exists for substantial increased reimbursements under existing law. Of the \$71,000 reported in reimbursements thus far this year, only \$1,650 came from fees other than those received through the Department of Parks and Recreation. While considerable filming is conducted on California highways reasonable use fees from this source are not reflected in the council's estimate of reimbursements. Further, the council is now providing some direct services to the industry (for example, permit processing, site location and information) for which fees are not being charged at all.

Council Should Be Transferred

We recommend legislation to place this agency within the Department of Economic and Business Development to clarify existing law and correct persistent administrative problems.

Government Code Section 14998.1 states that the motion picture development unit is within the Division of Economic Development of the Department of Commerce, a nonexistent organization. The original legislation (Section 14998.2) also provided that the council would serve as an advisory body to the Department of Commerce. Section 14998.2, however, was eliminated by Chapter 962, Statutes of 1978, leaving the Council's organizational location and advisory responsibilities unclear.

An intent paragraph of Chapter 962 further complicated the problem by stating that continuing General Fund support should be provided through the Department of Business and Economic Development and that the council shall "report annually to the Director of Finance and to the Director of Economic and Business Development as to how all funds received have been spent." It is unclear under existing law what department or agency, if any, now exercises administrative and budgetary control of the council and its activities.

We continue to believe that the council should serve as an advisory body to the Department of Economic and Business Development (as it originally did to the Department of Commerce) and that its staff personnel and operations should be under the control of and budgeted by that department. In making this same recommendation last year, we pointed out that the council's lack of administratively trained staff, its distant location (Hollywood), the small number of staff, and its independence from higher administrative control, had served to reduce its effectiveness and efficiency. These problems persist.

CALIFORNIA HORSE RACING BOARD

Item 401 from the Fair and Exposition Fund

Budget p. 1173

Requested 1979-80	\$970,532
Estimated 1978-79.....	789,691
Actual 1977-78	881,258
Requested increase \$180,841 (22.9 percent)	
Total recommended reduction	\$21,600

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Clerical Staff. Reduce Item 401 by \$21,600.* Recommend (a) deletion of two clerical positions to reflect workload reduction and (b) legislation to allow reimbursements collected from racing associations to be used for administrative overhead costs.

1305

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where pari-mutuel wagering is allowed. The board consists of five members appointed by the Governor. Currently, however, only three of the five authorized board member positions are filled. To assist the board, there is a staff of 40.2 authorized personnel-years in the current year.

The purpose of the board is to promote horseracing, to regulate wagering, and to maximize the tax revenues of the state. As shown in Table 1, the board's activities consist of (1) licensing all participants in horseracing, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations and laws under which racing is conducted, and (4) collecting the state's horseracing revenues.

Table 1
California Horse Racing Board
Summary of Program Expenditures

	Personnel-Years			Expenditures		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Licensing.....	8.8	8.2	13.2	\$167,370	\$161,879	\$233,173
Enforcement	11.0	10.0	13.0	411,571	365,572	461,059
State Steward.....	6.9	13.0	13.0	372,017	717,987	717,987
Less: Reimbursements.....	—	—	—	(372,017)	(717,987)	(717,987)
Standardbred Sires Stakes	9	1.0	1.0	129,299	451,000	641,603
Administration.....	7.8	8.0	9.0	302,317	262,240	276,300
Total.....	35.4	40.2	49.2	\$1,010,557	\$1,240,691	\$1,612,135
California Standardbred Sires Stakes Fund Account—General Fund				129,299	451,000	641,603
Fair and Exposition Fund				881,258	789,691	970,532

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget recommends an appropriation of \$970,532 from the Fair and Exposition Fund, an increase of approximately 23 percent over the current-year budget. The budget proposes nine new positions for the board, a 22 percent increase in staff over the existing level of 40 personnel-years. The increases consist of five additional clerical positions, three additional investigators and one accounting officer.

As a result of Sections 27.1 and 27.2 of the 1978 Budget Act, the CHRB eliminated two positions from the authorized level of 42 personnel-years and reduced total program costs by \$49,000.

Table 2
California Horse Racing Board
Workload and Output Indicators

	<i>Actual</i> 1975-76	<i>Actual</i> 1976-77	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Estimated</i> 1979-80
Nights of racing.....	410	420	411	451	455
Days of racing.....	458	513	524	528	553
Totals.....	868 ^a	933	935	979	1,008
Meets (calendar-year basis).....	24	23	25	28	29
Licenses issued.....	17,922	19,563	22,073	24,004	17,000 ^b

^a Reflects effects of strikes.

^b Estimated by Legislative Analyst.

Table 2 indicates the growth in racing days and nights, which is the primary reason the CHRB is requesting additional staff. The 1,008 racing days and nights amount to an increase of approximately 8 percent over the last actual year (1977-78), which had 935 days of racing. (The decline in licenses issued in 1979-80 represents our estimate of the partial-year effect of a recent change in licensing procedures discussed below.)

Clerical Staff Increase Way Off Track

We recommend that (1) two proposed clerical positions be deleted for a reduction in Item 401 of \$21,600 and (2) the California Horse Racing Board seek remedial legislation so that reimbursements collected for administrative overhead costs may be used for such purposes.

The Governor's Budget proposes an increase of five clerical positions to assist in licensing horseracing participants and providing secretarial support to investigators and stewards. This proposal raises two issues: (1) the appropriate level of clerical staff and (2) the appropriate source of funds for clerical support of the racing stewards.

We believe that (1) three additional positions should be adequate to meet the board's needs and (2) the additional staff to support the racing stewards should be supported by the Stewards Compensation Account in the Special Deposit Fund.

We recognize that the number of racing days has increased and that this is the prime determinant of the board's workload. In last year's analysis, we agreed that growth in the number of racing days and in the number of licenses justified additional clerical staff. However, the board has stated that, as of January 1, 1979, licenses will be issued for a three-year period

CALIFORNIA HORSE RACING BOARD—Continued

rather than a one-year period. Since approximately 60 percent of the licenses each year are renewals, this change should reduce workload significantly. Thus, existing clerical staff should be able to provide some part of the increased support needed by stewards and investigators. If just 25 percent of the existing staff's workload is eliminated by issuance of three-year licenses, at least two personnel-years of staff would be available for other duties. On this basis, we recommend that two of the proposed five clerical positions be deleted, for a savings of \$21,600.

The board states that two of the five positions requested are needed to provide clerical support for the racing stewards. In prior years, any additional clerical assistance for stewards would have been provided by the racing associations. These associations contend, however, that recent legislation has removed their obligation to provide clerical assistance. Chapter 1080, Statutes of 1977, put the stewards under contract to the CHRHB which is now responsible for paying them. Previously they had been employees of the various racing associations whose race meets they supervised. The associations contend that the state should also provide clerical assistance to the stewards.

When this legislation was considered by the Legislature, the Department of Finance indicated in its bill analyses that the state would incur no cost as a result of the contractual relationship between the CHRHB and the racing stewards, since reimbursements would be provided by the racing associations. To the extent that this requested increase in clerical support is for the purpose of assisting stewards, we believe these costs should be recovered through charges to the racing associations, in keeping with the apparent legislative intent of Chapter 1080.

The CHRHB does not disagree with us. At the urging of the Department of Finance, the contracts between the CHRHB and the racing association provided for an overhead charge for the board's administrative and support costs. However, Section 19442 of the Business and Professions Code, as added by Chapter 1080, provides that reimbursements received by the board shall be used for the payment of individual contracts with the stewards. The State Controller's office informs us that money collected by the board from racing associations for administrative overhead cannot be used for that purpose under current law. We believe this is not consistent with the Legislature's intent in enacting Chapter 1080. Thus, we are recommending that legislation be enacted to eliminate what appears to be a technical defect in the law. If such legislation is enacted, the cost of these positions (approximately \$21,600) would no longer be funded from the Fair and Exposition Fund.

Three New Investigators

The budget proposes three new investigator positions for the board's enforcement program. Investigators are responsible for the enforcement of the various rules and regulations through which the CHRHB seeks to protect the betting public. The positions are necessary because of (1) the additional number of racing days, (2) scheduling problems due to concurrent meets, and (3) a need, in the CHRHB's judgment, to achieve a higher

level of enforcement. We recommend approval.

Accounting Position

The budget also proposes an additional accounting position to assist its administration element. In addition to the increased number of meets and racing days, the board has to administer the stewards contract and the Sires Stakes program. The proposed position will also allow headquarters staff to spend more time reviewing the activities of field personnel, including the pari-mutuel auditors who are under contract with the racing associations. The pari-mutuel auditors are responsible for verifying amounts wagered and for proper distribution of the amounts withheld from wagers. The total wagering of \$1,516,305,623 in 1977-78 involved over 250 million transactions. We recommend approval.

BOARD OF OSTEOPATHIC EXAMINERS

Item 402 from the Contingent

Fund of the Board of
Osteopathic Examiners

Budget p. 1177

Requested 1979-80	\$209,607
Estimated 1978-79	198,624
Actual 1977-78	150,842
Requested increase \$10,983 (5.5 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, two clerical positions, and a part-time legal counsel. Support services are provided by the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board proposes an expenditure program of \$209,607, which is \$10,983 or 5.5 percent above estimated current year expenditures. This increase reflects rising operating expenses and pro rata charges.

BOARD OF CHIROPRACTIC EXAMINERS

Item 403 from the Board of
Chiropractic Examiners' Fund

Budget p. 1179

Requested 1979-80	\$338,098
Estimated 1978-79.....	315,584
Actual 1977-78	292,397
Requested increase \$22,514 (7.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Chiropractic Act of California, an initiative adopted in 1922, established the 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 goals through licensing, continuing education, and enforcement of the Chiropractic Act.

The board is an independent agency directly supervised by the Governor's office. Data processing and investigative services are contracted from the Department of Consumer Affairs. All other support services are provided by the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

In fiscal year 1979-80, the board proposes to expend \$338,098, which is \$22,514 or 7.1 percent above estimated expenditures for the current year. This reflects rising operating expenses and increases in pro rata charges and enforcement.

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

Item 404 from the Board of
Pilot Commissioners' Special
Fund

Budget p. 1181

Requested 1979-80	\$56,813
Estimated 1978-79.....	50,159
Actual 1977-78	40,069
Requested increase \$6,654 (13.3 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 that a maximum assessment of 5 percent on pilotage fees be paid into the fund. The current assessment is 1 percent.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board proposes to expend \$56,813, which is \$6,654 or 13.3 percent above estimated expenditures for the current year. This increase reflects rising operating costs, particularly in pro rata charges.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Items 405-406 from the Peace Officers' Training Fund

Budget p. 1184

Requested 1979-80	\$14,102,449
Estimated 1978-79.....	13,555,924
Actual 1977-78	14,880,318
Requested increase \$546,525 (4.0 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
405	Commission on Peace Officer Standards and Training (Support)	Peace Officers' Training	\$2,450,057
406	Assistance to Cities and Counties for Peace Officer Training	Peace Officers' Training	11,652,392
	Total		\$14,102,449

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.

Through a local assistance program, the commission reimburses agen-

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

cies for costs incurred as a consequence of participating in the training courses. Such reimbursements may include per diem expenses, travel, and extra salary costs for overtime or replacement personnel to fill in for employees attending courses.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget for the POST Commission proposes expenditures of \$14,102,449 in 1979-80, \$546,525 or 4 percent more than estimated expenditures in the current year.

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 shows commission revenues from all sources.

Table 1
Peace Officers' Training Fund Revenues

	<i>Penalties on Criminal Fines</i>	<i>Penalties on Traffic Fines</i>	<i>Other Income^a</i>	<i>Total</i>
1975-76	\$3,496,584	\$8,312,945	\$1,123	\$11,810,652
1976-77	3,780,521	8,018,736	308,058	12,107,315
1977-78	3,983,816	8,947,593	436,931	13,368,340
1978-79 (estimated)	4,011,703	9,216,012	404,328	13,632,043
1979-80 (estimated)	4,011,703	9,216,012	404,328	13,632,043

^a Earnings from Surplus Money Investment Fund commencing July 1, 1976, and miscellaneous income.

The commission operates three programs consisting of (1) an Operations Division containing three program elements, (2) Administration and (3) Assistance to Cities and Counties.

Table 2
Program Requirements

	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change from current year</i>	
			<i>Amount</i>	<i>Percent</i>
Operations Division				
Standards and Training	\$915,782	\$927,795	\$12,013	1.3%
Personnel-years	22.7	22.4	-0.3	-1.3
Management Services	221,445	226,330	4,885	2.2
Personnel-years	4.9	4.9		
Center for Police Management	208,419	213,017	4,598	2.2
Personnel-years	4.0	3.9	-0.1	-2.5
Subtotal	(\$1,345,646)	(\$1,367,142)	(\$21,496)	(1.6%)
Personnel-years	(31.6)	(31.2)	(-0.4)	(-1.3)
Administration	\$1,402,067	\$1,082,915	\$-319,152	-22.8
Personnel-years	48.5	39.3	-9.2	-19.0
Assistance to Cities and Counties	11,152,392	11,652,392	500,000	4.5
Total, All Programs	\$13,900,105	\$14,102,449	\$202,344	1.5%
Personnel-years	80.1	70.5	-9.6	-12.0

The total requirements of the commission, including current-year reimbursements of \$344,181, are reflected in Table 2.

The Governor's Budget reflects reductions totaling \$86,000 in the current and budget years pursuant to Sections 27.1 and 27.2 of the 1978 Budget Act. The reductions consist of \$52,000 in personnel cuts (as required by Section 27.2) and \$34,000 in operating expenses (as required by Section 27.1). Elimination of one law enforcement consultant II, one stenographer, and 0.1 temporary help position account for the personnel savings. We have reviewed these reductions with the agency, which advises it will be able to handle its workload with the remaining authorized positions. We concur in these reductions.

I. Operations Division

This program consists of the following elements:

- a. **Standards and Training.** This unit establishes the basic criteria for commission certification of police training courses at police academies, community colleges, state colleges, universities and other institutions. It gives advice and assistance to instructors in the preparation of courses and training programs, and conducts periodic field inspections to monitor instructional standards. Failure to meet established standards can lead to course decertification, thereby making costs incurred by participating law enforcement agencies in connection with the course not eligible for reimbursement.

As a means of improving the quality of POST courses, Chapter 1193, Statutes of 1978, requires the commission to develop a testing program to provide on-going evaluations of instructors in the basic training classes. The budget request includes a Law Enforcement Consultant II position at a salary cost of \$27,180 for this purpose.

- b. **Management Services.** This program element provides, on a request basis, counseling to local law enforcement agencies relative to resolving specific administrative or operational problems. It also conducts inspections of local law enforcement agencies receiving POST reimbursements to ascertain their compliance with POST standards for the selection and training of personnel. Counseling services are provided to improve selection and training procedures.
- c. **Center for Police Management.** This function, which in past years was a part of the Management Services Unit, conducts research on general problems confronting local law enforcement agencies. It provides counseling and staff assistance to implement recommended improvements.

Table 2 reflects total expenditures of \$1,367,142 for this program in the budget year. This is an increase of \$21,496 or 1.6 percent over current-year estimated expenditures of \$1,345,646.

II. Administration

This program provides services to the commission and other organizational units, processes claims for reimbursement of local training costs and issues professional law enforcement certificates to qualified applicants.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

A total of \$1,082,915 is proposed for this program in the budget year, a decrease of \$319,152 or 22.8 percent from the current year. This decrease is primarily due to the onetime expenditure of \$344,181 in federal funds during the current year for nine positions and operating costs involved in developing job-related employee selection standards. The positions will terminate on or before June 30, 1979.

III. Assistance to Cities and Counties

This program provides qualifying local governments with partial reimbursement of training costs from the Peace Officers' Training Fund. Total reimbursements for training costs are projected at \$11,652,392 for the budget year, an increase of \$500,000 or 4.5 percent over estimated current-year reimbursements.

The \$500,000 increase in reimbursements results from anticipated increases in training costs and a change in claims payment procedures which reduces the amount of surplus carryover deemed necessary to cover future contingencies.

Peace Officers' Training Fund

The unused balance in the Peace Officers' Training Fund is expected to decline by 36.2 percent during the budget year. The fund, which supports the operations of the commission, will have an estimated balance of \$1,769,357 at the beginning of the budget year. Projected revenues of \$13,632,043 will be more than offset by anticipated expenditures of \$14,102,449, leaving a balance of \$1,298,951 on June 30, 1980.

OFFICE OF CRIMINAL JUSTICE PLANNING

Items 407-409 and 411 from the
General Fund and Items 410
and 412 from federal funds

Budget p. 1188

Requested 1979-80	\$5,424,787
Estimated 1978-79.....	8,160,201 ^a
Actual 1977-78	3,719,857
Requested decrease \$2,735,414 (33.5 percent)	
Total recommended reduction	None

^a Includes prior year balances available for expenditure in 1978-79.

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
407	Office of Criminal Justice Planning-Support	General	\$622,379
408	State Operations-Cash Match	General	1,058,887
409	State Operations-Deobligated Block Grant Match	General	100,000
410	State Operations-Federal Share	Federal	(9,814,457)
411	Local Assistance-Cash Match and Career Criminal Prosecution	General	3,643,521
412	Local Assistance-Federal Share	Federal	(31,801,857)
	Total		\$5,424,787

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis**page*

- | | |
|---|------|
| 1. Consolidate Crime and Delinquency Prevention Activities.
Recommend the Office of Criminal Justice Planning become the state's lead agency for crime and delinquency prevention. | 1318 |
|---|------|

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.

The Office of Criminal Justice Planning is designated the state planning agency for purposes of administering the federal block grant programs authorized under the Federal Omnibus Crime Control and Safe Streets Act of 1968, as amended in 1976. The office's 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 comply 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 delinquency prevention; and (6) conduct evaluation studies of the programs.

Support for Criminal Justice Planning

Funding for OCJP planning and operations, as well as for state agency and local projects, 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. OCJP will use about one-third of the federal planning grant Part B funds in the current and budget years. The remaining two-thirds will be distributed to the 22 criminal justice planning regions and three local planning units in California.

Construction projects funded from Part C block grants require state or local governments to match the federal grant on a 50/50 basis. The state provides the full matching amount for state projects, and 50 percent of the matching amount (that is, 25 percent of project costs) for a local project. The balance of the required matching funds for a local project are provided by the local project proponent.

The Law Enforcement Assistance Administration has not yet advised OCJP of the minimum required allocation of action funds to local govern-

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

ments for the current and budget years. In 1977-78 the federal government required that at least 73.4 percent of action grants be allocated to local agencies. For the current year, CCCJ tentatively has allocated 75 percent as the local share.

Special Federal Funding

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. These grants are not divided between the state and localities under a set formula. The federal funds pay 90 percent of all Part E project costs, with the balance paid by the state for a state project, or by the local project proponent for a local project.

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. At least two-thirds of Part JJ funds must be allocated to local agencies, with the balance being available to state agencies. Part JJ "action" grants are 100 percent federally-financed, but planning expenditures from this source require an equal state or local match. Federal law requires that at least 19.15 percent of Part C and Part E grants be spent in the area of juvenile justice.

Organization

OCJP is divided into five program areas:

1. *Planning and Operations (Item 407)*. This program, with a staff of 18 personnel-years, administers four main activities: (1) planning, which analyzes crime data 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 seeks to insure 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 crime control methods.

2. *Administration (Item 407)*. This program, which utilizes 28.3 authorized personnel-years, provides executive and management services for OCJP, including CCCJ liaison, personnel, accounting, business services and budgeting. It 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.

3. *Crime Resistance Task Force (Item 407)*. This program, through a staff of one, provides support for the Crime Resistance Task Force, which was created by executive order and then authorized by statute. The objective of the task force is to encourage citizen involvement with police in local crime prevention programs.

4. *State and Private Agency Awards (Items 408, 409 and 410)*. This

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

5. *Local Project Allocation (Items 411 and 412)*. 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. It also includes local assistance funds for the Career Criminal Prosecution program, the Community Crime Resistance program and the Career Criminal Apprehension program.

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

Table 1
Office of Criminal Justice Planning
Program Expenditures
1979-80

<i>Program</i>	<i>Federal Funds</i>	<i>State General Fund</i>	<i>Total</i>
Planning and operations	\$640,512	\$366,750	\$1,007,262
Administration	971,154	235,629	1,206,783
Crime resistance task force	180,000	20,000	200,000
State and private agency grants	9,814,457	1,158,887	10,973,344
Local project grants	<u>31,801,857</u>	<u>3,643,521</u>	<u>35,445,378</u>
Total	\$43,407,980	\$5,424,787	\$48,832,767

Federal Program Requires Reauthorization

The federal Omnibus Crime Control and Safe Streets Act requires Congressional reauthorization in 1979, and several bills that would accomplish this are being discussed. Because most of the bills under consideration require greater state financial participation in the planning and administration program but less state funding for the action grants, language has been included in the 1979 Budget Bill that would permit the Director of Finance to transfer matching monies from the action grant match (Items 408 and 411) to the support (Item 407) if a change in federal law or regulation requires more state matching monies for OCJP staff operations. Such transfers could not result in overall program increases for OCJP.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure program for the Office of Criminal Justice Planning is \$48,832,767, consisting of \$5,424,787 from the General Fund and \$43,407,980 in federal funds. Table 2 summarizes total OCJP expenditure levels for the current and budget years, indicating sources of funding by category, expenditure levels by program areas, and proposed changes from the current year. While it appears from Table 2 that the grant program is declining by about one-third, no decline in the program is anticipated. The apparent decline is attributable to the method of accounting for current-year monies.

Federal grant funds allocated to the state under the "Safe Streets Act" are available for three fiscal years. State matching funds are appropriated for the same period. In preparing the budget, all presently available state and federal grant monies, including prior-year balances still available for

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 2
Budget Summary
Office of Criminal Justice Planning

<i>Funding</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change from Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$8,160,201	\$5,424,787	\$-2,735,414	-33.5%
Federal Funds	64,331,388	43,407,980	-20,923,408	-32.5
Totals	\$72,491,589	\$48,832,767	\$-23,658,822	-32.6%
<i>Program</i>				
Planning and operations	\$925,481	\$1,007,262	\$81,781	8.8%
Personnel-years	18	19	1	5.6
Administration	1,113,718	1,206,783	93,065	8.4
Personnel-years	28.3	26.5	-1.8	-6.4
Crime resistance task force	182,114	200,000	17,886	9.8
Personnel-years	1	1	—	—
Subtotal	(\$2,221,313)	(\$2,414,045)	(\$192,732)	(8.7%)
Personnel-years	(47.3)	(46.5)	(-0.8)	(-1.7)
State and private agency grants	16,556,452	10,973,344	-5,583,108	-33.7
Local project allocations	53,713,824	35,445,378	-18,268,446	-34.0
Total	\$72,491,589	\$48,832,767	\$-23,658,822	-32.6%
Personnel-years	47.3	46.5	-0.8	-1.7

expenditure, are shown as current-year expenditures. Therefore, the current-year column includes more than one year's funding. Table 3 shows the fiscal-year composition of the grant program.

Table 3
Analysis of Current-Year Grant Expenditures
In Comparison to Budget-Year Grant Requests

	<i>Estimated expenditures in 1978-79</i>	<i>Prior-year carry forward included in 1978-79 expenditures</i>	<i>Current portion of 1978-79 expenditures</i>	<i>Requested 1979-80</i>	<i>Change from current portion of 1978-79 expenditures</i>	
					<i>Amount</i>	<i>Percent</i>
<i>State & Private</i>						
<i>Agency Grants:</i>						
General Fund	\$2,095,296	\$936,409	\$1,158,887	\$1,158,887	—	—
Federal funds	14,461,156	4,646,699	9,814,457	9,814,457	—	—
Subtotal	\$16,556,452	\$5,583,108	\$10,973,344	\$10,973,344	—	—
<i>Local Project</i>						
<i>Allocations:</i>						
General Fund	\$5,493,132	\$1,147,847	\$4,345,285	\$3,643,521	\$-701,764	-16.2%
Federal funds	48,220,692	18,836,335	29,384,357	31,801,857	2,417,500	8.2
Subtotal	\$53,713,824	\$19,984,182	\$33,729,642	\$35,445,378	\$1,715,736	5.1%
Total Grant Program..	\$70,270,276	\$25,567,290	\$44,702,986	\$46,418,722	\$1,715,736	3.8%

On a current basis, the state and private agency grant program in 1979-80 is unchanged from the current year. However, approximately \$5.6 million of prior-year balances are available in 1978-79 and are shown as expenditures in the budget. Similarly, the local grant program in 1978-79

includes about \$20 million of prior-year balances, which makes current year expenditures appear larger than those proposed for 1979-80, although on a current basis, 1979-80 expenditures are actually higher by \$1,715,736 or 5.1 percent. The proposed increase in the budget year is the net result of reduced funding for the Career Criminal Prosecution Program (\$701,764—General Fund) offset by increases totaling \$2,417,500 in federal funds: \$1,850,000 for the Career Criminal Apprehension program, \$500,000 for the crime resistance grant program, and \$67,500 for the Department of Corrections' Institutional Review Board. This board was established by Chapter 1250, Statutes of 1977 (AB 1592), to review proposed biomedical research projects involving state prisoners. The crime resistance grant and career criminal prosecution and apprehension programs are discussed below.

In summary, expenditures by the Office of Criminal Justice Planning will, on a current basis, increase slightly in the budget year. However, prior-year balances of approximately \$25 million inflate the current-year expenditure program as shown in the Governor's Budget. Because OCJP has traditionally had large prior-year balances available for expenditure, it is likely that this same pattern will be repeated in future years.

Recent Legislation Expands OCJP's Responsibilities

Prior to the 1977-78 legislative session, OCJP's primary function was to administer federal Safe Streets Act funds. During that session the Legislature enacted five bills which place other functions with OCJP. Each of these is discussed below.

Youth and Family Programs. Chapter 1103, Statutes of 1977 (AB 965), established a program to reduce the administrative complexity confronting joint-funded, multi-service youth and family programs involving at least three federal grant sources and two or more state agencies. Under this legislation, OCJP will coordinate the processing of grants for such activities. Current-year expenditures for this program are estimated at \$69,283, and the budget-year request is for \$65,497.

Victim and Witness Assistance Centers. Chapter 1256, Statutes of 1977 (AB 1434), established a program within OCJP through which public or private nonprofit agencies, in concert with local governments, can help crime victims and witnesses relate more effectively to the criminal justice system. It defines procedures for evaluating grant applications from participating agencies, prescribes services to be provided and establishes a funding schedule which gradually reduces state support for the program by transferring increasing percentages of the costs to local governments over a period of years. The legislation appropriated \$1,000,000 from the General Fund for 1977-78 and 1978-79, but it was vetoed by the Governor. The budget indicates that \$800,000 in grants will be expended for this program from 1977-78 to 1979-80.

Career Criminal Prosecution Programs. Chapter 1151, Statutes of 1977 (SB 683), established through OCJP a program to aid district attorneys' offices in prosecuting career criminal cases. The act appropriated \$1,500,000 to OCJP without regard to fiscal year. The Governor's Budget indicates that the entire appropriation was expended in 1977-78 and an

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

additional \$3,000,000 will be expended for 1978-79. An appropriation of \$2,250,000 is requested for this program in 1979-80. Because the initial grant awards to local district attorneys' offices were delayed until March 1978 (three months), this amount, which is equivalent to nine months funding, will permit local career criminal prosecution programs to continue at the existing levels through June 1980.

Career Criminal Apprehension Programs. Chapter 1167, Statutes of 1978 (SB 2039), established through OCJP a career criminal apprehension program. Participating local law enforcement agencies are required to concentrate enhanced management efforts and resources on career criminals. Such efforts include crime analysis and improved management of patrol investigative operations. The act indicates that this program is to be funded with federal monies made available to CCCJ, and the budget indicates that \$1,850,000 has been obtained from the federal Law Enforcement Assistance Administration (LEAA) to implement this measure.

Crime Resistance Task Force. Chapter 578, Statutes of 1978 (AB 2971), gave statutory status within OCJP to a California Crime Resistance Task Force originally created on August 5, 1977, by executive order. Its purpose is to assist the Governor and OCJP in furthering citizen involvement in local law enforcement and crime resistance efforts. This measure also established a California crime resistance grant program and encouraged CCCJ to make federal funds available to implement it. The budget indicates that \$500,000 has been obtained from LEAA for this program.

Consolidate Crime and Delinquency Prevention Activities Under One State Agency

We recommend that the Office of Criminal Justice Planning, under guidance of the California Council on Criminal Justice, take the lead role in the state's crime and delinquency prevention activities.

Presently three state agencies interact with local public and private agencies in the area of crime and delinquency prevention. The Department of Justice has a \$482,421 crime prevention unit. The Department of the Youth Authority awards local grants totaling \$200,000 per year and expends about \$100,000 of staff time in the crime and delinquency area. Significant portions of the activities and grants of the Office of Criminal Justice Planning are for crime and delinquency prevention. To eliminate duplication and overlap, we believe that one state agency should take the lead role in this area. We believe OCJP should be that agency for the following reasons.

1. *Availability of federal monies to support local efforts.* As discussed earlier, OCJP has large amounts of federal grant monies which can be used to implement demonstration projects and replicate successful ones. As shown in the Governor's Budget, OCJP will award state and local grants totaling over \$5.7 million in the budget year from federal Juvenile Justice and Delinquency Prevention Act funding. Additionally, significant amounts of the regular LEAA grant program are spent on prevention programs.

2. *Responsibility for comprehensive criminal justice planning.* Under both state and federal law, the Office of Criminal Justice Planning is

responsible for producing annually a comprehensive plan for the improvement of criminal justice and delinquency prevention. Production of this plan includes the solicitation of guidance from the CCCJ, state criminal justice agencies and advisory bodies, and local criminal justice planning region governing bodies. Through this plan, problem areas are identified and monies are directed to them. This process has the potential to provide overall state coordination in the area of crime and delinquency prevention.

3. *Responsibility to provide technical assistance.* Existing state and federal law requires the Office of Criminal Justice Planning to render technical assistance to public and private agencies in matters relating to delinquency prevention. This activity appropriately ties in with the planning responsibilities discussed above.

4. *Ability to coordinate with other state agencies.* Because OCJP reports directly to the Governor, it is in the best position to effectuate coordination with other state agencies whose programs impact on the crime and delinquency problem. In contrast, the Department of Justice is a separate constitutional agency.

5. *Responsibility for Advisory Committee.* Under state law, OCJP is required to provide staff support for the Advisory Committee on Juvenile Justice and Delinquency Prevention. This committee, consisting of 30 members representing diverse interests, is responsible under federal law for providing CCCJ with advice on juvenile justice and delinquency prevention matters. The committee has significant input into the development of CCCJ guidelines on expenditures of Juvenile Justice and Delinquency Prevention Act funds as well as on the expenditure of Crime Control Act funds reserved for juvenile justice and delinquency prevention projects. It meets monthly and usually receives input from at least one element of the criminal justice system at each meeting.

6. *Statutory responsibilities under recent legislation.* As discussed earlier, the Legislature recently expanded the role of OCJP from that of the state's administrator of federal anti-crime monies to one encompassing four significant criminal justice programs. The one act most relevant to the crime and delinquency prevention issue is Chapter 578, Statutes of 1978 (AB 2971), which established the California Crime Resistance Task Force and grant program. Local projects supported under the crime resistance program are required to include at least three of the following seven elements:

1. Crime prevention for the elderly;
2. Neighborhood involvement such as block clubs and resident-sponsored anticrime programs;
3. Security inspections;
4. Efforts to deal with domestic violence;
5. Efforts to prevent sexual assaults;
6. Information on locking devices and building security; and
7. Training for peace officers in community orientation and crime prevention.

For these six reasons we believe that OCJP is the best single state agency to deal with local public and private agencies in the area of crime and delinquency prevention.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Should OCJP be able to develop a coordinated crime and delinquency prevention program with appropriate concern for follow-up evaluations, we believe that the Legislature should consider transferring responsibility for administering the County Justice System Subvention Program (Chapter 461, Statutes of 1978) from the Department of the Youth Authority to OCJP. Using OCJP as the single contact agency would simplify the inter-governmental relationships (federal/state/local) involved in the processing and funding of criminal justice projects and activities.

Under this recommendation, the Attorney General and the Director of the Department of the Youth Authority could have significant participation in crime and delinquency prevention programs because they are statutory members of CCCJ, OCJP's supervisory body. Their departments could maintain direct roles in crime and delinquency prevention programs to the extent that CCCJ grants are awarded to them. In this manner, departmental activities would be coordinated with overall state and local activities and duplication of effort could be avoided.

STATE PUBLIC DEFENDER

Item 413 from the General Fund

Budget p. 1193

Requested 1979-80	\$5,727,343
Estimated 1978-79.....	6,198,277
Actual 1977-78	3,931,055
Requested decrease \$470,934 (7.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Productivity. Recommend the State Public Defender devise a plan, utilizing existing staff, to improve productivity, including providing assistance to appointed private counsel, and report to the Joint Legislative Budget Committee by December 15, 1979. Alternatively, we recommend consideration of legislation to terminate the office.

1322

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 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 (that is, 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 State Public Defender proposes a total budget-year expenditure of \$5,727,343, which is \$470,934, or 7.6 percent, below estimated current-year expenditures. This decrease is attributable principally to the deletion of 34.9 positions for a savings of \$663,988 partially offset by some minor increases due primarily to staff reclassifications and merit salary increases.

The Governor's Budget also shows that reimbursements from the Community Release Board will decline substantially in the current year and terminate altogether in the budget year. This reflects the termination of the need for the State Public Defender to defend inmates before the board who were originally sentenced under the indeterminate sentence law and whose sentences had to be reset under the new determinate sentence law.

STATE PUBLIC DEFENDER—Continued**Redirection of Workload from Staff to Appointed Counsel**

The 34.9 positions which are proposed for deletion in the Governor's Budget include: (1) 6.4 unspecified positions which will be deleted in the current year under Section 27.2 of the Budget Act of 1978, but which have not been identified and (2) 28.5 attorney and clerical support positions which are being deleted pursuant to the Governor's guidelines for reductions in governmental programs. The reductions pursuant to Section 27.2 will be identified during budget hearings.

The 34.9 position reduction represents 18.8 percent of the currently authorized staff. This will have the effect of increasing costs of the program in the judicial budget which provides for defense of indigent criminal appellants. The criminal appeals which would have been handled by the deleted positions will be assigned by the appellate courts to private attorneys on a fee basis at the expense of the Judicial Council. Because the appointed attorneys are not paid until the case is completed, which generally follows case assignment by one year, most of the increased cost for cases assigned to them will be reflected in the 1980-81 judicial budget. The appointed counsel item for the courts of appeal in the judicial budget (Item 17) had to be augmented by approximately \$330,000 in the current year from the Emergency Fund and increased by \$552,600 in the budget year primarily because of the failure of the State Public Defender to process the number of appeals for which the office is budgeted.

The reduction in the appeal assignments handled by the Public Defender is a reversal of the trend established in 1976 when this office was established to replace appointed private counsel. The Governor's Budget is silent as to whether this is a temporary adjustment to effect onetime savings and position reductions or a permanent limitation on the appeals workload to be handled by the State Public Defender. This poses a question concerning the future of the public defender program and the nature of the state's commitment to its full implementation.

Need to Improve Cost Efficiency or Terminate Office

We recommend that the State Public Defender develop and propose to the Legislature a plan to improve its productivity including possible provision of assistance to private appointed counsel, and report thereon by December 15, 1979. Alternatively, we recommend consideration of legislation to abolish the program and return all caseload to appointed counsel.

The cost for each appeal handled by the State Public Defender is approximately \$2,470 compared to an average of \$675 for appointed private counsel. This cost disparity is attributable, in part, to two factors. First, there is a reported failure of the courts to pay fees to appointed counsel commensurate with the amounts attorneys would ordinarily charge for comparable services. Second, the State Public Defender's costs reflect not only the salary and staff benefits for the attorney and supporting clerical help, but also include other operating and overhead costs which are not considered in the fees paid to appointed counsel. The major reason for the comparatively high appeal costs of the State Public Defender, however, is that the office is not handling the number of appeals for which it is

staffed. The office is budgeted on the basis of 40 appeals per attorney per year, but actual production approximates only 21.2 appeals per attorney. In contrast, the workload standard in the Attorney General's office is 35 appeals per attorney position. While the defender's office advises that its 40-caseload standard may be too high because of the complicated nature of the cases it handles, we can find no valid reason for a production disparity of this magnitude.

Of even greater concern, however, is the potential legal issue posed by a state criminal defense program which is not extended on an equal basis to all persons needing its services. The defender's office was envisioned as a staff of specialists in criminal defense which would improve the quality of legal aid given to indigent criminal appellants because of alleged inadequacies in the services typically provided by appointed private counsel. If, in fact, the public defender's services are more effective than those provided generally by private counsel, failure to make his services available to *all* indigent criminal appellants could raise a question as to equality of treatment under the law.

Based on the defender's present rate of productivity (21.2 appeals per attorney) state costs would increase substantially if the services of the office were extended to all indigent criminal appellants. This factor, combined with the equality-of-treatment issue and the uncertainty of the state's commitment to the public defender concept, casts doubt on the viability of the office. We believe, therefore, that the Legislature should consider either eliminating the office and returning to use of appointed private counsel in all cases, or establish some means of providing less costly but equal representation of appellate legal services to indigents.

One alternative would be to utilize a portion of the defender's existing staff and services, such as the unit which prepares the appellate briefs, to provide guidance and assistance to appointed private counsel. This could be implemented in one or more of the courts of appeal on an experimental basis. Using the more experienced staff of the State Public Defender to give assistance and direction to the less experienced appointed private counsel should improve the quality of the appeals filed by private counsel. Such a system should be less costly than assumption of the entire indigent criminal appeals caseload by the State Public Defender.

We therefore recommend that the Office of State Public Defender develop a plan to improve its cost-effectiveness, including any necessary adjustment in its workload standard, and report to the Joint Legislative Budget Committee by December 15, 1979.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Items 414-415 from the General
Fund

Budget p. 1195

Requested 1979-80	\$1,775,000
Estimated 1978-79.....	1,775,000
Actual 1977-78	1,753,364
Requested increase None	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
414	Public Defender Assistance	General	\$775,000
415	Capital Case Defense Preparation	General	1,000,000
	Total		\$1,775,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Item 414 proposes an appropriation of \$775,000 to reimburse counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in 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 such purposes. The state had never contributed the 10 percent maximum. The amount requested represents the traditional dollar level of state support for this program and is a diminishing percentage of total county costs. Based on the most recent cost data, the state's contribution represents approximately 1 percent of county costs.

Capital Case Defense

Item 415 proposes an appropriation of \$1 million to reimburse counties for the costs of investigative services and expert witnesses necessary for the defense of indigents in capital cases. These reimbursements are authorized by Penal Code Section 987.9, which was added by Chapter 1048, Statutes of 1977.

The annual cost was estimated at the time of enactment to be \$1 million and that amount was appropriated by Chapter 1048. Claims approximating that amount were filed in fiscal year 1977-78, although some of these claims may be reduced as a result of audits. The 1978 Budget Act appropriated \$500,000 for this program. Based on the cost experience of the prior year and the volume of claims received in the first four months of the current year (\$785,000), the administration anticipates the need for a deficiency appropriation of \$500,000 to meet current year funding requirements. The state has not had enough experience with Chapter 1048 on which to base a reliable estimate of future costs. Consequently, we have no basis for recommending a change in the amount budgeted at this time.

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS

Item 416 from the General
Fund

Budget p. 1195

Requested 1979-80	\$2,594,965
Estimated 1978-79	2,594,965
Actual 1977-78	2,217,000
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item reimburses counties for increased costs mandated by Chapter 1357, Statutes of 1976. That legislation revised procedures, terminology and definitions relating to guardianship and conservatorship, and required additional local expenditures to (1) provide appointed counsel and court investigators to represent the interests of proposed wards or conservatees under specified circumstances and (2) provide court investigators to conduct periodic reviews of guardianships and conservatorships.

The Governor's Budget anticipates a deficiency of \$244,945 in the current year, which is the second operative year of this program. The Department of Finance maintains that the total estimated expenditure for the current year is based on a projection of claims by the State Controller's office. However, such claims are subject to audit and subsequent adjustment, which may result in the need for a lesser deficiency amount. Because of the lack of experience with this program, the Governor's Budget projects the budget-year expenditure level at the total of the current-year appropriation plus the projected deficiency.

If the estimate of current-year expenditures is reasonably accurate, the amount requested for the budget year would not provide for caseload growth or any local salary increases, and therefore this program could be underbudgeted. At this time, there is no basis for validating the current year estimate of costs or for projecting workload growth.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALSItem 417 from the General
Fund

Budget p. 1196

Requested 1979-80	\$100,000
Estimated 1978-79.....	600,000
Actual 1977-78	385,012
Requested decrease \$500,000 (83.3 percent)	
Total recommended reduction	\$99,999

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Cost Estimating. Reduce \$99,999.* Recommend retention of Item in token amount only to provide budget vehicle if costs arise. 1326

ANALYSIS AND RECOMMENDATIONS*We recommend a reduction of \$99,999.*

This item provides funds to reimburse counties for two categories of criminal trials: (1) those involving escapes from custody of the Department of Corrections and (2) high cost homicide trials.

Escape from Custody Trials

Counties are responsible for trying persons accused of crimes in connection with an escape from the custody of the Department of Corrections, or conspiracy to effectuate such an escape. Penal Code Section 4700.2 provides for state reimbursement of county costs related to these trials if the indictments were filed during specified periods. All such trials have been completed, and no further reimbursements under this provision are anticipated.

High Cost Homicide Trials

Sections 15200-15203 of the Government Code permit state reimbursement of county costs resulting from a homicide trial to the extent that such costs exceed the revenue derived from a five-cent local property tax rate.

There is no basis for forecasting the number and dollar amount of claims (if any) to be filed under these provisions. In recent years, claims have ranged from less than \$1,200 to an estimated \$600,000 in the current year.

Because the amounts budgeted in the past generally have been insufficient to pay claims, either Emergency Fund allocations or special legislative appropriations have been necessary to provide the required reimbursements. For example, the Legislature appropriated \$500,000 in the current year to reimburse Sutter County for the anticipated cost of the retrial of Juan Corona. Consequently, the amount budgeted serves primarily to maintain an item in the Governor's Budget as a potential repository of funds appropriated as the need arises and as a means of reporting past expenditures and appropriations. For those reasons, we recommend that the item be reduced to \$1 solely to maintain an item to which funds may be appropriated in the event that costs occur in the budget year.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 418 from the General
Fund

Budget p. 1196

Requested 1979-80	\$500,000 ^a
Estimated 1978-79.....	1,991,066 ^b
Actual 1977-78	1,935,084 ^b
Requested decrease \$1,491,066 (-74.9 percent)	
Total recommended reduction	None

^a For the first time, only payments for claims are appropriated in this item.

^b Represents amounts appropriated for claims payments, plus legal and investigatory services for General Fund clients provided by the Department of Justice and transferred from this item to the department's support item.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|------|
| 1. Insurance Review. Recommend Department of Finance evaluate need for each discretionary liability insurance policy and include in the 1980-81 Governor's Budget only those for which clear justification is demonstrated. | 1330 |
| 2. Special Fund Claims. Recommend Department of Finance develop, prior to December 1, 1979, policy guidelines prescribing action to be taken if a special fund sustains an adverse judgment in excess of available resources. | 1331 |

GENERAL PROGRAM STATEMENT

Under existing law, the Board of Control is the primary agency responsible for management of tort claims against the state. The board processes all such claims by referring them to the appropriate agency for comment and subsequently conducting an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred by the board to that agency for investigation and litigation. The Attorney General investigates all other claims to determine their validity, provides legal services to the board for the program and, with the board's approval, directly settles claims up to \$10,000.

This item provides funds for payment of claims for all General Fund agencies except the University of California (claims against the University are funded under Item 346). The Department of Finance retains complete discretion over the expenditure of funds appropriated under this item.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures under this item of \$500,000. This is \$1,491,066 less than estimated expenditures under the comparable item in the 1978 Budget Act.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

Tort Item Restructured

The 74.8 percent decrease is attributable to a restructuring of this item that we recommended and the Legislature approved last year. In the past, this item provided for the payment of claims against General Fund agencies, except the University of California, as well as the cost of legal and investigatory services provided to General Fund agencies by the Department of Justice. Funds for legal and investigatory services were appropriated to the tort item and subsequently transferred to the department for expenditure. In the 1979 Budget Bill, the tort item contains only the appropriation for claims payments relating to General Fund agencies, although it displays, for informational purposes, expenditures (including insurance premiums) incurred by all state agencies in administering this program. This is the first year in which statewide tort-related activity has been identifiable in the Governor's Budget.

Table 1 summarizes the range of statewide activity related to this item. A detailed explanation of tort claim activity, changes, and proposed changes follows.

Table 1
Administration and Payment of Tort Liability Claims^a
Informational Display of Statewide Activity

	Current Year 1978-79	Budget Year 1979-80	Change From Current Year	
			Amount	Percent
<i>Staff Services</i>				
Department of Justice	\$2,489,562	\$2,672,551	\$182,989	7.4%
General Fund.....	(1,617,664)	(1,736,676)	(119,012)	(7.4)
Special Fund	(871,898)	(935,875)	(63,977)	(7.3)
Department of Transportation	3,750,000	4,514,000	764,000	20.4
Board of Control ^b	47,769	50,663	2,894	6.1
<i>Claim Payments</i>				
Department of Justice	\$407,500 ^c	\$500,000 ^a	\$92,500	22.7
Department of Transportation	3,179,469	3,338,442	158,973	5.0
<i>Insurance Premiums</i>				
Total	\$921,073	\$945,364	\$24,291	2.6%
General Fund.....	(179,064)	(195,014)	(15,950)	(8.9)
Special Fund	(742,009)	(750,350)	(8,341)	(1.1)

^a Pursuant to legislative action last year, this item has been restructured to display, for informational purposes, tort-related activity in various budget items. In prior years, funds appropriated under this item included support for legal and investigative services provided by the Department of Justice to General Fund agencies, plus an amount for tort claim payments. Funds for legal and investigative services were then transferred to the department for expenditure. Beginning in the budget year, this item will contain funding only for General Fund-related claim payments.

^b In the current year, these services were paid from the amount appropriated for claim payments. Beginning in the budget year, this amount will be appropriated directly to the Board of Control.

^c Includes \$75,000 appropriated by the Legislature in Chapter 452, Statutes of 1978.

Tort Liability Insurance

In past years, this item provided insurance premiums to cover the state's tort liability for claims between \$5 million and \$50 million. This insurance coverage was terminated May 20, 1978, because the administration, with the concurrence of the Legislature, determined that it was no longer cost-beneficial for the state to buy this type of insurance at existing market

rates. The budget reflects savings of \$887,000 in 1977-78 as a result of this decision.

Historically, the state also has purchased a number of small liability policies (coverage up to a maximum of \$2 million) primarily to fulfill equipment lease or revenue bonding requirements. As noted in Table 1, the state currently is paying \$921,073 for such insurance, with the amount expected to increase by \$21,291, to \$945,364, in the budget year.

General Fund Claim Payments

The \$500,000 identified for claim payments (Department of Justice) represents the anticipated level of claims of up to \$50,000 against General Fund agencies. These monies are administered by the Department of Justice, but approval of the Department of Finance must be obtained for payment of claims between \$10,000 and \$50,000. Claims above \$50,000 generally are introduced as separate bills requiring special appropriation by the Legislature. Special fund agencies reimburse the General Fund for payments made under the program on their behalf. The Department of Transportation, which investigates, litigates, and pays its own claims, proposes budget-year claim payments totaling \$3,338,442. Thus, the state currently anticipates total claim payments in excess of \$3.8 million next year. (This amount, however, does not include the cost of claims exceeding \$50,000.)

There are two significant changes with regard to General Fund claim payments in the budget year. First, this appropriation will no longer be transferred to the Department of Justice's budget for expenditure. Instead, the department is authorized to schedule claim payments directly against this item, following the same procedures currently in use, thus minimizing the complexity of claims administration. Second, payments will now be charged to the fiscal year in which the warrant is issued by the State Controller. In the past, claim payments were recorded against the appropriation which was in effect at the time the claim was *filed* rather than when the claim was *paid*.

State Administrative Manual Revisions

In response to legislative action last year, the Department of Finance has prepared changes to the State Administrative Manual (SAM) to clarify state policy regarding tort claims review and payment. As of this writing, these changes are in draft form and are awaiting approval of the Director of Finance. Because a number of these guidelines would bring about significant changes in claims administration, we believe they should be brought to the Legislature's attention, recognizing that, until the Director of Finance has approved them, modifications may occur.

The proposed changes would include a specific procedure for state employees to follow when an accident involves the state. We believe this is an important addition. In the past, accident procedures were unclear and often resulted in the loss of evidence and/or witnesses which were important to the state's defense in subsequent court actions.

The Department of Finance proposes to raise the claim amount under which the Department of Justice directly can pay a claim (that is, without specific approval from the Department of Finance) from \$10,000 to

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

\$15,000. Similarly, the limit on claims which can be paid from the claims payment appropriation with the approval of the Department of Finance, would increase from \$50,000 to \$75,000. Claims in excess of \$75,000 would be submitted to the Legislature for special appropriation. We believe these changes are reasonable in view of past claims experience.

Workload

Table 2 shows total tort claims workload (excluding Caltrans) from 1974-75 through 1977-78. Since 1974-75 there have been increasing numbers of claims, claims payments, and administrative costs. Administrative costs include legal and investigatory services provided by the Attorney General for both special fund and General Fund agencies. The recent significant increases in tort administrative costs are attributable primarily to unanticipated workload increases for special fund agencies, such as the California Highway Patrol, and greater complexity of claims investigation and litigation. These costs are anticipated to decrease in the current year.

Table 2
Summary of Tort Claims Activity
(Excluding Department of Transportation)

	1974-75	1975-76	1976-77	1977-78
Tort Cases Filed	1,288	1,461	1,536	1,705
Percent Change in Cases from Prior Year	—	13%	5%	11%
Total Claims Payments	\$2,210,596	\$2,047,887	\$722,038	\$1,546,185
Percent Change in Awards from Prior Year	—	-7%	-65%	114%
Administrative Costs	\$969,297	\$1,185,737	\$1,705,528	\$2,612,703
Percent Change in Costs from Prior Year	—	22%	44%	53%

Insurance Review Needed

We recommend that the Department of Finance evaluate the need for each discretionary liability insurance policy and include in the 1980-81 Governor's Budget only those policies for which clear justification is demonstrated.

As discussed earlier, various state agencies purchase small liability insurance policies to satisfy equipment lease or revenue bonding requirements. However, a number of agencies continue to purchase liability policies on a discretionary basis when no contractual obligation to do so exists. For example, the Department of Water Resources plans to purchase a \$25,000 policy for levee maintenance areas in 1979-80. As shown in Table 3, the state proposes to purchase seven discretionary policies, totaling \$309,614 in the budget year, despite the Legislature's decision that the state should self-insure whenever possible.

Table 3
State Liability Insurance Premiums

Purpose	Number	1979-80		Total
		General Fund	Special Fund	
Required by bond or lease	13	\$160,700	\$475,050	\$635,750
Discretionary	7	34,314	275,300	309,614
Total	20	\$195,014	\$750,350	\$945,364

While these discretionary premium requirements range from \$150 to \$250,000, we are concerned that some of these policies are being purchased on the basis of traditional practices rather than actual need. In view of the state's self-insurance policy, we recommend that the Department of Finance evaluate the need for each discretionary policy and include in the 1980-81 Governor's Budget only those policies for which clear justification is demonstrated.

Clear Policy Guidelines Needed

We recommend that the Department of Finance develop, prior to December 1, 1979, policy guidelines delineating procedures to be followed if a special fund sustains an adverse court judgment in excess of its available resources.

The Department of Finance's October 1977 study of state tort liability insurance recommended that the state not maintain insurance coverage for claims between \$5 million and \$50 million. It also concluded that, because special fund agencies other than the Department of Transportation appeared to constitute a small proportion of the state's overall risk, this policy should apply equally to General Fund and special fund agencies.

In addition, the study discussed alternative courses of action in the event that a special fund did not have the capacity to withstand a substantial adverse judgment. However, a specific policy for addressing such a problem has yet to be adopted by the administration. We believe that such a policy should be adopted in advance of any need for its implementation. The Department of Finance study concluded that, in the event of a judgment in excess of a fund's financial ability, it would be appropriate for the General Fund to serve as a back-up to the special funds. The study also noted that it would be convenient and administratively advantageous that such support be provided without cost to the special fund.

We believe that administration of the state's policy of self-insurance requires clear guidelines regarding treatment of special funds under these conditions. We therefore recommend that the Department of Finance develop, prior to December 1, 1979, policy guidelines which delineate the course of action to be followed if a special fund is involved in an adverse court judgment in excess of its financial ability.

BOARD OF CONTROL

Item 419 from the General Fund

Budget p. 1198

Requested 1979-80	\$529,662
Estimated 1978-79.....	457,709 ^a
Actual 1977-78	347,237 ^b
Requested increase \$71,953 (15.7 percent)	
Total recommended reduction	\$35,683

^aThis figure is incorrect in the Governor's Budget and should be reduced to \$398,105 because a reimbursement is mistakenly identified as a General Fund cost. This raises the budget-year increase to \$131,557 or 33 percent.

^bThis figure is incorrect in the Governor's Budget and should be reduced to \$346,969 because a reimbursement is mistakenly identified as a General Fund cost.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Local Mandate Staff. Recommend that \$31,803 budgeted for two new positions not be available for encumbrance until 30 days after the Chairman of the Joint Legislative Budget Committee is notified that sufficient workload exists to establish these positions. 1336
2. *Victims of Crime Staff. Reduce by \$35,683 (Item 419).* Recommend establishment of six new positions be delayed until January 1, 1980. Further recommend that ten proposed claim specialists not be limited-term positions in view of available workload data and potential recruiting problems. 1336
3. Savings Recoveries. Recommend the Department of Finance take positive steps to assure that identifiable savings resulting from the Merit Award program be reflected in baseline budget estimates beginning with the 1980-81 Governor's Budget. 1339
4. State-owned Housing. Recommend the Board of Control advise the Legislature, by November 15, 1979, of alternatives available for restructuring rental schedules for state-owned housing to be more consistent with market values. The board should pay particular attention to the extent to which state managers, supervisors, and confidential employees occupy such housing at rates below market value. 1339

GENERAL PROGRAM STATEMENT

The Board of Control is a three-member body consisting of the Director of General Services who serves as chairman, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management, through the following six programs which are separately identified in the Governor's Budget for the first time this year.

Administration

The administrative function provides direction to the Board of Control staff in response to board policies, serves as liaison between the board and the Legislature, and performs personnel and budget services to all programs under the board's jurisdiction.

General Activities

The board provides state administrative control by promulgating rules and regulations regarding numerous fiscal transactions including discharge of accounts receivable by the state, refunds, credits and cancellation of taxes, sale and disposal of unclaimed property and transfer of funds between state agencies. It also determines the pro-rata share of statewide administrative costs payable by each state agency, per diem rates for state employees on travel status and rules on employee travel claims.

Merit Award Board

A five-member Merit Award Board administers the statewide suggestion system and acts in an advisory capacity to the Board of Control. Activities of this program include establishing merit standards and policies, reviewing suggestion evaluations and recommending certificate and monetary awards for state employees to the Board of Control.

Victims of Crime

This program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence (Victims of Violent Crimes element) or who sustain damage or injury while performing acts which benefit the public (Good Samaritan element). Eligibility for awards is determined by the board after the facts of a claim are verified by its staff.

Governmental Claims

This function administratively adjudicates all claims for money or damages against the state. All equity claims (those for which there is no legal obligation to award compensation) approved by the board are referred to the Legislature for payment in an omnibus claims bill. The board works with the Departments of Justice and Transportation in administering tort liability claims.

Local Mandated Costs

An expanded five-member board, which includes two additional members appointed by the Governor and representing local agencies, hears claims from local jurisdictions alleging increased local expense attributable to legislation or executive orders (SB 90). Claims approved for reimbursement of state-mandated local costs are submitted to the Legislature twice a year for approval.

ANALYSIS AND RECOMMENDATIONS

The board is proposing a General Fund expenditure of \$529,662, which is \$131,557 or 33 percent above the current General Fund support level. (We have adjusted the amount of the increase to account for a \$59,604 reimbursement which is mistakenly shown as a General Fund expenditure in the Governor's Budget.) This growth primarily is attributable to (1) the

BOARD OF CONTROL—Continued

addition of three new positions for the local-mandated cost program and (2) the direct appropriation of General Fund support for services the board provides for tort liability claims. Prior to this year's budget, the board was reimbursed for these services from the amount designated for claims payments in the tort item. In our Analysis last year, we recommended that this practice be discontinued on the basis that administrative services should not be paid from an appropriation designated for claims payments. The board's administrative costs for processing claims of violent crime victims are identified as reimbursements under this item. Twenty new positions are proposed for this program in the budget year. Direct support for the Victims of Violent Crimes and Good Samaritan program elements is included in the budget for Indemnification of Private Citizens (Items 420-422).

Table 1 illustrates the board's proposed funding and expenditures for the budget year. The increase of 23 positions is reflected as a net increase of 20.3 personnel-years due to a 2.7 personnel-year salary savings requirement.

Table 1
Board of Control
Budget Summary

<i>Funding</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>	<i>Change from</i> <i>Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$457,709 ^a	\$529,662	\$71,953	15.7%
Reimbursements	959,296 ^a	1,355,658	396,362	41.3
Total Expenditures	\$1,417,005	\$1,885,320	\$468,315	33.0%
<i>Programs</i>				
Administration	\$107,026	\$121,012	\$13,986	13.1%
Personnel-years	2.8	2.8	—	—
General Activities	54,816	58,853	4,037	7.4
Personnel-years	2	2	—	—
Merit Award Board	110,126	116,434	6,308	5.7
Personnel-years	5.3	5.3	—	—
Victims of Crime	928,834	1,308,892	380,058	40.9
Personnel-years	41.2	58.5	17.3	42.0
Governmental Claims	166,716	180,424	13,708	8.2
Personnel-years	7.4	7.4	—	—
Local Mandated Costs	49,487	99,705	50,218	101.5
Personnel-years	2.6	5.6	3	115.4
Program Totals	\$1,417,005	\$1,885,320	\$468,315	33.0%
Personnel-years	61.3	81.6	20.3	33.1

^a The Governor's Budget mistakenly reflects \$59,604 in the Victims of Crime Program as a General Fund cost rather than as a reimbursement in the current year. General Fund expenditures should be reduced to \$398,105 and reimbursements increased to \$1,018,900. Total expenditures are not affected. However, with this adjustment, the board proposes a \$131,557 or 33 percent General Fund increase rather than the 15.7 percent increase shown in the budget.

The board's workload, particularly claims requiring processing, continues to grow steadily. The projected workload of the board, as measured by claims and suggestions received, is shown in Table 2. The Governor's Budget does not show activity under the Local Mandated Cost program.

Although the board has provided us with estimates of current and past year activity, it is unable to provide a workload estimate for the budget year. However, based on the trend in claims activity to date, we anticipate that workload will increase over current-year estimates.

Table 2
Board of Control Workload Indicators^a

	1977-78	1978-79 (est.)	1979-80 (est.)
Suggestions.....	2,921	3,742	4,116
Percent change from prior year.....	—	28.1%	10%
Victim and Good Samaritan Claims.....	6,525	6,828	7,511
Percent change from prior year.....	—	4.6%	10%
Government Claims.....	6,426	8,032	8,835
Percent change from prior year.....	—	25%	10%
Local Mandated Cost Claims.....	444	1,394	— ^b
Percent change from prior year.....	—	214%	—

^a Figures may differ from those in the Governor's Budget due to updated estimates.

^b The board is unable to provide a workload estimate for the budget year. However, claims can be expected to increase over current-year estimates.

The board's proposed positions are summarized in Table 3. The three local mandated cost positions are limited to June 30, 1981, because of the current uncertainty of this workload. Similarly, the twenty positions proposed for the victims of crime program have been limited to the same date.

Table 3
Board of Control
Proposed New Positions—Limited to June 30, 1981

<i>Program/Request</i>	<i>Number</i>	<i>Personal Services Cost</i>
Victims of Crime		
Claim Specialist.....	10	\$103,680
Staff Services Analyst.....	2	25,824
Office Assistant II.....	8	68,928
Local Mandated Cost		
Staff Services Analyst.....	1	12,912
Office Assistant II.....	2	17,232
Totals.....	23	\$228,576

Supplemental language adopted by the Conference Committee on the 1978 Budget Act requested the Board of Control's Merit Award Board to implement procedures for estimating departmental staff time annually committed to the state's suggestion program. The Merit Award Board's first report, dated December 1, 1978, concluded that for each dollar spent by the state to administer the program (including awards, departmental support, and Merit Award Board staff and operating expenses) the state derived a net savings of \$3.35. The board believes this is a conservative estimate of savings because the majority of adopted suggestions result in improved procedures, safety, or services for which a dollar benefit could not be estimated. As a result of this effort, the Legislature has information which, for the first time, demonstrates both the costs and benefits of the

BOARD OF CONTROL—Continued

merit award program.

The Board of Control adopted regulations on December 18, 1978, implementing legislative changes in the Merit Award Program effective February 1, 1979. Pursuant to the legislative intent expressed in Resolution Chapter 67, Statutes of 1978, the following changes were implemented: (1) Management employees are no longer eligible for state merit award consideration, (2) Minimum cash awards for tangible savings shall be the greater of 10 percent of savings or \$100, (3) Maximum cash awards shall not be greater than \$10,000, and (4) Cash awards for intangible savings shall range from \$25 to \$95. The board also is required, pursuant to legislative action, to report to the Legislature regarding the number and nature of suggestions and awards where there is an unresolved controversy regarding "job-relatedness." A question of job-relatedness arises when a merit award is sought for a suggestion or program innovation which could or should have been implemented as a part of the employee's normal job responsibilities. Suggestions found to be so related do not qualify for merit awards. The board advises that in the future this information will be included in the merit award program's annual report to the Legislature.

Local Mandated Cost Staff Increases

We recommend that \$31,803 budgeted for the addition of a staff services analyst and an office assistant II not be available for encumbrance until 30 days after the Chairman of the Joint Legislative Budget Committee is notified that sufficient workload exists to establish these positions.

The board proposes to establish three new positions at a total cost of \$45,116 for anticipated workload increases in the local mandated cost program. As noted in Table 2, the board is unable to provide a workload estimate for this program for the budget year. However, we recognize that claims can be expected to increase over current-year estimates.

Because the board has had to utilize overtime and temporary help to meet the clerical responsibilities associated with this program during the current year, we believe that sufficient workload is available to justify the addition of one clerical position at a cost of \$13,313. With regard to the other requested positions, we believe the uncertainty of the workload requires that the remaining funds, \$31,803, be set aside as Item 419(d) with the stipulation that they not be available for encumbrance until 30 days after written notification has been given to the Chairman of the Joint Legislative Budget Committee that sufficient workload exists to justify their establishment. In this way, the board will be assured of staff resources to meet program requirements to the extent that these requirements materialize, and the Legislature will be assured that position increases are based on definite workload needs.

Victims of Violent Crime Staffing

We recommend that establishment of six new victims of crime positions be delayed until January 1, 1980, for a savings of \$35,683 (Item 419).

We further recommend that the ten proposed claim specialists not be limited-term positions in view of available workload data and potential recruiting problems.

The administration proposes to add 20 limited-term positions (10 claim specialists, two analysts, and eight office assistants) for the victims of crime program as summarized in Table 3. Table 4 details the existing staffing pattern of 41.2 positions and the proposed deployment of staff, including the 20 new positions, in the budget year. The two claim specialists requested for the headquarters office would screen incomplete claims or claims not meeting the program's eligibility criteria to prevent them from being sent to the field offices for verification.

Table 4
Victims of Violent Crime Staffing
Number of Positions

	1978-79	Proposed 1979-80
Headquarters		
Staff Services Manager.....	1	1
Analysts	4	6
Claim Specialists	—	2
Clerical Support.....	6.2	9.2
Sacramento Field Office		
Supervising Claim Specialist.....	1	1
Claim Specialists	7	12
Clerical Support.....	2	4
San Francisco Field Office		
Supervising Claims Specialist	1	1
Claim Specialists	4	5
Clerical Support.....	1	3
Los Angeles Field Office		
Supervising Claim Specialist.....	1	1
Claim Specialists	10	12
Clerical Support.....	3	4
Total Authorized Positions	41.2	61.2

Table 5 summarizes the program's workload pattern since the board has had responsibility for it. Consolidation of the total program under the board on January 1, 1978, was anticipated to have a positive impact on the backlog. However, significant reductions in the annual backlog have yet to be realized. As noted in Table 5, it is anticipated that the 20 positions requested in the budget year will not result in any reductions of the cumulative backlog in 1979-80 because of the reduced productivity resulting from training requirements, generally covering a period of six months for claim specialists. The board advises that the new claims specialists are expected to handle only half of the normal caseload during the budget year, but that they should have some impact on the backlog in 1980-81. Because these positions represent a 49 percent increase in the staff devoted to this program, we are hesitant to recommend commitment of additional staff resources as a means of reducing the backlog at this time. In fact, we are concerned about the immediate absorption of the requested positions in the budget year, in view of the expected training requirements.

BOARD OF CONTROL—Continued

Table 5
Historical Backlog^a
Victims of Crime Program

<i>Fiscal Year</i>	<i>New^b Claims</i>	<i>Processed Claims</i>	<i>Annual Backlog</i>	<i>Cumulative Backlog</i>
1967-68.....	169	60	109	109
1968-69.....	401	243	158	267
1969-70.....	369	415	-46	221
1970-71.....	471	427	44	265
1971-72.....	698	533	165	430
1972-73.....	1,081	724	357	787
1973-74.....	1,313	1,262	51	838
1974-75.....	3,792	1,422	2,370	3,208
1975-76.....	4,932	3,920	1,012	4,220
1976-77.....	5,526	5,321	205	4,425
1977-78 ^c	6,525	5,791	734	5,159
1978-79 (est.).....	6,828	5,175 ^d	1,653	6,812
1979-80 (est.) ^e	7,511	5,980	1,531	8,343

^a Backlog, as defined by the board, includes all claims which have not been resolved. The majority, approximately 62 percent, are awaiting field verification. Claims also would be counted as part of the backlog if, for example, they were awaiting a hearing date.

^b Prior to 1973-74 new claims include total number of applications received by the board. Subsequent years include only those claims accepted by the board for processing.

^c Program consolidated under the board on January 1, 1978. Previously, the Department of Justice performed the claims verification function.

^d Assumes, unlike 1977-78, no significant overtime period to process claims.

^e Assumes addition of 20 proposed positions with reduced productivity due to training requirements.

Claim specialists are the key staff people utilized to verify the accuracy of information included in claims submitted to the state for compensation. Analysts in headquarters subsequently review the specialists' work and make claim disposition recommendations to the Board of Control.

Because of the processing delays anticipated as a result of the 6-month training for the claim specialists, we believe it is inappropriate to establish immediately the full complement of analyst and clerical positions, most of whose workload relates to the claims processed by the specialists. We therefore recommend that 10 claim specialists and four clerical positions be established July 1, 1979, and the remaining two analysts and four clerical positions be established January 1, 1980, for a savings of \$35,683 from the General Fund. Staggering the authorization dates for these positions is advantageous for two reasons. First, it would assist the board in absorbing a significant personnel increase. Second, positions would not be added before workload has been generated.

We believe it is inappropriate for the 10 new claims specialists to be limited-term positions. Historically, the board has had a difficult time recruiting for these positions. The existence of a limited-term requirement would aggravate this problem by making it even more difficult to attract qualified people. Moreover, in our judgment, continued program growth and the existence of a substantial backlog justifies continuance of these positions beyond the June 31, 1981 termination date. We therefore further recommend that the 10 claim specialists positions be established on a permanent basis. In the event that workload fails to materialize as

originally estimated, we will recommend appropriate reductions in processing staff.

Savings Recoveries

We recommend that the Department of Finance take positive steps to assure that identifiable savings resulting from the Merit Award program be reflected in each affected department's baseline budget estimate, beginning with preparations for the 1980-81 Governor's Budget.

In the 28-year history of the merit award program, the state has paid awards, on the basis of identifiable first-year savings, well in excess of \$16 million. These awards are financed by departmental savings. The board has advised us that benefits from suggestions often continue over a five-year period even though awards are based only on first-year savings.

The Board of Control adopted Rule 831 (i), effective March 25, 1977, in an attempt to capture such savings for inclusion in the budget process. The rule specifies that in the event of savings of at least \$10,000, no award will be made unless the affected agency identifies such savings as reduced expenditures or increased revenue and submits documentation to the board specifying how savings recovery will be accomplished. The rule further provides that a copy of each report will be transmitted by the board to the Department of Finance for appropriate action.

The Department of Finance and the Board of Control finalized the procedure to capture these savings on July 17, 1978. However, the Department of Finance has yet to determine how these savings will be included in the budget process. Because first-year savings averaged over \$1 million in the last three fiscal years, we believe proper budgeting practices require that these savings be reflected as budgetary reductions wherever possible. We therefore recommend that the Department of Finance take positive steps to assure that identifiable savings resulting from merit award suggestions be reflected in baseline planning estimates, beginning with preparations for the 1980-81 Governor's Budget.

State-Owned Housing at Bargain Rates

We recommend that the Board of Control advise the Legislature, by November 15, 1979, of the alternatives available for restructuring rental schedules for state-owned housing to provide consistency with market values. In so doing, the board should pay particular attention to the extent to which state managers, supervisors, and confidential employees occupy such housing at rates below market value.

The Board of Control is mandated by Section 13924 of the Government Code to determine the fair and reasonable monthly rental values of housing owned by the state and rented to its employees. Rules adopted by the board establishing these rental costs apply to all state housing (approximately 1,170 units), except those owned by the University of California.

Currently, rental charges are based on a combination of the following three factors: square footage, age of unit, and location (urban or rural). When the provision of state-owned housing is essential to the employee's execution of his job responsibilities, the board may reduce the rental rate to a lower category based on such factors as lack of privacy, seasonal inaccessibility, or extreme isolation. In addition, the board retains author-

BOARD OF CONTROL—Continued

ity to review and adjust the monthly rate for all state-owned dwellings, if evidence is presented that the prescribed rate is inequitable. Each state agency which provides housing for its employees is delegated the responsibility to (1) apply these rental rates in accordance with state regulations, (2) maintain units in good repair, and (3) dispose of housing which cannot be maintained economically.

In 1975, the Department of General Services contracted for a survey of all state-owned housing, which collected data comparing current rental rates with the corresponding rate the unit could demand if it were available on the open market. Following this study, the board considered basing state rental charges on each dwelling's market value but declined to make the change because it felt that (1) too many variables required consideration and (2) it would be very difficult to establish equitable charges, given the diverse assortment and utilization of state housing units.

An examination of a 10 percent sample drawn from the 1975 survey, adjusted for inflation, reveals that 86 percent of the employees occupying state-owned housing are paying less than market rental value for these units. In fact, 48 percent of the occupants are paying less than 60 percent of the market value. For example, the superintendent's residence at the Preston School of Industry in Ione, a Youth Authority facility, is a Tudor-style home built in 1932. The current market rental value of the property is \$420 per month. However, the occupant currently pays a monthly rent of \$169, or 40 percent of market value. Similarly, the President of California State Polytechnic University, Pomona, occupies a state-owned residence with a market rental value of \$630 per month but pays only \$217, or 34 percent of the market value.

We are particularly concerned about the appropriateness of highly-paid state managers and supervisors paying less than market value while occupying state-owned houses when no extenuating circumstance, such as lack of privacy, exists. In addition, we question whether it is appropriate, based on the 10 percent survey discussed earlier, for 11 percent of the employees occupying state housing to pay more than the market rental value for these properties. In view of these disparities, we believe rental payments which are less or greater than market value merit further attention to eliminate possible inequities. We therefore recommend that the board advise the Legislature, by November 15, 1979, of the alternatives available for restructuring these rental schedules to be more consistent with market values. In so doing, the board should pay particular attention to the extent to which state managers, supervisors, and confidential employees occupy state-owned housing and pay less than market value.

INDEMNIFICATION OF PRIVATE CITIZENS

Items 420 and 422 from the
General Fund and Item 421
from Indemnity Fund

Budget p. 1201

Requested 1979-80	\$8,011,137
Estimated 1978-79.....	7,345,486
Actual 1977-78	5,944,912
Requested increase \$665,651 (9.1 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
420	Indemnification of Private Citizens	General	\$5,462,245
421	Indemnification of Private Citizens	Indemnity	2,308,892
422	Legislative Mandate	General	240,000
Total			\$8,011,137

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Backlog Response Needed. Recommend Board of Control submit its 1978 report regarding backlog remedies prior to the start of legislative hearings on the budget. Further recommend that in the future, the board report its progress by December 1 of each year, until the backlog has been reduced to a manageable level.

GENERAL PROGRAM STATEMENT

This item provides funding for two programs, both of which are administered by the Board of Control. The first, Victims of Violent Crimes program, provides compensation to California residents who sustain serious financial hardship as victims of crimes of violence or are financially dependent upon a victim. The second, the Good Samaritan program, compensates California citizens who sustain injury or damage to property as a result of acts benefiting the public. Under the provisions of Chapter 1144, Statutes of 1973, total recovery for victim claims 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. A maximum award of \$5,000 is available to cover losses incurred by citizens benefiting the public.

Consolidation of both of these programs under the Board of Control was accomplished January 1, 1978, by Chapter 636, Statutes of 1977. Previously, the Attorney General investigated all claims to determine their validity. This verification process now is performed by Board of Control staff in three field offices located in Sacramento, San Francisco, and Los Angeles.

Although the General Fund is primarily responsible for the support of these programs, the annual appropriation is partially offset by fines levied on the perpetrators of violent crimes and penalty assessments levied on

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

individuals convicted of any other felony or misdemeanor. The collection of penalty assessments (\$5 for misdemeanors and \$10 for felonies) in the current and budget years results from the passage of Chapters 521, 1122 and 1123, Statutes of 1977. New receipts from fines and penalty assessments, estimated at \$2,308,892 for the budget year, are deposited in the Indemnity Fund (Item 421) but transferred to the General Fund for support. The increased revenue accruing to the Indemnity Fund for the budget year has resulted in a sizeable decrease in General Fund support.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the indemnification program proposes an increase of \$665,651 or 9.1 percent above the current-year's support level, reflecting the addition of 20 new positions and, for the first time, a \$240,000 appropriation to reimburse local entities for preparing in-depth probation reports on violent crime offenders as required by Chapter 1123, Statutes of 1977. This legislation is discussed in more detail below.

Current-year General Fund expenditures have been reduced by \$1 million pursuant to Section 27.1, Budget Act of 1978. This reduction should not adversely affect program requirements because, in recent years, claim payments have been less than budgeted levels.

Table 1
Budget Summary
Indemnification of Private Citizens

Funding	Estimated 1978-79	Proposed 1979-80	Change from Current Year	
			Amount	Percent
General Fund	\$6,902,678 ^a	\$5,462,245	-\$1,440,433	-20.9
Indemnity Fund	428,797	2,308,892	1,880,095	438.5
Legislative Mandate	14,011	240,000	225,989	1,613
Total	\$7,345,486	\$8,011,137	\$665,651	9.1%
<i>Program</i>				
Claims—Victims of Crimes	\$6,437,245	\$6,437,245	—	—
Claims—Victims Benefiting the Public ...	25,000	25,000	—	—
Board of Control Expenses	869,230 ^b	1,308,892	\$439,662	50.6%
Legislative Mandate ^c	14,011	240,000	225,989	1,613
Total	\$7,345,486	\$8,011,137	\$665,651	9.1%

^a Reflects a reduction of \$1 million per Section 27.1, Budget Act of 1978.

^b Due to an error in the Board of Control's budget (Item 419) this expense should be increased by \$59,604 with a corresponding reduction in victims of crimes claim payments.

^c Reimburses local governmental entities for more in-depth probation reports on violent crime offenders.

Local Mandate Costs Not Funded in Current Year

Chapter 1123, mentioned above, requires probation officers to include two determinations regarding possible probation conditions in their reports on violent offenders: First, could the person pay a fine without causing his dependents to rely on public welfare. Second, should the court require the defendant to pay restitution to the victim or to the Indemnity Fund. The officer is required to recommend the amount of any payment and the manner of its assessment in both instances. Based on local claims

filed to date, the Department of Finance estimates that this mandate will result in total annual costs of approximately \$120,000. An appropriation to reimburse these expenses inadvertently was not included in the current-year budget. However, a carry-over balance of approximately \$14,000 still is available for current-year expenditure from an original appropriation of \$60,000 made by Chapter 1123 to the State Controller. Thus, the \$240,000 proposed expenditure in the budget year is needed to pay a current-year deficit of approximately \$106,000 and estimated increased local costs of \$134,000 in 1979-80.

Table 2 illustrates the actual historical workload experienced by the Victims of Violent Crimes program since 1975-76. The total dollars awarded have increased by 93 percent since 1975, while the average award increased by 17.5 percent over the same period.

Table 2
Historical Workload Data^a
Victims of Crimes Program

				Percentage
	1975-76	1976-77	1977-78	Change 1975-76 to 1976-77
New Claims ^b	4,932	5,526	6,525	32.3%
Denied.....	2,452	2,665	3,380	37.8
Allowed	1,468	2,656	2,411	64.2
Percent of Processed Claims Allowed..	37%	49.9%	41.6%	12.4%
Amount Awarded	\$2,603,736	\$5,110,524	\$5,025,289	93.0%
Average Award ^c	\$1,773	\$1,924	\$2,084	17.5%

^a The number of claims allowed and denied do not equal new claims because of processing backlogs.

^b New claims include only those claims which meet the program's criteria for possible award. Additional claims are received but cannot be accepted when, for example, the claimant is not a California resident.

^c Includes attorney fees.

Backlog Problem Not Resolved

Supplemental language, adopted by the Conference Committee on the 1978 Budget Act, requested the State Board of Control to report to our office and appropriate legislative committees by December 15, 1978, detailing steps taken and progress made toward eliminating the victims of crime backlog. This report has not been received.

Table 3 illustrates the history of the backlog problem which has grown steadily worse since the Board of Control has had responsibility for the program. It had been generally anticipated that ending the Attorney General's responsibility for investigating claims and consolidating the total program under the board, as was done on January 1, 1978, would have a positive impact on the backlog. However, significant reductions have yet to be realized. As reflected in Table 3, the 20 new positions requested in the budget year (discussed in Item 419) are not expected to have a positive impact on the program's cumulative backlog in 1979-80 because their productivity will be substandard during the training period. The board anticipates backlog reductions beginning in 1980-81. However, because this additional staff increases the number of positions devoted to this

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

program by 49 percent, we are hesitant to recommend commitment of additional staff resources as a means of reducing the backlog at this time. We believe, as discussed later in this analysis, that additional efficiencies must be achieved by the Board of Control so that the backlog can be reduced to a manageable level of no more than 1,600 claims. The board advises that such a backlog, which represents an approximate 90-day processing period, would be reasonable.

Table 3
Historical Backlog^a
Victims of Crime Program

<i>Fiscal Year</i>	<i>New^b Claims</i>	<i>Processed Claims</i>	<i>Annual Backlog</i>	<i>Cumulative Backlog</i>
1967-68	169	60	109	109
1968-69	401	243	158	267
1969-70	369	415	-46	221
1970-71	471	427	44	265
1971-72	698	533	165	430
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1973-74	1,313	1,262	51	838
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1978-79 (est.)	6,828	5,175 ^d	1,653	6,812
1979-80 (est.) ^e	7,511	5,980	1,531	8,343

^a Backlog, as defined by the board, includes all claims which have not been resolved. The majority, approximately 62 percent, are awaiting field verification. Claims also would be counted as part of the backlog if, for example, they were awaiting a hearing date.

^b Prior to 1973-74 new claims include total number of applications received by the board. Subsequent years include only those claims accepted by the board for processing.

^c Program consolidated under the board on January 1, 1978. Previously, the Department of Justice performed the claims verification function.

^d Assumes, unlike 1977-78, no significant overtime period to process claims.

^e Assumes addition of 20 proposed positions and reduced productivity of these positions due to required training.

Backlog Response Needed

We recommend that the Board of Control submit its 1978 report regarding backlog remedies prior to the beginning of legislative hearings on the budget. We further recommend that in the future, the board report its progress by December 1 of each year, until the backlog has been reduced to a manageable level.

In the course of developing our analysis of the Victims of Violent Crime program, we visited each of the board's field offices and had lengthy discussions with headquarters staff. In our judgment, the addition of twenty new positions (discussed in our analysis of Item 419) will solve only a portion of the current workload problem. We believe that the board must devote considerable attention to the administration and management of this program. Some of the problems we observed are discussed below.

Lack of Standard Procedures. Each of the three field offices (Sacramento, Los Angeles, and San Francisco) has developed its own standard

operating procedure to process claims. Duplicate files are maintained by both the Los Angeles and San Francisco field offices and headquarters. These appear to be unnecessary and result in considerable personnel and duplicating expense. Similarly, no standard method exists to set priority for processing cases. We believe the existence of a sizeable backlog demands a standard set of priorities which can identify those cases (new or old) that should be processed first. In our judgment, the Sacramento field office should serve as the model for the other offices.

Failure to Delegate Authority. We believe the board should consider the delegation of processing authority to staff within the policy guidelines it establishes. At each meeting, the board reviews a supplementary agenda containing only those items previously considered by the board but still pending for various reasons. The size of this agenda has increased by 149 percent between calendar year 1976 and the first 11 months of 1978. During 1978, 44 percent of these items (512 claims) had been held open for additional awards because anticipated expenses were not yet incurred at the time of the original hearing. These claims were returned to the board for additional awards once medical and related bills were received. Recognizing that board staff verifies all expenses, we see no reason for such claims to be returned to the board for consideration.

Adherence to Deadlines. A victim seeking compensation from the state as a result of a violent crime must file an application with the board. Applicants in turn receive a questionnaire requesting documentation of the incident and financial information demonstrating hardship as required by statute. The victim is advised that the questionnaire must be received by the board within 45 days or it will be assumed that he or she no longer wishes to pursue the matter. In actual practice, the board does not strictly adhere to this deadline and, in fact, mails a reminder notice if the questionnaire is not received within the 45-day period. Historically, 15 percent of the questionnaires sent to applicants are not returned. Because failure to adhere to deadlines increases the number of pending claims, we believe strict adherence to deadlines is advisable.

Analyst Staff. Four analysts in headquarters review the claims verified by the claims specialists and make recommendations to the board regarding appropriate disposition. Each of the analysts is assigned responsibilities in addition to claims review, such as managing restitution funds received from the perpetrators of violent crimes. We are concerned about the role of these analysts because (1) many tasks duplicate those performed by claims specialists and (2) some of the tasks, such as recording board action on each agenda item for purposes of drafting warrants and closing or continuing claims, appear to be of a clerical nature. We believe the board needs to examine more closely the appropriate tasks to be performed by these positions.

Lack of Policy Direction. As of this writing, there is no training manual or written procedures available to guide staff in the performance of their duties. In addition, little documentation is available regarding board policy which can be used by staff, particularly in the field offices, as a reference manual. The headquarters staff occasionally distributes memoranda on policy changes in an attempt to keep staff current. However, in the

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

absence of a comprehensive policy procedures manual, changes are difficult to account for in a consistent manner.

Late Claims. Section 13961 (c) of the Government Code requires that a victim apply for compensation within one year after the date of the crime unless an extension is granted by the board for good cause. In 1977-78 the board received 179 applications for late submittals and accepted 159, or 89 percent. Table 4 summarizes the extent to which these claims exceeded the one-year limit.

Table 4
Applications for Claims Consideration After One-Year Deadline
Victims of Crime Program

<i>Lateness of Claim</i>	<i>Number</i>	<i>Percent of Total</i>
Less than 1 month	20	11%
1-3 months	36	20
3-6 months	29	16
6-12 months	39	22
1-2 years	53	30
3 or more years	2	1
Total	179	100%

The board's approval of late claims, which at the time of filing range in age from one to four plus years, places an additional burden on field staff who have to verify the accuracy of claims. By the time many of these claims are processed, much of the supporting documentation has been lost. We believe the board should pay more attention to whether these claims are being presented late for "good cause" in view of the additional burden such approval places on staff.

The board advises that it has begun to take corrective action in many of these areas. We believe increased management attention to these and other problems would have a positive impact on the cumulative backlog. In order to keep the Legislature apprised of these changes, we recommend that the board submit its 1978 report regarding backlog remedies (requested by supplemental language adopted by the Conference Committee on the 1978 Budget Act) prior to the start of legislative hearing on the budget. We further recommend that in the future, the board report its progress by December 1 of each year, until such time as the backlog has been reduced to a manageable level.

STATE BAR OF CALIFORNIA

Item 423 from the General
Fund

Budget p. 1202

Requested 1979-80	\$30,000
Estimated 1978-79.....	30,000
Actual 1977-78	23,150
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The State Bar of California is a public corporation headed by a 21-member board of governors. The board consists of 15 attorneys elected by members of the State Bar and six nonattorney public members appointed by the Governor for a term of three years. Two nonattorney public members are appointed to the bar's examining committee by the nonattorney members.

The board may also establish disciplinary boards to determine disciplinary actions and reinstatement proceedings as provided by rule. These boards must have, in addition to attorney members, two nonattorney members appointed by the Governor to four-year terms.

The board of governors administers those provisions of the Business and Professions Code relating to the practice of law. It is empowered to make investigations of all matters affecting or relating to:

- a. The State Bar or its affairs.
- b. The practice of the law.
- c. The discipline of the members of the State Bar.

The board, through its examining committee, determines the eligibility of and examines all applicants wishing to practice law. The board certifies to the Supreme Court those applicants found qualified under state law, and the court thereafter admits the certified applicants to practice.

The board is also empowered to aid in all matters pertaining to the advancement of the science of jurisprudence or to the improvement of the administration of justice, including all matters that may advance the professional interests of the members of the State Bar and such matters as concern the relations of the bar with the public.

Chapter 305, Statutes of 1977, authorized per diem payments from the state General Fund of \$50 per day but not to exceed \$500 per month for each of the public members. Expenses of the attorney members of the board of governors are paid from State Bar funds. This item provides \$30,000 to reimburse the State Bar for the public member per diems, which totaled \$23,150 for the 1977-78 fiscal year. The amount budgeted appears reasonable.