

MUSEUM OF SCIENCE AND INDUSTRY

Item 74 from the General Fund

Budget p. SCS 1

Requested 1980-81	\$3,210,609
Estimated 1979-80.....	2,949,434
Actual 1978-79	2,471,644
Requested increase (excluding amount for salary increases) \$261,175 (+8.9 percent)	
Total recommended reduction	\$58,814

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
74	Museum of Science and Industry—sup- port	General	\$3,192,609
	Reimbursements	—	18,000
	Total		\$3,210,609

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. *Workers Compensation—Salary Savings.* Reduce by 142 \$4,650. Recommend (1) salary savings be increased by \$51,109 and workers' compensation be increased by \$46,459 to properly reflect estimated need.
2. *Salary Savings Control.* Recommend the current reporting requirements for excess unbudgeted salary savings be continued. 142
3. *Hall of Economics and Finance.* Reduce by \$54,164. Recommend two positions be deleted in anticipation of private funding. 143

GENERAL PROGRAM STATEMENT

The Museum of Science and Industry is an educational, civic and recreational center located in Exposition Park in Los Angeles. It is administered by a nine-member board of directors, appointed by the Governor. The museum's exhibits feature scientific accomplishments, and its education program is designed to stimulate students' interests in science and the arts. A portion of this program is financed by the Museum Foundation Fund which is supported from private contributions. Several facilities of the museum are available to public and private groups for educational, recreational and civic functions. The museum also owns and operates 26 acres of public parking for both its patrons and those of the adjacent coliseum, sports arena and swimming stadium. These facilities are all located in Exposition Park which is owned and maintained by the state through the museum. In addition to providing security for its own facilities, the museum is also responsible for security in Exposition Park.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$3,210,609 for support of the museum in 1980-81. This is \$261,175 or 8.9 percent more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The General Fund appropriation is \$3,192,609 which is an increase of \$249,175, or 8.5 percent, over the estimated current year expenditure. Table 1 shows the museum program expenditures, funding sources, positions and proposed changes. The California Museum Foundation of Los Angeles will support expenditures of \$782,000 in addition to the \$3.2 million financed by the state and through reimbursements.

The increase requested for this item would cover proposed workload adjustments, new equipment, planning staff for a new exhibit hall, and general price increases.

Table 1
Museum of Science and Industry
Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
Education.....	\$1,923,001	\$2,208,241	\$2,434,722	\$226,481	10.3%
Administration	548,643	741,193	775,887	34,694	4.7
Foundation	(503,219)	(608,000)	(782,000)	(174,000)	(28.6)
 Totals.....	 \$2,471,644	 \$2,949,434	 \$3,210,609	 \$261,175	 8.9%
 <i>Funding Sources</i>					
General Fund	\$2,459,345	\$2,943,434	\$3,192,609	\$249,175	8.5%
Reimbursements	12,299	6,000	18,000	12,000	200.0
 Personnel-years	 \$2,471,644	 \$2,949,434	 \$3,210,609	 \$261,175	 8.9%
Personnel-years	112.4	122.4	129.4	7	5.7

Staff Changes

As shown in Table 1, total 1980-81 staffing is estimated at 129.4 personnel-years. This is an increase of 7 over 1979-80 staffing. The following account for the increase:

	<i>Personnel-Years</i>
Workload.....	3.5
Hall of Economics and Finance	2.0
Salary savings (Section 27.2, 1979 Budget Act, savings not continued in 1980-81)	1.5
Total.....	7.0

Workload Increase

The budget proposes 3.5 new positions to handle workload in the exhibit, science workshop and graphics areas. Two of these positions would be authorized as temporary help blankets totaling \$24,000. The budget anticipates that \$12,000 of this amount will be reimbursed from private funds.

In the past the museum has met this workload by adding administrative-

MUSEUM OF SCIENCE AND INDUSTRY—Continued

ly, temporary positions funded from unbudgeted salary savings and from excess, unbudgeted parking lot revenues. These positions can no longer be financed this way because parking lot revenues now go directly to the General Fund and stricter controls have been placed on salary savings.

Based on our analysis, these 3.5 positions are justified by the workload and should be permanently authorized in the budget.

Workers' Compensation and Salary Savings Underbudgeted

We recommend that (1) salary savings be increased by \$51,109 and (2) staff benefits be increased by \$46,459 to pay expected workers' compensation costs, for a net savings of \$4,650.

Due in part to the hiring freeze, salary savings have been in excess of the amount budgeted. In the 1979-80 budget, the museum estimated that 1978-79 salary savings would be the equivalent of 3 positions. The actual salary savings were equivalent to 20.3 positions, or about 10.8 percent of authorized salaries. The 1980-81 Governor's Budget estimates current year (1979-80) salary savings to be \$36,167, or 2.5 positions. However, 10 positions are currently vacant and the museum's July to December 1979 salary savings totaled approximately \$60,000. While salary savings during the second half of the year may be lower if the vacant positions are filled, actual 1979-80 savings appear certain to exceed the budget estimate. We estimate that salary savings for the full year are likely to be at least \$90,000 or approximately 4.7 percent of authorized salaries. Some of the savings apparently are being used to pay workers' compensation and nondisability insurance costs which totaled \$21,710 through the first 6 months of the current year. Last year we recommended an augmentation to the Museum's budget of \$21,500 for workers' compensation costs. The Department of Finance agreed that additional funds would be needed for this purpose, but stated that sufficient funds would be available to pay the costs. Although the Legislature provided the augmentation, the funds were vetoed by the Governor.

For 1980-81, the budget proposes salary savings of \$40,461, or 2.0 percent of authorized salaries. It does not, however, include an allotment for workers' compensation costs. Experience indicates that salary savings will exceed 2.0 percent of authorized salaries, and that funds will be needed to pay workers' compensation costs. To properly budget for these two items, we recommend that:

- Salary savings be increased by \$51,109, to total 4.5 percent of proposed salaries and wages
- Staff benefits be increased by \$46,459 to cover projected workers' compensation costs.

Adoption of these recommendations would result in a net savings of \$4,650 to the General Fund.

Reporting Requirement

We recommend that the current reporting requirements for excess, unbudgeted salary savings be continued.

The Supplemental Report of the 1978 Budget Act required that any expenditure to be funded from excess salary savings be approved by the

Department of Finance only after the Legislature has been given 30-days notice. This requirement was intended to ensure that excess salary savings would no longer be used to fund unauthorized temporary help positions. It was continued in the 1979 Budget Act.

The notification requirement appears to be having the intended effect. Although excess salary savings have been generated during the past 18 months, none of these funds have been used to exceed authorized levels of temporary help, as they had been in the past. We continue to believe that the reporting requirement on salary savings is necessary to ensure legislative control of museum expenditures.

Hall of Economics and Finance

We recommend that support for operating the new Hall of Economics and Finance building come from private financing, for a General Fund savings of \$54,164.

The budget proposes the addition of two positions at a cost of \$54,164 as the initial staffing for the proposed Hall of Economics and Finance. The new building, scheduled for construction beginning in June 1980, is expected to cost \$5 million, including equipment and installation of exhibits. The Museum Foundation is financing this project through private donations. No state funding is involved. In addition, the foundation anticipates raising \$400,000 annually in private donations to underwrite educational programs, scholarships, and lectures to be sponsored on the premises.

The museum is proposing to fund the operating costs of the building from the General Fund. For the budget year, it proposes \$54,164 for an assistant director and stenographer to develop exhibits and the educational and operating plans. In 1981-82, when the building is scheduled for completion, an additional \$310,000 would be requested for staff and operations.

Our analysis indicates that General Fund support for this program is not justified. The proposed hall was not submitted for legislative approval. Consequently, the Legislature did not have an opportunity to determine the need for the hall, its priority relative to other state projects, or the size and scope of the proposed program. Thus, we have no information justifying the need for an additional 15,000 square feet of exhibit space at the museum. Similarly, the state has not had an opportunity to review and approve the proposed building design, and the project will not be subject to state Public Works Board review.

For these reasons, we have no basis on which to recommend that state funds be used to staff the hall, and consequently recommend that the positions be deleted, for a savings of \$54,164.

If the Museum Foundation believes the hall is desirable, it should be willing to use its own funds to staff it.

State and Consumer Services Agency
DEPARTMENT OF CONSUMER AFFAIRS

Items 75-119 from various funds

Budget p. SCS 4

Requested 1980-81	\$44,362,383
Estimated 1979-80.....	41,847,265
Actual 1978-79	34,787,528
Requested increase (excluding amount for salary increases) \$2,515,118 (+6.0 percent)	
Total recommended reduction	\$888,700
Contractors' State License Board	Pending

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
<i>Healing Arts</i>			
75	Board of Behavioral Science Examiners	Behavioral Science Examiners	\$336,517
76	Board of Dental Examiners	State Dentistry	1,052,306
77	Dental Auxiliary Program	State Dental Auxiliary Fund	339,455
78	State Board of Guide Dogs for the Blind	General	13,620
79	Board of Medical Quality Assurance	Contingent Fund of Board of Medical Quality Assurance	8,882,869
80	Acupuncture Advisory Committee	Acupuncturists	120,578
81	Hearing Aid Dispensers	Hearing Aid Dispensers	109,082
82	Physical Therapy	Physical Therapy	171,055
83	Physicians' Assistant	Physicians' Assistant	94,563
84	Speech Pathologists and Audiologists Examining Committee	Speech Pathology and Audiology Examining Committee	103,380
85	Board of Examiners of Nursing Home Administrators	Board of Examiners of Nursing Home Administrators	203,290
86	Board of Optometry	State Optometry	233,551
87	Board of Pharmacy	Pharmacy Board Contingent	1,383,700
88	Board of Registered Nursing	Board of Registered Nursing	2,249,644
89	Board of Examiners in Veterinary Medicine	Veterinary Examiners Contingent	345,118
90	Animal Health Technician Examining Committee	Animal Health Technician Examining Committee	60,280
	Board of Vocational Nurse and Psychiatric Technician Examiners		
91	Vocational Nurse Program	Vocational Nurse and Psychiatric Technician Examiners	1,192,618
92	Psychiatric Technician Program	Vocational Nurse and Psychiatric Technician Examiners	268,236
<i>Fiduciary</i>			
93	Board of Accountancy	Accountancy	1,291,025
94	Cemetery Board	Cemetery	176,465
	Bureau of Collection and Investigative Services		
95	Collection Services	Collection Agency	452,376
96	Investigative Services	Private Investigator and Adjusters	874,512
97	Tax Preparers' Program	Tax Preparers	138,467

<i>Design and Construction</i>		<i>Analysis page</i>
98	Board of Architectural Examiners	Architectural Examiners 613,410
99	Board of Registered Construction Inspectors	Registered Construction Inspectors 124,769
100	Contractors' State License Board	Contractors' License 9,308,447
101	Board of Registration for Geologists and Geophysicists	Geology and Geophysics 120,546
102	Board of Landscape Architects	Landscape Architects 93,152
103	Board of Registration for Professional Engineers	Professional Engineers 1,317,899
104	Structural Pest Control Board	Structural Pest Control 1,278,998
<i>Business and Sanitation</i>		
105	State Athletic Commission	General 486,245
106	Bureau of Automotive Repair	Automotive Repair 3,346,979
107	Board of Barber Examiners	Barber Examiners 568,782
108	Board of Cosmetology	Cosmetology Contingent 1,679,389
109	Bureau of Employment Agencies	Employment Agencies 416,604
110	Board of Fabric Care	Fabric Care 451,636
111	Board of Fabric Care	Fabric Care 5,000
112	Board of Funeral Directors and Embalmers	Funeral Directors and Embalmers 414,414
113	Bureau of Home Furnishings	Bureau of Home Furnishings 936,069
114	Nurses' Registry	Nurses' Registry 25,377
115	Bureau of Electronic and Appliance Repair	Electronic and Appliance Repair 751,801
116	Certified Shorthand Reporters' Board	Certified Shorthand Reporters 104,718
117	Division of Consumer Services	General 1,007,465
118	Division of Administration	Consumer Affairs ^a (7,779,031)
119	Consumer Advisory Council	General 62,733
	Building Maintenance and Operations	Pro rata charges to boards and bureaus 1,095,243
—	Chapter 883, Statutes of 1973 Pharmacy Board—Drug Price List Preparation	Pharmacy Board Contingent 60,000
	Total	\$44,362,383

^a Revolving Fund established to pay administrative costs. Revenue derived from pro rata charges to boards and bureaus.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Contractors' State License Board. Withhold recommendation pending further review of operations and receipt of additional budget information from the Department of Finance. 152
2. Excessive Surplus. Recommend that specified agencies within the department reduce fees to bring surplus funds into conformance with existing law. 153
3. Optometry Board Fees. Recommend that Board of Optometry continue to reduce fees because of excessive surplus. 154
4. *Pattern of Overbudgeting.* Reduce specified items by a total of \$585,000. Recommend individual item reductions because of overbudgeting. 154
5. *Equipment Requests Overstated.* Reduce specified items by a total of \$85,796. Recommend reduction because equipment expenditures are overbudgeted. 156

DEPARTMENT OF CONSUMER AFFAIRS—Continued

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| 10. <i>Cosmetology License Renewal.</i> Reduce Item 108 by \$12,-182. Recommend deletion of one proposed limited-term position based on past personnel requirements. | 159 |
| 11. <i>Anesthesia Permit Program.</i> Reduce Item 76 by \$10,476. Recommend reduction because allocation exceeds previous cost estimate. | 160 |
| 12. <i>Unbudgeted Salary Savings.</i> Reduce Item 214 by \$82,824. Recommend reduction because of unbudgeted salary savings. | 160 |

GENERAL PROGRAM STATEMENT

The Department of Consumer Affairs was established by the Consumer Affairs Act (Chapter 1394, Statutes of 1970) as the state agency responsible for promoting consumerism and protecting the public from deceptive and fraudulent business practices.

The department has four major components: (1) the 32 regulatory agencies which include boards, bureaus, programs and commissions (2) the division of administration; (3) the division of investigation; and (4) the division of consumer services.

Subject to the authority conferred upon the department director by specific statute, each of the 32 agencies within the department has the statutory objective of regulating an occupational or professional group in order to protect the general public against incompetency and fraudulent practices. Each entity seeks to accomplish its objectives through licensure and the enforcement of laws, rules and regulations. Licensing involves the issuance and renewal of licenses or certificates and the registration of various occupational groups. It also includes the establishment of curricula, experience standards, and school accreditation. Enforcement activities include inspections, investigations, administrative hearings before an officer of the Office of Administrative Hearings and court proceedings.

The Division of Administration provides centralized services such as accounting, budgeting personnel management, internal auditing, legal assistance and building operation and maintenance. Most of the costs

incurred by the Division of Administration are distributed on a pro rata basis to each constituent agency.

The department's Division of Investigation provides investigative and inspection services for most constituent agencies. A few boards and bureaus, however, have their own inspectors and investigators. Board and bureaus are charged \$29.50 per hour for inspections and \$36.50 per hour for investigations during the current year.

The Division of Consumer Services was established by Chapter 1399, Statutes of 1970. The division is responsible for the department's statewide consumer protection activities, which include research and advertising compliance, representation and intervention, consumer education and information, and consumer protection legislation. Support for the Division of Consumer Services is provided by the General Fund (73 percent) and the various special funds (27 percent).

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures of \$44,362,383 from various funds for support of the department and constituent agencies in 1980-81. This is \$2,515,118, or 6.0 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The budget includes \$1,095,243 for building and maintenance costs and \$6,683,788 for departmental administrative costs which will be allocated on a pro rata or fee-for-service basis to the constituent agencies. Table 1 displays proposed current and budget year changes for each agency within the department. Numbers in parentheses indicate that funding for the activity has been redirected from existing resources.

Table 1
Department of Consumer Affairs
Summary of Proposed Changes—1980-81 Budget Request

<i>Area</i>	<i>Activity</i>	<i>Current Year Adjustments</i>		<i>Budget Year Request</i>	
		<i>Personnel-Years</i>	<i>Amount</i>	<i>Personnel-Years</i>	<i>Amount</i>
<i>Healing Arts</i>					
Behavioral Science Examiners.....	1. Redirect oral commissioners to exam proctors	(0.3)	(\$3,360)	(0.3)	(\$3,360)
	2. Redirect oral commissioners to temporary help	(0.3)	(3,000)	(0.3)	(3,000)
Dental Examiners.....	1. Increase funds for Attorney General costs	—	17,000	—	8,316
Dental Auxiliaries.....	2. Anesthesia Permit Program (Chapter 886, Statutes of 1979)	—	—	1.0	46,281
	3. Increase funds for training examiners	—	—	—	2,943
	2. Add position and funds to plan for implementation per Chapter 128, Statutes of 1974	—	—	0.5	17,234
	3. Add exam proctors (redirection of existing resources)	(0.3)	(2,235)	(0.3)	(4,468)
	4. Add clerical support (redirection of existing resources)	—	—	1.0	(8,627)
Medical Quality Assurance.....	1. Increase funds and positions in temporary help (redirection of existing resources)	—	—	3.5	(35,000)
	2. Reduce special consultants	—	—	-6.0	-11,000
	3. Add special investigators for Probation Surveillance Program (redirection of existing resources)	—	—	2.0	(45,910)
	4. Add clerical support (hospital inspections and continued education) for Podiatry Examining Committee (redirection of existing resources)	—	—	0.5	(6,224)
	5. Add clerical support (workload) for Psychology Examining Committee (redirection of existing resources)	—	—	1.0	(12,449)

Healing Arts

	6. Physician Staff Privileges (Chapter 602, Statutes of 1979)	—	1.0	\$23,000	Items 75-119
Hearing Aid Dispensers	7. Impaired Physician Program (Chapter 772, Statutes of 1979)	—	4.0	120,000	
Speech Pathology and Audiology	1. One-time reduction due to insufficient funds	\$ -20,000	—	—	
Nursing Home Administrators.....	1. Increase temporary help (Chapter 754, Statutes of 1978) (redirection of existing resources)	(0.2)	(2,632)	(0.2)	(2,632)
Pharmacy	1. One-time reduction in enforcement due to extension of Title II grant	—	-54,050	—	—
Registered Nursing.....	1. Add exam proctors (redirection of existing resources)	(0.2)	(1,900)	(0.2)	(1,900)
	2. Reestablish clerical position (Section 20) ..	1.0	10,008	1.0	10,302
Veterinary Medicine	1. Develop Nurse Midwife Examination	—	—	—	10,000
Vocational Nursing	2. Add staff to process new fee permits (Chapter 933, Statutes of 1979)	—	—	2.6	38,200
Psychiatric Technicians	1. Add clerical staff (redirection of existing resources)	—	—	(1.0)	(9,648)
<i>Fiduciary</i>	2. Increase cost of purchasing examinations	—	—	—	9,810
Accountancy.....	1. Add clerical staff for exams and cashiering and continuing education program (redirection of existing resources)	—	—	(2.0)	(19,080)
Collection Agencies	2. Add $\frac{3}{4}$ position to monitor enforcement (redirection of existing funds)	—	—	(.75)	(13,244)
	1. Add $\frac{1}{4}$ position to monitor enforcement (redirection of existing funds)	—	—	(.25)	(4,415)
	1. Increase rent and exams (statutorily funded in current year)	—	53,903	—	64,367
	2. Increase exam proctors (workload)	—	—	1.5	21,411
	1. Increase staff for complaint mediation.....	2.5	16,460	2.5	40,693
	2. Add half-time auditor to investigate payroll audits (reimbursed from Private Investigators Fund)	0.5	(4,711)	0.5	(11,306)

DEPARTMENT OF CONSUMER AFFAIRS—Continued**Table 1—Continued****Department of Consumer Affairs****Summary of Proposed Changes—1980-81 Budget Request**

<i>Area</i>	<i>Activity</i>	<i>Current Year Adjustments</i>		<i>Budget Year Request</i>	
		<i>Personnel-Years</i>	<i>Amount</i>	<i>Personnel-Years</i>	<i>Amount</i>
<i>Fiduciary</i>					
Private Investigators	3. Eliminate private investigator reimbursement for shared staff services.....	—	—	—	\$32,305
	1. Eliminate private investigator reimbursement for collection agency staff services....	—	—	—	-32,305
	2. Expand enforcement program (limited-term positions until 6/30/82) (statutorily funded in current year)	3.0	\$62,130	4.0	95,737
	3. Add one position for complaint mediation (statutorily funded in current year)	1.0	8,792	1.0	21,605
<i>Design and Construction</i>					
Architects	1. Expand enforcement program	—	—	—	13,247
	2. Add clerical (workload)	—	—	0.5	7,200
	3. Increase commissioner expenses (workload)	—	—	—	26,969
	4. Expand examination program	—	—	—	13,230
	5. Eliminate exam development and increase number of exams (redirection of existing funds)	—	—	—	-62,084
Contractors	1. Continue on a permanent basis current year limited-term position to process licensing applications.....	—	—	18.0	281,299
	2. Add clerical positions to licensing unit (workload)	—	—	9.4	148,353
	3. Conduct data processing feasibility study on complaint processing activities (redirection of existing resources)	—	(75,000)	—	(50,000)
	4. Increase registrar's staff	—	—	2.0	69,819
	5. Increase administrative and analytical support staff (redirection of existing resources)	—	—	2.0	(42,885)

<i>Design and Construction</i>						
Landscape Architects.....	6. Decrease licensing backlog	6.5	\$69,568	—	—	—
	1. Advance exam date from July to June (one-time cost) to be statutorily funded	—	24,000	—	—	—
Geology and Geophysicists.....	1. Increased board member per diem (Chapter 1141, Statutes of 1978)	—	—	—	—	\$2,500
<i>Business and Sanitation</i>						
Automotive Repair	1. Add staff to start program to detect unregistered automotive repair businesses (limited term until 6/30/82)	—	—	3.0	44,200	13,630
Cosmetology.....	2. Fund Automotive Repair Advisory Board..	—	—	5.0	171,393	
Employment Agencies	1. Add staff for biennial license renewal (limited term until 6/30/81).....	—	—	—	52,343	
Funeral Directors and Embalmers.....	1. Increase enforcement program (\$33,750 is for 1980-81 only)	—	—	1.0	76,664	
Home furnishings	2. Increase audit program	—	—	—	—	
	2. Increase enforcement program (to be statutorily funded).....	—	47,764	—	—	(10,000)
<i>Support Services</i>						
Consumer Advisory Council	1. Augment operating expenses and add staff (workload)	—	9,386	1.0	26,772	
Division of Administration	1. Reactivate examination audit program	—	—	2.0	68,210	
	2. Staff copy center	—	—	1.0	13,708	
	3. Transfer data processing from Franchise Tax Board to in-house.....	—	—	6.0	—18,170	
	4. Establish data entry program	—	—	7.0	—52,035	
	5. Data processing increase as a result of license renewal changes.....	—	—	0.6	5,477	
	6. Increase data processing staff (workload)..	—	—	2.0	45,176	

DEPARTMENT OF CONSUMER AFFAIRS—Continued**Proposal to Eliminate Various Regulatory Activities in 1979-80 Governor's Budget**

The Governor's Budget for 1979-80 proposed the elimination of 20 occupational licensing boards and other mandated activities within the Department of Consumer Affairs. Adoption of the proposal would have resulted in a reduction of 59.5 positions and a savings of \$1,352,834. The proposal was based on information developed by the State and Consumer Services Agency and the Regulatory Review Task Force. The task force prepared reports on various regulatory/licensing boards during 1977-78 at the request of the department.

The boards and other mandated activities proposed for elimination were all created by statute and therefore could not be discontinued without enabling legislation. No such legislation was enacted, and funding for these activities was restored by the Legislature.

The 1980-81 Governor's Budget proposes continuation of these activities.

Legislative Proposal for Evaluation. There is interest within the Legislature in developing a mechanism for evaluating the need for and performance of the numerous regulatory agencies in the department. Assembly Bill 46 (1979-80 Regular Session) has passed the Assembly and is currently awaiting action in the Senate. The bill requires an evaluation of each regulatory agency within the department according to a specified schedule. The result of the evaluation would be reviewed by appropriate legislative committees and the Legislative Analyst through a process specified in AB 46.

Projected Fund Deficits

According to the Governor's Budget, the following agencies are projected to have little or no surplus in their respective special funds at the end of the budget year:

- Board of Registered Nursing,
- Board of Accountancy,
- Board of Geologists and Geophysicists, and
- Bureau of Automotive Repair.

We are advised that the Board of Registered Nursing, Board of Accountancy, and Bureau of Automotive Repair are currently charging the maximum fee allowed by statute, and anticipate requesting legislation to increase the maximum fees which may be charged. The Board of Geologists and Geophysicists estimates that adequate resources will be available from its fund until 1983-84.

Continuing Problems With State Contractors' Licensing Board

We withhold recommendation on the budget of the Contractors' State License Board pending further review of operations and additional information from the Department of Finance.

During the past 30 months, the Contractors' State License Board has had serious workload backlogs in the areas of license application processing and complaint handling. In the current year, the board's budget was

increased by a total of \$1,484,320 (20 percent) and 33.6 positions (12 percent) so that the backlog in both of these areas would be reduced. The additional positions included 18 one-year limited-term clerical positions and 13 permanent consumer service representatives.

The Supplemental Report of the 1979 Budget Act requires the Contractors' Board to submit quarterly reports on the status of complaint and application/examination backlogs to the Joint Legislative Budget Committee and the legislative fiscal committees. The first quarterly report, dated November 7, 1979, indicates that, as of September 1979, an original license application required four to six months to be processed. It also indicated that between June 1979 and September 1979, the complaint backlog had been reduced from 21,044 to 19,456.

For the 1980-81 fiscal year, the Governor's Budget is proposing an increase of \$409,946 (4.6 percent) for the board over estimated current year expenditures. The budget also indicates that the board's workload and workload resources are being examined, and that the Department of Finance will submit any necessary adjustments to the Legislature in the spring of 1980.

We withhold recommendation on the budget request for the Contractors' State License Board, pending receipt of additional information from the Departments of Consumer Affairs and Finance. We will analyze this information in a supplemental analysis prior to hearings.

Excessive Surplus Funds

We recommend that the Speech Pathology and Audiology Examining Committee, Tax Preparers' Program, Structural Pest Control Board, Board of Cosmetology, and Bureau of Fabric Care adopt a schedule of reduced fees to bring their surpluses into conformance with existing law.

Section 128 of the Business and Professions Code states that at the end of any fiscal year, no agency within the Department of Consumer Affairs shall have unencumbered funds in an amount which equals or exceeds the agency's operating budget for the next two fiscal years. Currently, five agencies within the department anticipate surpluses on June 30, 1981, which exceed the maximum amount allowed by Section 128.

Two of these agencies, the Speech Pathology and Audiology Examining Committee and the Structural Pest Control Board, were identified in our Analysis of the 1979 Budget Bill as having excessive surpluses on June 30, 1980. In the Supplemental Report of the 1979 Budget Act, the Legislature directed these agencies to reduce fees as necessary. We are advised that the Speech Pathology and Audiology Examining Committee adopted emergency regulations reducing selected fees and that its fund will be in compliance by June 30, 1980 although the Governor's Budget does not reflect this lowered fee rate. The Structural Pest Control Board has identified selected fees to be reduced or eliminated. However, these fee reductions cannot be implemented in sufficient time to bring the June 30, 1980 surplus into compliance, but should adequately reduce the June 30, 1981 surplus.

We recommend that the Speech Pathology and Audiology Examining

DEPARTMENT OF CONSUMER AFFAIRS—Continued

Committee and the Structural Pest Control Board present at the hearings revised surplus fund projections for June 30, 1981 and that the Tax Preparers' Program, Board of Cosmetology and Bureau of Fabric Care adopt a schedule of reduced fees in order to reduce surplus funds.

Excessive Surplus Continues

We recommend that the Board of Optometry make a concerted effort to adopt a schedule of reduced fees in order to bring its surplus into conformance with existing law.

One board—the Board of Optometry—has been out of compliance with the Business and Professions Code regarding year-end surplus for several years. The board anticipates a surplus on June 30, 1981 which equals 228 percent of the proposed budget year expenditures. Table 2 displays the status of the board's surplus fund since 1977-78.

Table 2
Board of Optometry Surplus Fund Condition

	<i>Actual 1977-78</i>	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
Expenditure	\$182,747	\$182,018	\$227,275	\$233,551
Surplus	523,337	562,779	556,420	533,405
Surplus as percent of expenditure	286%	309%	245%	228%

The board reduced its fee schedule in 1978-79 as directed by the Supplemental Report of the 1978 Budget Act. Because the projected surplus continued to exceed the statutory limit, supplemental language was again adopted in 1979 directing the board to continue its schedule of reduced fees. Nevertheless, the board's projected surplus for June 30, 1980 and 1981 still exceeds the limit set by statute. We therefore recommend that a reduced fee schedule be adopted and maintained until the Board of Optometry's surplus is in compliance with existing law.

Pattern of Overbudgeting

We recommend reductions in various items based on a pattern of over-budgeting, for a total savings of \$585,000.

In analyzing prior-year expenditures and the proposed 1980-81 budget for the Department of Consumer Affairs, we identified a number of agencies that have shown a pattern of overestimating budget requirements. As a result of this overbudgeting, these agencies have consistently reverted funds at the end of the fiscal year. This pattern of overbudgeting is shown in Table 3 which covers the period 1974-75 through 1978-79.

Based on the reversion of funds by the 11 agencies during the past five years, we recommend reductions in the following items as shown in Table 4.

Table 3
Department of Consumer Affairs
Selected Agencies
Fund Reversions
1974-75 to 1978-79

<i>Item No.</i>	<i>Agency</i>	<i>Recommended Reduction</i>				
		<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1978-79</i>
75	Behavioral Science Examiners	\$30,000				
	Amount reverted		\$12,017	\$8,713	\$45,347	\$49,611
	Percent of budget		5.2	3.9	17.4	17.3
79	Medical Quality Assurance	200,000				
	Amount reverted		132,691	994,921	785,381	74,212
	Percent of budget		4.9	21.2	13.6	1.1
81	Hearing Aid Dispensers	30,000				
	Amount reverted		38,627	30,134	24,789	25,048
	Percent of budget		42.1	29.8	24.7	22.0
82	Physical Therapy	8,000				
	Amount reverted		21,131	24,815	47,226	14,863
	Percent of budget		19.3	20.3	30.9	9.0
84	Speech Pathology and Audiology	14,000				
	Amount reverted		62,128	40,247	46,845	50,079
	Percent of budget		50.9	33.4	36.9	36.2
85	Nursing Home Administrators	45,000				
	Amount reverted		18,075	8,556	50,627	50,373
	Percent of budget		12.7	4.5	24.8	22.7
105	Athletic Commission	43,000				
	Amount reverted		30,881	34,600	46,464	87,832
	Percent of budget		10.6	10.0	12.0	19.0
107	Barber Examiners	75,000				
	Amount reverted		50,791	37,451	97,170	123,556
	Percent of budget		10.0	6.8	16.8	19.4
109	Employment Agencies	75,000				
	Amount reverted		51,937	132,651	341,630	311,577
	Percent of budget		13.1	28.2	57.3	52.4
110	Fabric Care	60,000				
	Amount reverted		110,754	114,223	242,808	151,487
	Percent of budget		21.5	20.9	41.9	25.5
114	Nurses' Registry	5,000				
	Amount reverted		5,395	1,868	3,452	7,873
	Percent of budget		24.6	8.9	14.6	31.7
	Total					\$8,011
						35.1

Table 4
Department of Consumer Affairs
Recommended Reductions Based
on Overbudgeting

<i>Item No.</i>	<i>Agency</i>	<i>Amount</i>
75	Behavioral Science Examiners	\$30,000
79	Medical Quality Assurance	200,000
81	Hearing Aid Dispensers	30,000
82	Physical Therapy	8,000
84	Speech Pathology and Audiology	14,000
85	Nursing Home Administrators	45,000
105	Athletic Commission	43,000
107	Barber Examiners	75,000
109	Employment Agencies	75,000
110	Fabric Care	60,000
114	Nurses' Registry	5,000
	Total	\$585,000

DEPARTMENT OF CONSUMER AFFAIRS—Continued**Unjustified Equipment Funds**

We recommend reductions in various items for proposed equipment expenditures which are not justified, for a total savings of \$85,796. We further recommend that future budget requests not use a "miscellaneous" category for equipment items.

Our analysis indicates that many of the agencies have proposed equipment expenditures which lack adequate justification.

In some instances, our analysis indicates that, although no request for equipment was submitted by the agency, the department arbitrarily established a category entitled "miscellaneous" and inserted an amount based on prior year allocations. In other cases, our review of the equipment schedules revealed that funding requests for various items were in excess of the Department of General Services' price quotations. Also, several agencies reported to us that equipment requests were reduced but the budget failed to reflect the reduction. Finally, some agencies were unable to provide adequate justification for the equipment proposed.

We recommend that the following items be reduced for the reason(s) indicated in Table 5.

Table 5
Department of Consumer Affairs
Recommended Reductions Based on
Unjustified Equipment Requests

<i>Item</i>	<i>Agency</i>	<i>Amount</i>	<i>Explanation</i>
76	Dental Examiners	\$900	Insufficient justification
79	Medical Quality Assurance	21,550	Agency reduced request
80	Acupuncture	400	Reduced request and insufficient justification
81	Hearing Aid Dispensers	500	No agency request
82	Physical Therapy	500	No agency request
83	Physicians' Assistant	200	No agency request
84	Speech Pathology.....	200	No agency request
87	Pharmacy	5,840	Request exceeds price quote and insufficient justification
88	Registered Nursing	1,280	No agency request
102	Landscape Architects	800	Request exceeds price quote
103	Professional Engineers	6,000	Insufficient justification
107	Barber Examiners	1,796	Agency reduced request
109	Employment Agencies	500	No agency request
110	Fabric Care	800	Request exceeds price quote
115	Electronic and Appliance Repair.....	8,000	Agency reduced request
117	Division of Consumer Services.....	1,900	No agency request and insufficient justification
118	Division of Administration.....	2,500	Insufficient justification
118	Division of Investigation	32,130	Agency reduced request and exceeded price quote
Total		\$85,796	

We further recommend that supplemental language be adopted requesting that in future budgets, the department identify and justify individual items and not use a "miscellaneous" category.

Limited-Term Position Not Deleted

We recommend (a) deletion of one office assistant II position and (b) budgeting the proposed new office assistant II position for the Psychology Examining Committee at entry level, for a combined savings of \$12,422 to the Contingent Fund of the Board of Medical Quality Assurance (Item 79).

The 1979 Budget Act authorized the Board of Medical Quality Assurance to add one office assistant II position to register professional corporations. The position was approved on a limited-term basis with termination scheduled for June 30, 1980. This position would be continued by the 1980-81 budget. Our analysis indicates that this position is not needed for the budget year. We recommend deletion of the position, for a savings of \$12,182.

The department is also proposing an office assistant II position for the Psychology Examining Committee within the Board of Medical Quality Assurance. The position is budgeted at above entry level, which is contrary to provisions of the State Administrative Manual. We recommend deletion of \$240 budgeted over the entry level salary.

Discontinue Student Loan Program

We recommend that funding for the Student Loan Program of the Board of Medical Quality Assurance be deleted in the budget year, for a savings of \$100,000 to the Contingent Fund of the Board of Medical Quality Assurance (Item 79). We further recommend that legislation be introduced to eliminate this program.

Section 2177.5 of the Business and Professions Code authorizes the Board of Medical Quality Assurance to grant loans to California residents enrolled in approved California medical education programs. The intent of the loan program is to encourage physicians to practice in areas deficient in physician services. Students who do so are not required to repay the loan.

The code requires the board to make available annually at least 50 loans, not to exceed \$2,000. The board is requesting \$100,000 in the budget year for this program. This is the same amount requested in the Governor's Budget for 1979-80. The Legislature denied this request.

Since 1971, the board has made 98 loans totalling \$170,000. To date, no loans have been fully repaid.

The 1978 Budget Act required the board to adopt a plan for recovering loans before committing additional funds for this program. The board did not comply. The Supplemental Report of the 1979 Budget Act required the board to report to the Legislature on the overall efficacy of the program and submit a plan to recover delinquent loans.

On November 30, 1979 the board issued a report on the efficacy of the student loan program. This report indicates that 94 percent of all loan recipients have not practiced medicine in a medically underserved area. On this basis, the board recommended that the program be abolished.

The November 30 report included a plan to recover student loans. This plan has been instituted, and approximately \$1,900 has been collected through December 1979.

DEPARTMENT OF CONSUMER AFFAIRS—Continued

Our analysis indicates that the program has failed to fulfill its mission of promoting physician services in underserved areas. Further, the program appears unnecessary and duplicative. The Song-Brown Family Planning Physicians Training Program, administered by the Office of Statewide Health Planning, makes funds available to promote physician services in underserved areas. For these reasons, we recommend that funding for student loans for medical education be deleted from the budget, for a savings of \$100,000. We further recommend that legislation be enacted to repeal Section 2177.5 of the Business and Professions Code.

Transfer Licensing of Public Insurance Adjusters

We recommend that legislation be enacted transferring the authority to license independent and public insurance adjusters from the Department of Consumer Affairs Bureau of Collection and Investigative Services to the Department of Insurance, resulting in an estimated decrease in annual revenue of \$43,550 to the Private Investigators and Adjusters Fund and a corresponding increase in revenue to the General Fund.

The Department of Insurance licenses and regulates insurance companies and insurance brokers and agents. The Bureau of Collection and Investigative Services within the Department of Consumer Affairs is responsible for licensing all independent and public insurance adjusters. An analysis of the programs administered by both departments is included in our review of the Department of Insurance's budget (Item 166). Our analysis indicates that transferring the authority to license insurance adjusters from the bureau to the Department of Insurance would enable more effective supervision of the insurance industry as well as better service and protection for consumers. Therefore, we recommend that legislation be enacted to effect such a transfer. If enacted, revenues from licensing insurance adjusters, estimated at \$43,550 in the budget year, would be transferred from the Private Investigators and Adjusters Fund to the General Fund which supports the Department of Insurance.

Athletic Commission Costs Exceed Revenue

We recommend that urgency legislation be enacted to raise the various fees collected by the State Athletic Commission in order to increase General Fund revenue by at least \$241,245. We withhold recommendation on the commission's budget pending legislative action and further review of the commission's budget proposal.

The State Athletic Commission was established by a statutory initiative in 1924, and is responsible for regulating the sports of boxing, wrestling and full contact karate. Revenues are derived from licenses, fees, penalties and fines, and are deposited in the General Fund. These revenues are estimated at \$245,000 for 1980-81. Funds to support the commission are appropriated from the General Fund. The budget proposes an appropriation of \$486,245 for 1980-81. Thus, for the budget year, the Athletic Commission's costs will exceed the revenue it generates by \$241,245.

The Athletic Commission administers and collects 21 different fees, which are specified in Section 18680 of the Business and Professions Code. One category of licensees, including judges, timekeepers, boxers, wres-

tlers, trainers, seconds and announcers, is charged an annual fee of \$10. A second category of licensees, including professional referees, managers, matchmakers, and assistant matchmakers, is charged a \$50 annual fee. Annual fees of various amounts are also charged for agents, amateur referees, duplicate licenses, clubs and for conducting matches. In addition, the commission collects 5 percent of the gross ticket sales for regulated events.

The current fees were established in 1971. Prior to 1971, fees had not been increased since 1941, when a \$5 fee was levied for the first category of licenses and a \$25 fee was set for the second category.

We can find no compelling reason why this particular regulatory activity should receive a General Fund subsidy. The benefits of this regulatory agency accrue primarily to those persons associated with the sports of boxing, wrestling and contact karate, not to the general public. Consequently, the costs of providing these benefits should be borne by these persons rather than by all taxpayers. We therefore recommend that urgency legislation be enacted to raise the various fees specified in Section 18680 of the Business and Professions Code. Fees should be increased sufficiently to yield an additional \$241,245 to the General Fund, at a minimum. We withhold recommendation on the commission's budget pending possible action by the Legislature and further review of the commission's budget proposal.

Cosmetology Biennial License Renewal

We recommend deletion of one limited-term office assistant II position, for a savings of \$12,182 to the Cosmetology Contingent Fund (Item 108).

The 1980-81 Governor's Budget proposes an increase of five one-year limited term clerical positions at a cost of \$55,935 to process an estimated 196,000 license renewals during the budget year. Because the board renews licenses on a biennial basis, the positions are being requested on a limited-term basis through June 30, 1982. An additional \$115,458 in operating expense funds are being requested to support this process, bringing the total proposed cost of renewing licenses to \$171,393.

In 1978-79, with an estimated 190,000 licensees, the board administered the license renewal program with the equivalent of four additional personnel years in temporary help. Since that time, the license renewal operation has been partially automated, resulting in a minimum of \$30,000 in data processing costs for the budget year.

Our review indicates that five additional positions are not justified, and we recommend deletion of one limited-term clerical position, for an estimated savings of \$12,182 to the Cosmetology Contingent Fund. Our recommendation is based on (1) the board's experience in 1978-79, (2) an estimated increase of only 3 percent in the number of license renewals since 1978-79, and (3) the partial automation of the license renewal process.

DEPARTMENT OF CONSUMER AFFAIRS—Continued**Anesthesia Permit Program Overbudgeted**

We recommend a reduction of \$10,476 (Item 176) to the State Dentistry Fund because the proposed level of expenditures for the Anesthesia Permit Program has not been justified.

Chapter 886, Statutes of 1979 (SB 389), requires dentists who use general anesthesia on an out-patient basis to obtain permits from the Board of Dental Examiners. To obtain a permit, a dentist must submit to an on-site inspection at least every five years, receive training and education, and pay an annual fee. When the fiscal committees considered SB 389 the board estimated that it would cost \$35,805 annually if enacted. This amount included \$15,000 to conduct the onsite investigations which were not anticipated to be conducted during the first year of the program.

The 1980-81 Governor's Budget, however, requests \$46,281, rather than \$35,805, to fund this program. The \$46,281 cost estimate includes \$30,000, rather than \$15,000, for contractual services to conduct the onsite inspections. The board was unable to provide adequate workload or cost data to justify the \$30,000 inspection program request. For this reason, we recommend that the budget to cover costs of this program be held to the original \$35,805 estimate, for a savings of \$10,476 in Item 176.

Unbudgeted Salary Savings

We recommend a reduction of \$82,824 to the Vehicle Inspection Fund (Item 214) because of unbudgeted salary savings. We further recommend future displays of salary savings in the Vehicle Inspection Program.

The department has estimated that there will be no vacant positions during the budget year in the Vehicle Inspection Program (VIP) within the Bureau of Automotive Repair. Experience indicates, however, that salary and benefit expenditures for an agency generally are less than anticipated because of staff turnover and delays in refilling positions. Our analysis indicates that the bureau is likely to experience a 5 percent vacancy rate for VIP personnel, rather than the 0 percent estimated in the budget. We therefore recommend that salaries and benefits for the program be reduced by 5 percent, resulting in a savings of \$82,824 to the Vehicle Inspection Fund (Item 214). We further recommend that future VIP budgets display salary savings.

Review of Research and Development Unit

The Supplemental Report accompanying the 1979 Budget Act required our office to report to the Legislature on the effectiveness of the work accomplished and projects undertaken by the Research and Development Unit located within the Division of Consumer Services.

The Research and Development Unit was formally established in November 1975. Since that time, it has undergone several organizational changes and staff levels have varied from a high of 12 to a low of 3. Several managers have directed the unit, and there have been long periods when the unit had no manager.

The unit has undertaken 51 identifiable projects since June 1976. These "projects" include analyses of bills, internal management studies, report writing, grant development proposals, project supervision, and direct project implementation. The ability to measure the overall effectiveness

of these projects is extremely difficult because of changes in the activities and changing criteria for project selection.

In August 1976, a study by the department's Division of Administration's Management Systems Unit recommended that study plans be required for all projects undertaken by the unit. At that time, study plans were not routinely developed. In July 1978 the Department of Finance issued a report that found inadequate control over project selection, and strongly recommended that study plans, including criteria for post-project evaluation, be required for all projects.

In November 1978, the Division of Consumer Services developed an elaborate procedure for establishing division-wide project priorities and selecting projects in accordance with the priorities. This procedure has been implemented. In addition, the division has established criteria for evaluating the success of projects. We are unable to assess the effect of the new process on the Research Unit because no evaluations with measurable results have been produced.

In December 1979, the unit was renamed the Research and Special Projects Unit to better reflect its ongoing functions. The memo announcing the name change described the unit's functions as: (1) researching issues and analyzing data relating to consumer problems and making appropriate recommendations to division management; (2) technical assistance to other units in the division; and (3) undertaking special projects as specified. In addition, the unit manager is responsible for supervising several grant-funded projects.

Current staffing for the unit includes 3.6 positions, which is a reduction of 3 positions from the prior year. These positions include a manager, an analyst, one clerical position, and 0.6 personnel-years of temporary help.

The Division of Consumer Services estimates that the unit's operating costs totaled \$418,922 for the period July 1977 through December 1979. The division estimates benefits realized during this period range from \$580,573 to \$20 million.

We were unable to quantify a dollar value for the projects undertaken by the unit and the range of benefits suggested by the division is clearly speculative. Because of the varied nature of the projects undertaken, the changes in staffing, management and unit scope and the absence of effectiveness measures, we find that unit performance cannot be determined at this time. However, the implementation of criteria and performance measures for projects currently in progress should make it possible to evaluate the unit's effectiveness in the budget year.

DEPARTMENT OF CONSUMER AFFAIRS—Continued

State and Consumer Services Agency
DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

Item 120 from the General
Fund

Budget p. SCS 79

Requested 1980-81	\$8,375,603
Estimated 1979-80.....	7,942,629
Actual 1978-79	
Requested increase (excluding amount for salary increases) \$432,974 (+5.5 percent)	
Total recommended reduction	None

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
120 Support		General	\$5,565,833
Support		Federal	2,809,770
Total			\$8,375,603

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Case Management System. Recommend the Department of Fair Employment and Housing establish procedures for managing caseload. 164

GENERAL PROGRAM STATEMENT

The Department of Fair Employment and Housing enforces laws which promote equal opportunity in housing, employment, and public accommodations. These laws prohibit discrimination on the basis of race, religion, creed, national origin, ancestry, sex, marital status, physical handicaps, medical conditions related to cancer, and age over 40. The department was created effective January 19, 1980, by the Governor's Reorganization Plan No. 1. Previously, the program existed as the Division of Fair Employment Practices in the Department of Industrial Relations.

The department seeks to achieve its objectives through the following three programs.

1. General administration, which provides budget, accounting, personnel, and other administrative support services to the program.
2. Prevention and elimination of discrimination in employment and housing, which seeks to promote equal opportunity and to improve social relationships by preventing and eliminating discrimination in employment and housing.
3. The Fair Employment and Housing Commission, which (a) establishes policy, procedures, and regulations for purposes of fulfilling the objectives of the department and (b) holds hearings to adjudicate disputes involving discriminatory practices.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$5,565,833 from the General Fund for support of the department in 1980-81, which is \$201,384, or 3.8 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

As shown in Table 1, the department proposes a total budget-year expenditure, including federal funds, of \$8,375,603, an increase of \$432,974, or 5.5 percent, over the current year estimated expenditures.

Table 1
Budget Summary
Department of Fair Employment and Housing

	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Funding</i>				
General Fund	\$5,364,449	\$5,565,833	\$201,384	3.8%
Federal funds.....	2,062,449	2,809,770	747,321	36.2
Reimbursements	515,731	-	-515,731	-100.0
Totals	\$7,942,629	\$8,375,603	\$432,974	5.5%
<i>Program</i>				
Administration.....	\$612,000	\$714,687	\$102,687	16.8%
Personnel-years	18	21	3	16.7
Prevention and elimination of discrimination in employment and housing.....	7,080,498	7,396,998	316,500	4.5
Personnel-years	213.5	202	-11.5	5.4
Fair Employment and Housing Commission	250,131	263,918	13,787	5.5
Personnel-years	7	7	-	-
Totals	\$7,942,629	\$8,375,603	\$432,974	5.5%
Personnel-years	238.5	230	-8.5	-3.6%

Reimbursements of \$515,731, representing federal Public Works Employment Act (PWEA) funds, are expected in the current year but not in the budget year. The budget, however, expects federal funds received through a contractual arrangement with the federal Equal Employment Opportunity Commission (EEOC) to increase by \$747,321, or 36.2 percent. Under terms of the contract, the department processes discrimination cases for the EEOC. The department's budget shows the termination of 70 PWEA-funded positions and the establishment of 66 EEOC-funded ones.

The department's proposed increase of \$432,974 is due primarily to merit salary adjustments, other price increases, and the opening of four new field offices in the Oakland, Covina-Pomona, San Pedro-Long Beach, and North Los Angeles areas. The department currently has offices in Bakersfield, Fresno, Los Angeles, Sacramento, San Bernardino, San Diego, San Francisco, San Jose, Santa Ana, and Ventura. The additional offices will provide service in areas where there are high concentrations of minority employment and will be near the origin of discrimination complaints. The new offices should result in one-time costs for new equipment

DEPARTMENT OF CONSUMER AFFAIRS—Continued

and moving expenses, but should allow long-term savings in travel.

The department's 1980-81 budget also contains funding for the costs of relocating staff who were employed in San Francisco as part of the PWEA-supported backlog reduction project. Many of these employees are being retained to fill EEOC-funded positions. They will be relocated to other areas where EEOC workload is increasing.

Screening Nonmeritorious Charges

We recommend that the Department of Fair Employment and Housing establish a case management system that includes procedures for dismissing nonmeritorious charges, and report to the Joint Legislative Budget Committee by December 1, 1980.

In the "Supplemental Report of the Committee on Conference on the Budget Bill for Fiscal Year 1979-80," the Legislature requested that the department "... improve staff efficiency by establishing a caseload management system, including procedures for timely dismissal of nonmeritorious charges, and report to the Legislative Budget Committee by October 1, 1979." To date, the department has not complied with the request.

**State and Consumer Services Agency
OFFICE OF THE STATE FIRE MARSHAL**

Item 121 from the General Fund

Budget p. SCS 83

Requested 1980-81	\$3,484,195
Estimated 1979-80.....	2,950,462
Actual 1978-79	2,888,908
Requested increase (excluding amount for salary increases) \$533,733 (+18.1 percent)	
Total recommended reduction	\$456,200

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. <i>Data Processing Development. Reduce by \$138,884. Recommend deletion of data processing development.</i>	166
2. <i>Inspection of State-Occupied Lease Space. Recommend approval of two positions for inspection of state-occupied lease space and redirection of existing resources to inspection of state-owned buildings.</i>	167
3. <i>Inspection of State-Occupied Lease Space. Recommend the Fire Marshal provide a report to the Legislature regarding alternatives to duplication of inspection efforts by state and local fire inspectors.</i>	167
4. <i>Hazardous Material Training. Reduce by \$317,316. Recommend deletion of three positions and related operating expense for hazardous material training.</i>	168

GENERAL PROGRAM STATEMENT

The Office of the State Fire Marshal is responsible for preventing loss of life and property by fire. The Fire Marshal adopts fire safety regulations as authorized by the Health and Safety Code. Other responsibilities include enforcement of fire safety regulations in areas where no local jurisdiction exists and in state-occupied buildings. Statewide responsibilities include licensing and monitoring of the portable fire extinguisher and fireworks industries and cargo tanks used in transporting flammable liquids. The office also sponsors training programs for firefighters.

The office includes two programs—Public Fire Safety and Administration. The Public Fire Safety Program is composed of (1) enforcement and (2) analysis and development. Administration provides policy guidelines and administrative support.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$3,484,185 for support of the Office of the State Fire Marshal which is an increase of \$533,769, or 18.1 percent, over current year estimated expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 summarizes the program changes:

Table 1
Office of the State Fire Marshal
1980-81 Budget Changes

	<i>General Fund</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	<i>Total</i>
1979-80 Current Year Revised.....	\$2,950,462	\$17,000	\$1,309,809	\$4,277,271
1. Baseline changes	77,533	—	52,623	130,156
2. Program Changes:				
a. Inspection of state occupied buildings	—	—	80,294	80,294
b. Data processing development.....	138,884	—	—	138,884
c. Hazardous material training	317,316	—	—	317,316
Totals, Program Changes	\$456,200	—	\$80,294	\$536,494
1980-81 Proposed Expenditures	\$3,484,195	\$17,000	\$1,442,726	\$4,943,921
Percent Increase.....	18.1%	—	10.1%	15.6%

Baseline adjustments of \$77,533 for general price increases, the new data processing development program (\$138,884), and the new hazardous material handling training program (\$317,316) account for the 18.1 percent increase in the proposed General Fund budget. Other baseline adjustments of \$52,623, reimbursable through the Office of Criminal Justice Planning, are for continuation of limited term positions and related operating expense for arson detection and control training. Finally, an additional \$80,294 is proposed for two positions to inspect state occupied buildings. Costs would be reimbursed by the Department of General Services, Space Management Division, through billing charges to other state agencies.

OFFICE OF THE STATE FIRE MARSHAL—Continued**Data Processing Development**

We recommend a reduction of \$138,884 by deleting funds proposed for development of a data processing system.

The budget proposes \$138,884 for the first year cost to develop a data processing system for the Office of the State Fire Marshal. The Department of General Services (DGS) has prepared a Feasibility Study Report for this project, as required by the State Administrative Manual. The report proposes development of three data processing systems: (1) Scheduling of fire safety inspections, (2) issuance of licenses and registration relating to the fire extinguisher, fireworks and cargo tanker activities, and (3) reporting of employee time by function. At present, these activities are accomplished without the assistance of automatic data processing equipment. According to the report when the proposed systems are developed, annual costs for data processing would be approximately \$28,000. The department indicates that implementation of the proposed system would increase inspection productivity by 12 percent, and reduce the clerical workload for licensing and registration.

We have two concerns about this proposal (1) the report prepared by DGS does not adequately address alternative methods for automating these systems, (2) the department has indicated that the budgetary savings resulting from automation will be redirected to other activities rather than be used to reduce General Fund expenditures.

Feasibility Study Report (FSR). The FSR proposes that the automated system be implemented by developing a computer program at the Teale Consolidated Data Center. The program would meet the particular needs of the State Fire Marshal related to inspection scheduling, licensing and time reporting. These types of activities are not unique to the Fire Marshal's Office, and many other state agencies have fully developed computer programs which perform essentially the same data processing. For example, the Department of Health Services has a computer program for scheduling facility inspections. Many of these facilities are the same ones that the Fire Marshal must inspect, and thus existing data would be duplicated if this budget proposal is approved. One of the advantages of a consolidated data center is that it allows departments to utilize computer programs that have already been developed. The report does not indicate that existing programs have been evaluated for application to the Fire Marshal's needs. Such an evaluation may result in a substantial savings in program development costs and therefore should be undertaken before additional development funds are provided.

Another alternative which the report does not address is the possible application of advanced business machines or small office computers to meet the Fire Marshal's needs. Many departments have electronic accounting machines or mini-computers which provide a cost effective alternative to processing on large machines such as those at the Teale Center. This alternative should be thoroughly evaluated, particularly in view of the relatively minor volume of data to be automated (4,000 inspections—18,000 licenses).

Potential Budgetary Savings. The Fire Marshal has conducted a limited test of the proposed inspection scheduling system. This test indicated

a potential increase of 12 percent in field staff productivity, or the equivalent of 2.4 positions in the inspection program. If an automated inspection scheduling system is implemented, the savings should be realized through a corresponding reduction in authorized field staff. According to the Fire Marshal, this savings would amount to \$132,000 per year based on 1979-80 costs. Savings attributable to automating the licensing systems have not been quantified, although some clerical activities would be eliminated. The department should evaluate the potential savings resulting from automation in this area and propose corresponding budget reductions if the system is implemented.

More thorough information is needed to justify this proposal because alternatives to the proposed computer data processing system, as well as the potential cost savings, have not been adequately addressed. Some savings may be possible through application of new technology. The department should correct the deficiencies in the existing proposal and submit a revised proposal for the Legislature's consideration. Given the fact that the original proposal was prepared utilizing existing budget resources, the office should be able to make the necessary revisions without requiring additional funding. If the revised proposal is found to be cost-effective, it would warrant legislative support. Given the deficiencies in the current proposal, however, we recommend the proposed system not be approved at this time and that \$138,884 be deleted from the Budget Bill.

State-Occupied Buildings

We recommend approval of two positions for inspection of state occupied lease space. Further we recommend existing resources devoted to this workload be redirected to inspection of state-owned facilities.

The budget proposes \$80,294 for two positions and related operating expense to increase inspections of state-occupied lease facilities. The additional positions would provide approximately 850 additional inspections per year in state-occupied leased facilities throughout the state. They would be funded through reimbursements from the Department of General Services, Space Management Division (SMD). The pro rata charges to agencies in leased space would be increased by SMD to recover the cost of the additional inspections.

Table 2 shows the inspection rate for state-owned and state-occupied lease facilities in 1978-79. It also shows what the impact of the proposed additional positions would be on the inspection rate.

Table 2 shows that, based on 1978-79 workload data, approximately 34 percent of state-owned and state-occupied lease buildings are inspected on an annual basis. Approval of two additional positions would increase annual inspections by 850, thereby allowing the Fire Marshal to inspect 45 percent of these facilities on an annual basis. The workload data, however, indicates that the greatest need for additional inspections is not in state-occupied lease buildings, but in state-owned facilities, where only 12 percent of the buildings are inspected each year.

Based on our analysis of workload, we recommend approval of the proposed new positions. At the same time, we believe that the existing resources which undertook 440 inspections of state-occupied lease build-

OFFICE OF THE STATE FIRE MARSHAL—Continued

Table 2
State Fire Marshal (SFM)
Inspections of State-Owned and Occupied Facilities
1978-79 Workload Report

Type of Occupancy	Number of Buildings SFM Jurisdiction	Number of Inspections	Percent Inspected Annually
State-owned buildings.....	2,067	256	12
State universities	2,507	807	32
State institutions.....	1,866	1,203	64
State-occupied (leased)	1,424	440	31
Subtotals	7,864	2,706	34%
<i>Budgetary impact:</i>			
Additional inspections (2 positions)	—	850	—
Totals.....	7,864	3,556	45%

ings in 1978-79 should be redirected to inspection of state-owned buildings. Hence, we recommend that the Legislature approve the new positions with the understanding that the State Fire Marshal will redirect existing resources so as to increase the frequency of inspection for state-owned facilities. Finally, we recommend that the Legislature adopt supplemental language requiring the State Fire Marshal to report to the Joint Legislative Budget Committee and the fiscal committees on alternatives for avoiding duplication of effort on the part of state and local fire inspectors in state-occupied lease facilities.

Hazardous Material Training

We recommend a reduction of \$317,316 and deletion of three positions for hazardous materials training.

The budget proposes \$317,316 for three positions and related operating expenses for a new hazardous material training program. Hazardous materials include chemicals and other material that pose a public health or safety hazard. The training would be provided to local and state emergency response personnel, and would focus on how to respond to accidents involving hazardous materials. The course would be developed by the State Fire Marshal in cooperation with other state agencies involved in responding to emergencies involving hazardous materials. Eight training teams would be formed, each consisting of firefighters, law enforcement officers, a Cal-OSHA representative, and a Caltrans or Fish and Game

Table 3
State Fire Marshal
Hazardous Material Training

Coursework	Number to be Trained			Total
	Fire Fighters	Law Enforcement	Other ^a	
Awareness	40,000	30,000	5,000	75,000
Command	3,000	2,000	500	5,500
Specialized	10,000	7,500	1,000	18,500
Totals	53,000	39,500	6,500	99,000

^a Includes Caltrans and local public work employees.

representative. These teams would conduct three levels of training: (1) general awareness, (2) training of command personnel, and (3) training in specialized techniques. These courses would be offered to fire, law enforcement, and highway maintenance personnel over a three-year period. Presumably, participation would be on a voluntary basis. Table 3 shows the level of instruction planned for the three-year program.

Our analysis indicates that the proposed training program is not needed. Many of the personnel to be trained currently have access to similar training programs, including:

- Firefighters in major metropolitan areas;
- Caltrans maintenance personnel;
- Fire Service Training and Education Program (FSTEP) participants;
- California Highway Patrol in-service training participants.

There may be a need to expand the efforts of the existing training programs to reach additional personnel. This should be accomplished through the dissemination of course information to all potential participants. In this way the desired training can be provided without duplication and at minimal or no increase in costs.

State and Consumer Services Agency FRANCHISE TAX BOARD

Items 122-123 from the General Fund

Budget p. SCS 86

Requested 1980-81	\$78,477,093
Estimated 1979-80.....	75,029,253
Actual 1978-79	63,508,878
Requested increase (excluding amount for salary increases) \$3,447,840 (+4.6 percent)	
Total recommended reduction	\$332,130

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
122	General Support	General	\$78,452,093
123	Local Assistance	General	25,000
	Subtotal		(78,477,093)
	Reimbursements		2,250,451
	Political Reform Act (Item 411)		1,382,900
	Total		\$82,110,444

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Information Center. Recommend evaluation of benefits from providing statewide toll-free telephone service and report to the Legislature by November 1, 1980. 175

FRANCHISE TAX BOARD—Continued

2. Audit Criterion. Recommend Legislature direct the Franchise Tax Board to allocate audit positions on the basis of their marginal return to the state. 176
3. *Auditor Positions. Reduce Item 122 by \$184,000.* Recommend deletion of 12.9 personnel-years budgeted for workload growth. 176
4. Bank and Corporation Tax Program Positions. Recommend proposed positions be granted for a limited term of four years. 177
5. Senior Citizens' Property Tax Assistance. Recommend Legislature add budget language restricting the redirection of funds provided for the senior citizen's assistance programs. 178
6. *Operating Expenses. Reduce Item 122 by \$6,430.* Recommend reduction in operating expenses and equipment to correspond with deletion of 11.3 personnel-years. 179
7. *Limited-Term Administrative Positions. Reduce Item 122 by \$141,700.* Recommend deletion of 9.7 personnel-years scheduled to expire on June 30, 1980. 180

GENERAL PROGRAM STATEMENT

The Franchise Tax Board (FTB) is responsible for administering the Personal Income Tax Law, Bank and Corporation Tax Law, the Senior Citizens' Property Tax Assistance program, and the Political Reform Audit program. The board consists of the Director of Finance, the Chairman of the State Board of Equalization and the State Controller. An executive officer is charged with administrative responsibilities imposed on the board, subject to supervision and direction from the board.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes appropriations of \$78,477,093 from the General Fund for support for the Franchise Tax Board in 1980-81. This is an increase of \$3,447,840, or 4.6 percent, over current year expenditures as estimated in the Governor's Budget. However, the budget overstates current year expenditures by \$526,000. The Director of Finance notified the Legislature of her intention to authorize this expenditure under Section 28 of the 1979 Budget Act, but subsequently decided not to do so. If expenditures in the current year are reduced by this amount, the requested increase in funding is \$3,973,840, or 5.3 percent. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The department is also scheduled to receive \$3,633,351 in reimbursements, resulting in total 1980-81 budget expenditures of \$82,110,444. Of this amount, two-thirds is to be expended on personal services and one-third on operating expenses and equipment.

Table 1 compares the distribution of personnel-years and expenditures by program element in fiscal years 1978-79, 1979-80 and 1980-81. FTB's two major activities, the Personal Income Tax (PIT) and Bank and Corporation Tax (BCT) programs, account for 92 percent of total expenditures and 90 percent of board employees in 1980-81.

Table 1
Franchise Tax Board
Program Summary *
1978-79 through 1980-81

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>
Personal Income Tax	1,725.4	1,787.1	1,853.7	\$45,036,058	\$53,108,823	\$56,138,000
Bank and Corporation Tax	658.7	658.7	702.3	16,008,902	18,458,293	19,489,000
Senior Citizen's Property Tax Assistance	120.7	143.8	129.2	2,478,803	2,941,884	2,867,000
Contract work	86.1	124.5	119.5	1,998,768	2,190,601	2,208,544
Political reform audits	70.4	55.0	45.4	1,827,134	1,343,968	1,382,900
Legislative mandates	—	—	—	9,974	25,000	25,000
Administration-distributed	(165.8)	(169.5)	(166.8)	(3,252,910)	(3,629,000)	(3,721,000)
Totals	2,661.3	2,769.1	2,850.1	\$67,359,639	\$78,068,569	\$82,110,444
<i>General Fund</i>	2,504.8	2,589.6	2,685.2	63,508,878	74,503,253	78,477,093
<i>Reimbursements</i>	86.1	124.5	119.5	2,023,627	2,221,348	2,250,451
<i>Political Reform Act</i>	70.4	55.0	45.4	1,827,134	1,343,968	1,382,900

* Totals for 1979-80 have been reduced by 35.5 personnel-years and \$526,000 to reflect the amount budgeted for the current year. The distribution of program dollars was estimated by Legislative Analyst. These amounts have been excluded from personnel-year and expenditure totals in all subsequent tables.

Section 27.2 Reductions

As a result of Section 27.2 of the 1979 Budget Act, the department deleted 51.8 personnel-years (1.8 percent of total authorized positions), for a current-year savings of \$1,128,854. These reductions were distributed between the Senior Citizen Property Tax Assistance program (15.4 personnel-years and \$376,285 in savings) and the Political Reform Audit Program (36.4 personnel-years and \$752,569). However, estimated current-year expenditures for both of these programs are significantly lower than authorized levels as a result of overestimated workload levels and legislative changes. Consequently, by applying the reductions to these programs, the department was virtually unaffected by Section 27.2.

1980-81 Expenditures

The increase in expenditures for the budget year over the current year can be attributed to: (1) baseline adjustments, (2) workload changes, and (3) program changes. Table 2 identifies the portion of the overall increase attributable to each of these factors. Under workload changes, there is a \$1 million reduction shown in the Senior Citizens' Property Tax Assistance program, three-fourths of which has been redirected into the Personal Income Tax program. Under program changes, the most significant request is an \$801,000 augmentation for the FTB's Information Center, its toll-free telephone assistance service.

I. PERSONAL INCOME TAX PROGRAM

The Personal Income Tax program administers the Personal Income Tax and the Income Tax Withholding Law. Table 3 displays the resources used in each of the four program elements. The department is requesting an increase of 66.6 personnel-years or 3.7 percent, and an increase in expenditures of \$3,029,177, or 5.7 percent.

FRANCHISE TAX BOARD—Continued

Table 2
Franchise Tax Board
Proposed 1980-81 Budget Changes

	General Fund	Reimbursements	Total
1979-80 Current Year (in 1980-81 Budget)	\$75,029,253	\$3,565,316	\$78,594,569
Reduction to conform with approved budget.....	-526,000	—	-526,000
1979-80 Current Year Revised.....	\$74,503,253	\$3,565,316	\$78,068,569
<i>Baseline Adjustments</i>			
Restoration of Section 27.2 cuts.....	376,285	752,569	1,128,854
Elimination of 1979-80 "plus" adjustment	-165,181	—	-165,181
Elimination of one-time SB 93 (Chapter 1182, Statutes of 1979) costs	-30,400	-7,623	-38,023
Personal Services:			
Merit increases.....	597,580	28,308	625,888
Staff benefits—OASDI	184,285	8,761	193,046
Operating expenses and equipment	969,280	89,605	1,058,885
Subtotals, Baseline Adjustments	(\$1,931,849)	(\$871,620)	(\$2,803,469)
<i>Workload Changes</i>			
Personal Income Tax:			
Processing and tax assistance.....	\$565,900	—	\$565,900
Audits, collections and filing enforcement	212,840	—	212,840
Bank and Corporation Tax:			
Processing and tax assistance	147,100	—	147,100
Collections and filing enforcement	91,160	—	91,160
Senior Citizens' Property Tax Assistance:			
Processing and tax assistance	-1,051,000	—	-1,051,000
EDD withholding contract.....	877,111	—	877,111
Subtotals, Workload Changes.....	(\$843,111)	(—)	(\$843,111)
<i>Program Changes</i>			
Contract work	—	\$-15,400	\$-15,400
Taxpayer assistance—Information Center	\$801,000	—	801,000
Legislation:			
PRAD (Chapter 1141, Statutes of 1978)	185,880	-788,185	-602,305
BCT (Chapter 1150, Statutes of 1979)	212,000	—	212,000
Subtotals, Program Changes.....	(\$1,198,880)	(\$-803,585)	(\$395,295)
1980-81 Budget Total	\$78,477,093	\$3,633,351	\$82,110,444
Increase, 1980-81 over 1979-80 Revised:			
Amount	\$3,973,840	\$68,035	\$4,041,875
Percent.....	5.3%	1.9%	5.2%

Table 3
Personal Income Tax Program
1978-79 through 1980-81

<i>Program Element</i>	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
Self-assessment and prepayment activities	824.4	879.9	926.5	\$25,754,307	\$30,520,609	\$32,793,000
Audit activities	501.0	506.8	525.2	9,925,618	11,597,439	12,064,000
Filing enforcement activities	91.9	92.1	93.6	2,246,104	2,574,110	2,662,000
Collections	308.1	308.3	308.4	7,110,029	8,416,665	8,619,000
Administration-distributed.....	(110.4)	(112.8)	(112.8)	(2,167,237)	(2,409,000)	(2,554,000)
Totals.....	1,725.4	1,787.1	1,853.7	\$45,036,058	\$53,108,823	\$56,138,000

Self-Assessment and Prepayment Activities

The activities of the self-assessment and prepayments element include: (a) disseminating information to taxpayers, including 14 million booklets and over 56 million tax forms, (b) administering the \$11.2 million withholding tax contract with the Employment Development Department and (c) processing the estimated 10.9 million returns submitted by taxpayers. Audit activities include: (a) verifying computations on all returns filed and (b) desk audits and field audits of over 775,000 returns. The filing enforcement element utilizes information from a variety of sources to identify persons who appear not to have met their filing requirement, and the collections element attempts to collect amounts due from taxpayers.

Current Year Operations Underfunded

The Governor's 1979-80 Budget for FTB did not request increased resources to handle projected increases in workload. Instead, the budget assumed that the predicted workload increase could be handled by the existing staff as a result of productivity increases. The department indicated that if the productivity increases were not forthcoming, an additional 81 positions would be necessary. The Legislature authorized a total of 1,703.7 positions for the PIT program for 1979-80, as shown in Table 4.

Table 4
Personal Income Tax Program
Personnel-Year Changes: 1979-80 to 1980-81

<i>Personnel-Years</i>	<i>Changes in 1979-80</i>				<i>Changes in 1980-81</i>				<i>1980 Re- quested</i>
	<i>1979-80</i>	<i>SCPTA^a</i>	<i>PRAP^b</i>	<i>Redis- trib- uted</i>	<i>1979-80</i>	<i>Work- load</i>	<i>Info Center</i>	<i>Realign- ment</i>	
Self-assessment and prepayment ac- tivities	809.7	+69.5	+0.7	—	879.9	+42	+34.6	+7.8	926.5
Audit activities	494.0	+12.4	+0.4	—	506.8	+10.5	+3.6	+4.3	525.2
Filing enforcement activities.....	63.0	—	+0.1	+29.0	92.1	+0.6	+0.9	—	93.6
Collections	337.0	—	+0.3	-29.0	308.3	+4.0	+1.3	-5.2	308.4
Totals	1,703.7	+81.9	+1.5	—	1,787.1	+19.3	+40.4	+6.9	1,853.7

^a Senior Citizens' Property Tax Assistance program.

^b Political Reform Audit Program.

^c Figures have adjusted downward for the disapproval of a Section 28 letter requesting funds for Information Center positions.

The department now estimates that it will use 1,787.1 personnel-years in the current year, which implies that the productivity increases were not realized. Virtually all of this 83 personnel-year increase has been redirected from the Senior Citizens' Property Tax Assistance (SCPTA) program.

We believe that the redirection of positions to the PIT program is justified for the following reasons:

1. *Pre-1979-80 Backlog.* At the end of each fiscal year, the department has a normal backlog of approximately 200,000 PIT returns which are not completely processed. As of June 30, 1979, however, the FTB had a total backlog of about 789,000 returns. With the redirected staffing, the department plans to eliminate the entire "abnormal" backlog of 589,000 addition-

FRANCHISE TAX BOARD—Continued

al returns by June 30, 1980.

2. *Lack of Productivity Gains.* The department has been unable to generate the productivity gains needed to offset workload increases.

3. *Returns Underestimated.* It now appears as though the department's current-year PIT workload will be higher than originally estimated. FTB had initially projected receipt of 10.1 million returns in 1979-80. The department is now estimating a total of approximately 10.4 million returns.

Additional Resources Requested for 1980-81

In addition to 83 personnel-years permanently redirected to the PIT program in the current year, the FTB is requesting an additional 66.6 personnel-years in the budget year. As Table 4 shows, these positions are for: (1) additional staffing for the Information Center (40.4 personnel-years), (2) workload changes (19.3 personnel-years), and (3) a 6.9 personnel-year adjustment resulting from the Section 27.2, Budget Act of 1978 reductions. Of the total, 4.8 personnel-years would be redirected from the SCPTA program.

Information Center: Return to 1978-79 Service Level

For the past two years, the FTB has operated a statewide, toll-free telephone service—referred to as the Information Center—in order to provide taxpayer assistance to all California residents. In 1978-79 the center responded to over 1.3 million calls, answering questions on the PIT, BCT and SCPTA programs.

In the 1979 Budget Act the Legislature reduced the amount budgeted for the Information Center by \$1 million, resulting in a staff reduction of 67 positions, or 45 percent. FTB estimates that it is now capable of answering about 962,000 calls in the current year, a reduction of one-third from 1978-79.

The department requests an additional \$801,000 in the budget year so that the level of telephone service provided may be increased to the 1978-79 level. FTB indicates that it needs only \$801,000 (instead of the \$1 million that was eliminated in 1979-80) because it has realized both reduced equipment and personnel costs in the intervening time.

Our analysis of the proposal indicates the funds are needed in order to avoid the following consequences:

1. *Continued Problems in Accessing Information Center.* In the first six months of the 1979-80 fiscal year, the Information Center received over 3.9 million calls. Of that amount, it was able to answer only 326,000 calls, meaning that an individual had to dial the toll-free number an average of 12 times before receiving assistance. In one month during that period, September of 1979, an average of 29 attempts was necessary.

2. *Added Costs to Other Operations.* When individuals cannot obtain assistance through the telephone service, they may increase department workload by (a) contacting FTB district offices for advice and (b) completing their returns inaccurately, resulting in increased processing and auditing costs for the FTB.

Because of these consequences, we recommend approval of the requested staffing and expenditure levels for the Information Center.

Evaluation of the Benefits of the Information Center

We recommend that the Franchise Tax Board attempt to quantify the benefits derived from the Information Center and report the results to the Joint Legislative Budget Committee by November 1, 1980.

By June 30, 1980, the Information Center will have been in operation for two full years, with one year at a normal level of service (1978-79) and one year at a reduced level (1979-80). By making inter-year comparisons of such factors as district office contacts, correspondence levels, error rates on returns, etc., the department should be able to offer some evidence as to the benefits (or costs foregone) of increased funding for the Information Center.

Audit Activities

The audit program seeks to encourage compliance with Personal Income Tax Law provisions and to maximize state revenue. The Franchise Tax Board proposes to spend \$12.1 million and use 525.2 personnel-years on PIT audit activities in 1980-81, an increase over the current year of \$466,561 and 18.4 personnel-years. The department's request for an additional 18.4 audit positions in the budget year is in addition to 12.4 personnel-years transferred in 1979-80 from the Senior Citizens' Property Tax Assistance program to the mathematical verification element of the PIT audit program. The 18.4 position increase consists of: (1) 4.3 personnel-years for the Section 27.2, Budget Act of 1978 adjustment, (2) 3.6 personnel-years for the Information Center, (3) 0.6 personnel-year redirected from SCPTA program, and (4) 9.9 personnel-years for audit workload increases. Table 5 shows the distribution of audit resources by audit element.

Table 5
Personal Income Tax Program
Summary of Audit Element Activities
Personnel-Years and Expenditures

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>	<i>Actual</i> <i>1978-79</i>	<i>Estimated</i> <i>1979-80</i>	<i>Proposed</i> <i>1980-81</i>
Math verification	141.2	139.2	144.9	\$2,495,569	\$2,552,439	\$2,677,000
Desk audits	184.1	189.3	197.4	3,613,524	4,252,000	4,441,000
Federal audit re- ports	82.6	84.1	86.9	1,464,315	1,813,000	1,883,000
Field audits	93.1	94.2	96.0	2,352,210	2,980,000	3,063,000
Totals.....	501.0	506.8	525.2	\$9,925,618	\$11,597,439	\$12,064,000

Mathematical verification is performed by computer on virtually all returns filed (an estimated 10.9 million in 1980-81). Data from each return are entered through key data entry terminals so that the results of all arithmetic operations on the return can be verified by the computer. Thus, math verification is really more a part of the return processing activity than it is a separate audit function.

Federal audit reports are sent to the department by the IRS in cases

FRANCHISE TAX BOARD—Continued

where federal tax liabilities of California taxpayers are adjusted as a result of an IRS audit. The FTB then checks to see whether the taxpayer's state tax liability also requires adjustment. About 40 percent of the personal income tax audits to be undertaken by the board in 1980-81 will be initiated by these federal audit reports.

Desk audits are conducted by professional and clerical personnel at the FTB's operations center in Sacramento. These audits are usually conducted through telephone calls and correspondence with the taxpayer. Occasionally, desk audits are referred to the field for further investigation. Approximately 57 percent of the department's personal income tax audits (an estimated 443,000 in the budget year) are desk audits.

Field audits are conducted by professional auditors at the FTB's 17 California district offices. The audits generally require that the taxpayer meet with the auditor either at the district office or the taxpayer's premises to review the taxpayer's records. Less than 3 percent (an estimated 22,000 in 1980-81) of the FTB's personal income tax audits will be field audits.

Shift in Audit Emphasis

We recommend that the Legislature direct the Franchise Tax Board to allocate existing audit staff and all new positions on the basis of the marginal revenue expected to accrue to the state.

We also recommend the elimination of 12.9 personnel-years and \$184,000 budgeted for audit workload.

A major goal of the audit program is the maximization of state revenues. Consequently, a prime consideration in both the allocation of existing auditors and the placement of new auditors should be the amount of additional revenues which can be recovered by the audits (also taking into account, of course, the full costs of the auditing). Whenever a new audit position is authorized, the department should use that position for audits projected to return the greatest dollar amount to the state. The placement of resources where their marginal return is the highest is a basic concept of efficiency incorporated into most management decisionmaking.

The FTB does not, however, allocate audit positions based on the expected marginal return. In 1980-81, for example, the department proposes to distribute 12.9 new audit positions on the basis of such factors as increases in the number of returns, audit coverage, and geographical location. These factors are unrelated to the return expected from additional audits. FTB does use one indicator—tax change per dollar of cost—which approximates the marginal return expected from an audit. However, this indicator does not appear to be a primary consideration in the department's allocation of audit resources.

Apparently, FTB assumes that the present distribution of audit staff is an efficient one and that additional positions need to be added only on a traditional workload basis. Given the method the department uses to distribute new positions, there is no reason to believe that the current allocation is efficient.

Therefore, we recommend that the Legislature direct the department to allocate auditors where the marginal benefits to the state are the high-

est. Further, until the FTB can demonstrate that its existing resources are being used in the most efficient manner possible, we cannot recommend approval of any additional audit positions. Consequently, we recommend the elimination of the 12.9 work-years proposed for audit workload in 1980-81.

II. BANK AND CORPORATION TAX PROGRAM

The Bank and Corporation Tax program administers the Bank and Corporation Tax Law. Table 6 summarizes the activities of this program by element. Total budget year program costs are proposed at \$19,489,000, an increase of \$1,030,707, or 5.6 percent, over the estimated current year expenditures.

Table 6
Bank and Corporation Tax Program
1978-79 through 1980-81

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81	<i>Actual</i> 1978-79	<i>Estimated</i> 1979-80	<i>Proposed</i> 1980-81
Self-assessment and prepayment activities	155.0	158.3	185.5	\$3,234,116	\$3,808,293	\$4,307,000
Audit activities	328.5	328.3	342.6	8,883,907	10,366,000	10,788,000
Exempt corporations.....	32.4	34.0	34.7	682,455	861,000	882,000
Filing enforcement activities	31.3	26.0	27.0	711,316	512,000	540,000
Collections	111.5	112.1	112.5	2,497,108	2,911,000	2,972,000
Administration—distributed	(41.9)	(42.4)	(43.1)	(821,424)	(907,000)	(932,000)
Totals.....	658.7	658.7	702.3	\$16,008,902	\$18,458,293	\$19,489,000

The department proposes a staffing increase of 43.6 personnel-years, or 6.6 percent, in 1980-81. The components of the increase are: (1) 19.8 personnel-years for workload, 13.8 of which are redirected from the SCPTA program, (2) 13.9 personnel-years for administration of Chapter 1150, Statutes of 1979 (AB 66), and (3) 9.9 personnel-years for the Information Center and a PRAP adjustment of Section 27.2, Budget Act of 1978 reductions.

Limited Term for Proposed AB 66 Positions

We recommend that the 13.9 personnel-years requested for Chapter 1150, Statutes of 1979, be limited in term to June 30, 1984.

Chapter 1150, Statutes of 1979, modified tax rates and other provisions of the Bank and Corporation Tax Law. Enactment of the measure is expected to result in additional workload during the next few years, especially in the areas of math verification and taxpayer assistance. The department has requested 13.9 positions to handle the projected increase in correspondence, telephone calls and filing errors. As corporations become familiar with the changes made by Chapter 1150, this additional staffing will not be needed. The Department of Finance and FTB agree that these positions can be limited to four years. We recommend that the Budget Bill designate them as limited-term positions.

FRANCHISE TAX BOARD—Continued**III. SENIOR CITIZENS' PROPERTY TAX ASSISTANCE PROGRAM**

The Franchise Tax Board administers the Senior Citizens' Property Tax Assistance (SCPTA) program, which provides property tax relief to homeowners and renters. An individual who is 62 years or over, or who is under 62 and totally disabled, may receive assistance payments if his or her household income does not exceed \$12,000. In addition, homeowners 62 years or over with incomes below \$26,700 may also postpone their property taxes. (These programs are discussed in greater detail in the analysis of Items 476-478.)

Projected Workload Fails to Materialize

Chapter 569, Statutes of 1978, increased the number of eligible persons in the SCPTA program by extending eligibility to totally disabled persons under 62 and by raising the income limits in the renters' program from \$5,000 to \$12,000. These changes were expected to increase total claims to 955,000 in the current year. Actual participation, however, has been much less. The department now estimates that the claims received in 1979-80 will be approximately 625,000.

Because participation has been well below the original estimate, there has been a significant decline in the personnel-years needed to administer the SCPTA program. The department was authorized 240.9 positions at the beginning of 1979-80, but now estimates that only 143.8 personnel-years will be used in the current year, a reduction of 97.1 personnel-years. As discussed earlier, 81.9 of these personnel-years have been permanently redirected to the PIT program. The SCPTA program also absorbed 15.4 personnel-years in Section 27.2, Budget Act of 1979 reductions in the current year.

The SCPTA program is budgeted to decline by another 14.6 personnel-years in 1980-81. This decline is the result of three separate adjustments in the program's staffing level:

- restoration of 15.4 positions reduced by Section 27.2;
- redirection of 18.7 positions to the PIT and Bank and Corporation Tax programs; and
- elimination of 11.3 authorized personnel-years.

The net reduction is based on estimates of a continued decline in the number of SCPTA claims. The department projects total budget year claims of 570,000, a reduction of 55,000, or 8.8 percent.

Control Over Further Redirection of SCPTA Funding

We recommend that the Legislature adopt budget language restricting the redirection of funds budgeted for the Senior Citizens' Property Tax Assistance.

The department has redirected a total of 100.6 personnel-years and approximately \$1.9 million from the SCPTA program to other programs in 1979-80 and 1980-81. Most of this redirection has occurred without prior review and approval by the Legislature.

There continues to be much uncertainty regarding participation in the SCPTA program. It is possible that actual participation will be less than the department's estimate. In order to preclude another redirection outside of the budget process of FTB resources from the SCPTA program to other

programs, we recommend that the following language be added to Item 122 of the 1980 Budget Bill:

Provided further, that the funds appropriated in categories (a) and (b) of this schedule for the Senior Citizens' Property Tax Assistance program shall not be expended for any other purpose.

Reduction in Operating Expenses

We recommend that Item 122 be reduced by \$6,430, to account for a decrease in operating expenses and equipment (OE&E) accompanying the proposed 11.3 personnel-year reduction.

The reduction of 11.3 personnel-years in the SCPTA program for 1980-81, discussed above, was not accompanied by a corresponding decrease in support funding. Our analysis of the department's budget for operating expenses and equipment indicates that \$6,430 can be reduced as a result of the position reduction.

IV. CONTRACT WORK

The department provides data processing services to other state and federal agencies as a means of maximizing the use of its data processing facilities. All costs are recovered through reimbursements or fees, and departmental overhead borne by the General Fund is reduced accordingly.

The budget shows an increase of 61.7 personnel-years and \$881,591 in contract work for the budget year, reflecting the addition of two contracts with the Department of Health Services. FTB proposes to save 15.3 work-years now supported by the General Fund by converting temporary help to permanent status employees. This savings is possible because permanent full-time workers are more productive than part-time temporary workers, and require less in the way of ongoing training.

V. POLITICAL REFORM AUDIT PROGRAM

Under the Political Reform Act of 1974, the Franchise Tax Board is responsible for conducting audits of lobbyists, candidates, campaign committees and elected officials meeting criteria specified in the act.

As required by law, all amounts appropriated for administration of the Political Reform Act are budgeted in one separate Budget Bill item and distributed to the appropriate departments. For our analysis of the Franchise Tax Board's activities under this program, see Item 411.

VI. LEGISLATIVE MANDATES

The budget includes \$25,000 for reimbursement of local mandated cost resulting from Chapter 238, Statutes of 1974, as amended by Chapter 1286, Statutes of 1978. These acts require local governments to provide to the Franchise Tax Board the names of owners of substandard housing. Under specified conditions, the FTB is required to disallow the deduction of certain expenses of such owners.

Prior to the passage of Chapter 1286, the revenue gain from disallowing these expenses accrued to the state. Chapter 1286 provides that the revenue gain derived from the disallowance of deductions is to be allocated to

FRANCHISE TAX BOARD—Continued

the cities and counties where the housing is located. These funds, which were subvened to localities for the first time in the current year, are budgeted under Tax Relief, Item 484.

Because most of the local governments receiving reimbursements under the FTB's legislative mandate item are also receiving tax relief payments, we believe that the former should be offset against the latter. This recommendation is discussed in detail in our analysis of Item 484.

VII. ADMINISTRATION

The administration program provides executive direction, fiscal and personal services, statistical research, program planning and review, supply services, and maintenance. Table 7 summarizes personnel-years and costs under this program, which are distributed to the operating programs.

Table 7
Administration Program
1978-79 through 1980-81

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>
Expenditures	\$3,252,910	\$3,629,000	\$3,721,000
Personnel-Years	165.8	169.5	166.8

In prior budgets, the department has shown substantially higher expenditure and personnel-year totals for administration. For example, the 1979-80 Governor's Budget shows a personnel-year figure of 235 for 1978-79, as compared with the 165.8 shown in Table 7. The difference is due to the change in the way the department allocates administrative hours. Prior to the 1980-81 budget, FTB counted as administration time those direct hours spent in the Program Services Division, even though many of those hours could be attributed to a distinct program operation (for example, mailings or investigations). From now on, the department will delete this time from its administration total, leaving basically those administrative hours which must be prorated to all of its programs.

Reduction of Limited-Term Positions

We recommend deletion of \$141,700 to reflect the elimination of 9.7 positions due to expire on June 30, 1980.

In the 1978 Budget Act, the Legislature provided funding for an additional 11.4 personnel-years in administration, but limited the positions to two years. Of the total, 1.7 positions were subsequently eliminated by Section 27.2 of the 1978 Budget Act. The 1980-81 Governor's Budget fails to reflect the fact that the remaining 9.7 positions will expire on June 30, 1980. We have received no request to extend or establish permanently these positions; consequently, we recommend a reduction of \$141,700 and the deletion of 9.7 positions from this item.

State and Consumer Services Agency
DEPARTMENT OF GENERAL SERVICES

Items 124, 126, and 137 from the
 General Fund, and Items 128,
 130-136 from various funds

Budget p. SCS 97

Requested 1980-81	\$206,755,126
Estimated 1979-80.....	189,095,163
Actual 1978-79	155,471,963
Requested increase (excluding amount for salary increases) \$17,659,963 (+9.3 percent)	
Total recommended reduction	\$2,500,370

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
124	Department of General Services. For direct support of department operations.	General	\$5,312,499
126	Communications Division. For support of Emergency Telephone Number program, as authorized by Chapter 443, Statutes of 1976.	General	197,188
128	Department of General Services. For support of energy assessment programs.	Energy and Resources	780,000
130	Department of General Services. Provides authority whereby funds appropriated from the General Fund or other funds for purchase of automobiles or reproduction equipment may be used to augment the Service Revolving Fund which finances General Services car pool and reproduction services.	General	N/A
131	Department of General Services. For support in form of revenues from agencies receiving products or services other than printing.	Service Revolving, other activities	145,801,417
132	Office of State Printing. For support in form of revenues from agencies receiving printing services.	Service Revolving, printing	32,716,397
133	Office of Local Assistance. For support of State School Building Aid Program.	State School Building Aid	753,140
134	Insurance Office. For support of deferred compensation insurance plan administered by the office for state employees as authorized by Chapter 1370, Statutes of 1972.	Deferred Compensation	186,022
135	Department of General Services. For support of Office of Local Assistance, as authorized by Chapter 282, Statutes of 1979.	State School Deferred Maintenance	270,000
136	Department of General Services. For support of Office of Local Assistance. (Loan repayment)	State School Deferred Maintenance	(60,000)
137	Communications Division. For reimbursing local agencies in implementing Emergency Telephone Number program as authorized by Chapter 443, Statutes of 1976.	General	4,814,818

DEPARTMENT OF GENERAL SERVICES—Continued

—	Office of Minority Business Enterprise. For support of operations.	Federal	100,000
—	Department of General Services. For maintaining, protecting, and administering state parking facilities.	General (continuing appropriation)	1,605,535
—	Department of General Services. For maintaining and improving properties (1) acquired under the Property Acquisition Law or (2) declared surplus prior to disposition by state.	General (continuing appropriation)	1,225,000
—	Department of General Services. For payment of claims resulting from the Motor Vehicle self-insurance fund.	General (continuing appropriation)	2,366,332
Subtotal of department's items included in this analysis			\$195,408,528
Department's items analyzed elsewhere			
125	Office of State Architect. For acquiring art for state buildings as required by Chapter 513, Statutes of 1976 (Item analyzed on page 201).	General	300,000
127	Office of State Architect. For direct support of specified plan checking services (Item analyzed on page 204).	Architecture Public Building	1,704,935
129	Office of State Architect. For support of operations (Item analyzed on page 202).	Architecture Revolving	8,480,528
—	Office of State Architect. For verifying that plans of structures purchased with state funds are accessible for use by physically handicapped.	General (continuing appropriation)	141,315
Total expenditures budgeted			\$206,755,126

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Building Maintenance.* *Reduce Item 131 by \$214,075.* 187
Recommend reduction to adjust for delayed occupancy of new state building.
2. *State Contracting Practices.* Recommend legislative action to authorize greater use of independent contractors. 187
3. *Space Management.* *Reduce Item 131 by \$70,000.* Recommend deletion of proposed staff increases. 188
4. *State Parking.* Recommend amount budgeted for parking facilities be appropriated in the Budget Bill. Add new item appropriating \$1,605,535 from the Parking Facilities Account. Recommend control language requiring that parking rates be raised to correspond with competitive parking facilities. 189
5. *Vehicle Procurement Policy.* Recommend termination of "Buy American" policy in state vehicle procurement. 191
6. *State Police.* *Reduce Item 131 by \$148,455.* Recommend the addition of 15 dispatcher clerk positions and deletion of 15 police officers to achieve greater efficiencies in state police operation. 192
7. *State Police.* *Reduce Item 131 by \$1,488,374.* Recommend termination of "pro rata" State Police services for 193

state agencies occupying leased office space.

8. *Energy Assessment Program. Reduce Item 128 by 196 \$579,466.* Recommend deletion of four positions and contract funds to provide duplicative energy audits in state buildings.

GENERAL PROGRAM STATEMENT

The Department of General Services exists to improve the overall efficiency of state government operations by (1) performing certain management and support functions as assigned by the Governor and specified by statute, (2) providing central services to operating departments more economically than they can provide individually for themselves, and (3) establishing and enforcing statewide standards, and improving policies and procedures.

The department provides these services through two main programs: property management services (discussed on page 185) and state support services (discussed on page 189).

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$206,755,126 from various funds for support of activities administered by the Department of General Services. This is \$17,659,963, or 9.3 percent, more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year.

Table 1 presents a summary of total department expenditures, by source of funds, for the three-year period ending with fiscal year 1980-81. The department is funded by direct support appropriations, revolving fund

Table 1
Department of General Services
Total Expenditures by Source of Funds
1978-79 through 1980-81

Source of Funds	Actual 1978-79	Estimated 1979-80	Proposed 1980-1981	Percent of Total
Direct Support:				
General Fund.....	\$9,447,695	\$10,617,907	\$15,902,687	
State School Building	600,511	834,418	753,140	
Architecture Public Building Fund	1,856,795	1,605,135	1,704,935	
Deferred Compensation Plan Fund.....	120,368	178,134	186,022	
State School Deferred Maintenance Fund	—	—	330,000	
Energy and Resources Fund	—	—	780,000	
Federal Funds	98,992	100,000	100,000	
Subtotals, direct support	\$12,124,361	\$13,335,594	\$19,756,784	9.6%
Revolving Funds and Reimbursements:				
Service Revolving Fund, miscellaneous	\$108,973,151	\$136,578,176	\$145,801,417	
Service Revolving Fund, printing.....	27,862,903	30,944,019	32,716,397	
Architecture Revolving Fund	6,208,839	8,143,989	8,480,528	
Reimbursements	302,709	93,385	—	
Subtotals, Revolving Funds and Reimbursements	\$143,347,602	\$175,759,569	\$186,998,342	90.4%
Total Expenditures	\$155,471,963	\$189,095,163	\$206,755,126	100.0%

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DEPARTMENT OF GENERAL SERVICES—Continued

appropriations, and reimbursements. Direct support refers to monies appropriated specifically to support General Services' operations. Revolving fund appropriations and reimbursements permit the department to expend specified amounts from revenues it earns by providing services and products to customer agencies. Table 1 shows that 90.4 percent of the department's costs is supported from revenues earned, while 9.6 percent of these costs is funded by direct support.

Table 2 identifies the allocation of staff among department functions over the three-year period ending June 30, 1981. As the table indicates, 3,999.6 personnel-years are proposed for the budget year—a net increase of 64 personnel-years, or 1.6 percent. The most significant staff changes are: (1) an increase of 56.3 personnel-years for maintenance services in new state buildings, (2) an increase of 21 personnel-years in data processing workload, (3) a decrease of 15 personnel-years at the printing plant, and (4) an increase of 14 personnel-years for an apprenticeship program in the building and grounds division.

Table 2
Department of General Services
Staff by Programs
1978-79 to 1980-81

<i>Operating Unit</i>	<i>Filled positions 1978-79</i>	<i>Authorized positions 1979-80</i>	<i>Requested positions 1980-81</i>	<i>Percent of Total</i>
I. Property management services	1,563.7	1,599.5	1,645.8	41.1%
A. Architectural consulting and construction..	283.4	300.8	300.8	
B. Buildings and grounds.....	1,119.7	1,131.4	1,177.7	
C. Long-range facilities planning	10.2	11	11	
D. Real estate services	77.7	80.8	80.8	
E. Space management	72.2	75.5	75.5	
II. Statewide support services.....	2,130.5	2,223.5	2,237.8	56.0%
A. Administrative hearings	70.3	74.4	67.9	
B. Communications	278.3	291.3	291.3	
C. Fleet administration	146.1	146.9	156.3	
D. Insurance services	17.4	26	26	
E. Legal services	17.9	19.3	19.3	
F. Local assistance	23.3	35.3	34.7	
G. Management services office	256.4	275.2	275.2	
H. Office services	222.9	250.4	260.4	
I. Procurement	187.1	195.5	197.5	
J. Records management	37.3	30.6	30.6	
K. Security and protection	275.5	296	296	
L. State printing.....	575.9	564	564	
M. Small business, procurements and contracts	11.7	12.7	12.7	
N. California office of minority business enterprise	10.4	5.9	5.9	
III. Administration	105.2	112	116	2.9%
Totals	3,798.9	3,935	3,999.6	100.0%
Percent change	6.1%	3.6%	1.6%	

Table 3 presents total expenditures by program element during the three-year period ending June 30, 1981.

Table 4 lists the changes to the proposed 1980-81 budget, including

changes due to workload, increased costs, and new programs. It shows that of the changes totaling \$17,659,963, 36 percent are for workload, 51 percent are for increased costs and 13 percent are for new programs.

Table 3
Department of General Services
Total Expenditures by Program
1978-79 to 1980-81

Program	Actual 1978-79	Estimated 1979-80	Proposed 1980-81
I. Property management services			
a. Architectural consulting and construction	\$9,710,944	\$13,152,584	\$13,474,053
b. Buildings and grounds	24,363,993	29,462,129	32,686,217
c. Facilities planning and development	376,290	436,176	457,879
d. Real estate services	3,030,959	3,033,742	3,124,468
e. Space management	2,188,133	2,724,810	2,909,794
f. Building Standards Commission	41,149	69,195	—
g. Building rental account	21,080,864	24,273,010	24,745,417
h. Property Acquisition Act	1,172,576	1,150,000	1,225,000
i. Physically handicapped plan checking	130,825	132,285	141,315
j. State Historical Advisory Board	41,373	—	—
Total, property management services	<u>\$62,137,106</u>	<u>\$74,443,931</u>	<u>\$78,764,143</u>
II. Statewide support services			
a. Administrative hearings	\$2,475,321	\$3,053,313	\$2,959,283
b. Communications	22,988,386	28,496,908	30,642,697
c. Fleet administration	9,212,208	14,002,195	15,299,804
d. Insurance services	749,474	1,004,498	1,075,295
e. Legal services	666,783	772,621	792,953
f. Local assistance	640,236	942,418	1,059,215
g. Management services office	6,736,427	7,818,712	8,295,577
h. Office services	9,625,080	9,183,553	9,647,263
i. Procurement	20,541,094	24,422,805	25,874,190
j. Records management	1,483,263	1,841,843	1,895,865
k. Security and protection	7,258,971	8,272,840	8,498,877
l. State printing	27,862,903	30,944,019	32,716,397
m. Small business procurements and contracts	342,467	424,079	444,040
n. California office of minority business enterprise	280,517	177,476	184,399
o. Motor vehicle parking facility	693,614	1,039,818	1,605,535
p. Motor vehicle insurance	851,373	1,602,701	2,366,332
Total, statewide support services	<u>\$122,408,117</u>	<u>\$133,999,799</u>	<u>\$143,357,722</u>
III. Administration	3,222,711	3,811,355	4,074,707
IV. Emergency telephone	964,875	1,040,260	4,814,818
Sub-Totals	<u>\$178,732,809</u>	<u>\$213,285,345</u>	<u>\$231,011,390</u>
Distribution of intra-fund transfers	<u>\$23,260,846</u>	<u>-\$24,190,182</u>	<u>-\$24,256,264</u>
Total net expenditures	<u>\$155,471,963</u>	<u>\$189,095,163</u>	<u>\$206,755,126</u>
Percent increase over previous year		21.6%	9.3%

I. Property Management Services

The property management services program consists of nine elements which relate to state ownership, use and regulation of real property. The elements and their related expenditures are listed in Table 3. Although architectural consulting and construction services are included within the Department of General Services budget, we discuss these items (125, 127, 129) separately, beginning on page 198.

DEPARTMENT OF GENERAL SERVICES—Continued

Table 4
Department of General Services
Proposed 1980-81 General Fund Budget Changes

	<i>General Fund</i>	<i>Special funds</i>	<i>Federal funds</i>	<i>Other</i>	<i>Total</i>
1979-80 Current Year Revised	\$10,597,907	\$1,605,135	\$100,000	\$176,678,736	\$189,001,778
1. Workload Changes					
a. Administrative hearings	-	-	-	117,225	117,225
b. Vehicle self-insurance program	-	-	-	49,674	49,674
c. Space management	-	-	-	101,836	101,836
d. Electronic hearing reporters	-	-	-	73,941	73,941
e. Data processing	-	-	-	440,752	440,752
f. Building maintenance, special repairs..	-	-	-	1,214,000	1,214,000
g. Microwave equipment	-	-	-	694,795	694,795
h. State printing	-	-	-	-316,920	-316,920
i. Intermittent clerical pool	-	-	-	115,000	115,000
j. Office of Local Assistance	-	-	-	55,561	55,561
k. Material management system.....	-	-	-	-27,446	-27,446
l. Safety and rehabilitation program	-	-	-	171,284	171,284
m. 911 Emergency Telephone	3,701,740	-	-	-	3,701,740
(Subtotal, Workload Changes)	(3,701,740)	-	-	(2,689,702)	(6,391,442)
2. Cost Changes					
a. Merit salary adjustment	87,835	71,016	-	2,171,342	2,330,193
b. Staff benefits	9,027	2,978	-	203,827	215,832
c. Operating expense and equipment	1,484,760	25,806	-	4,874,461	6,385,027
(Subtotal cost changes)	(1,581,622)	(99,800)	-	(7,249,630)	(8,931,052)
3. Program Changes					
a. Energy efficient procurement	200,534	-	-	-	200,534
b. Energy efficient building assessment ..	579,466	-	-	-	579,466
c. Portable classrooms (AB 8)	-	-	-	185,000	185,000
d. School deferred maintenance (AB 8)..	-	-	-	330,000	330,000
e. Maintenance of new buildings	-	-	-	1,206,406	1,206,406
f. Transfer of workload to OAL	-	-	-	-72,000	-72,000
g. Building standards commission trans- fer.....	-71,400	-	-	-	-71,000
(Subtotal, program changes)	(708,600)	-	-	(1,649,406)	(\$2,358,406)
1980-81 Proposed Expenditures	\$16,682,687	\$1,704,936	\$100,000	\$188,267,504	\$206,755,126

Buildings and Grounds

The Buildings and Grounds Division provides custodial, maintenance and groundskeeping services for state buildings. The state has adopted workload standards established by the federal government which are designed to provide a moderate level of quality for building maintenance services.

The budget proposes several additions to the buildings and grounds program. First, the budget proposes \$1.2 million to perform building repairs made necessary by previously deferred maintenance. Normally the baseline repair budget is adequate to perform ongoing maintenance. However, several large projects, such as the roof of the State Capitol East Wing and the roof of the EDD building in Sacramento, have been deferred. As a result, their cost of repair is more than the normal repair budget can cover.

Second, the budget proposes 56.3 new positions to provide services to a number of new buildings expected to be occupied in the budget year. The new buildings include an annex to a Los Angeles Highway Patrol office, two Department of Motor Vehicles facilities, a Department of Justice Computer Center, the renovated State Compensation Insurance Fund building in San Francisco, a Caltrans office, and the Site 1A office building in downtown Sacramento.

Adjust Maintenance Costs for Delayed Occupancy

We recommend deletion of \$214,075 in Item 131 to adjust for the delayed occupancy of Site 1A.

The budget includes sufficient resources to staff the maintenance duties at the new Site 1A building from the period of July 1, 1980, to June 30, 1981. The building, however, will not be ready for occupancy until January 1, 1981. Therefore, we recommend a reduction of \$214,075 in funds budgeted for the period July 1, 1980-December 31, 1980.

Providing Governmental Services through Independent Contractors

We recommend that the Legislature take appropriate action to authorize the procurement of government services using independent contractors whenever it can be shown that the costs would be less than using state employees without a corresponding reduction in the quality of these services.

Both federal and local government entities have used private sector contractors to perform certain building service tasks for many years. The State of California, however, has not utilized private contracting to any great extent because the State Constitution has been interpreted by the courts to prohibit contracts for services which could be performed by state employees.

The State Administrative Manual (SAM) includes guidelines regarding the use of private sector contractors. These guidelines, which were developed by the State Personnel Board, state that procurement of independent contractors may be permissible if the work is characterized as:

1. Urgent, temporary or occasional
2. Too technical or specialized to be performed by civil servants
3. Intermittent or irregular
4. Impossible for a civil servant to perform because of the confidentiality of the activity

Despite the court rulings and the restrictions on contracting set forth in the SAM, some state agencies contract for services that could be provided by state employees. A recent report entitled "Personnel Management in State Service," prepared by the Commission on California State Government Organization and Economy (the Little Hoover Commission), pointed out that existing contract law allows Caltrans and the Department of Water Resources to approve contracts totaling over \$400 million a year and General Services to approve contracts totaling almost \$800 million a year.

At the present time, there is much confusion and uncertainty regarding the legality and merits of private contractual agreements. As the Little

DEPARTMENT OF GENERAL SERVICES—Continued

Hoover Commission report indicates, the state needs to "remove restraints and red tape on contracting already taking place and to provide the state with a basis to determine whether and in what areas of work, contracting for state-required services can produce the economies and efficiencies claimed for it."

The issue of private contracting frequently involves balancing the interests of state employees with those of state government itself, which is expected to carry out its activities in an efficient manner. Our analysis of this issue suggests that it would be appropriate to allow outside contracting where it can be shown that a service can be performed on an ongoing basis by independent contractors at a lower total cost to the taxpayers (including fringe benefits and overhead) than it can by using state employees and without any loss of quality.

Such an exception to existing contracting restrictions would not appear to be inconsistent with fair treatment of employees. Accordingly, we recommend that the Legislature:

1. Approve the submission of a constitutional amendment to the voters that would authorize the procurement of government services using independent contractors whenever it can be shown that the costs would be less than using state employees, without any loss of quality.
2. Enact legislation that designates services for which contracting may be appropriate.
3. Request the Department of Finance to develop guidelines for making cost comparisons between state and private services.
4. Request that State Administrative Manual guidelines be adopted to establish procedures for the review, evaluation and accountability of independent contractors.
5. Enact legislation setting forth appropriate competitive bidding procedures to prevent abuse of contract awards.

Space Management Division**Absorb Workload Increases through Better Staff Utilization**

We recommend that two positions proposed for increased workload in the Space Management Division be deleted, for a savings of \$70,000 in Item 131.

The budget proposes funding for two new positions to meet increased workload in space planning and leasing.

The department calculates its workload requirements by identifying future construction and leasing activities, such as space planning and lease preparation and negotiations. It then estimates the personnel-hours it will need to carry out these activities. Calculated into this projected workload figure is an estimate of "canceled hours"—hours worked on a project that is canceled by the client agency for one reason or another. The department reports that the primary reason why agencies cancel a proposed space request is that they lack the funds needed to go forward with the project. The canceled hours total over 11,000 hours, or approximately 20 percent of chargeable hours. This translates into over 7 personnel-years annually.

Our analysis indicates that the 20 percent cancellation rate can be re-

duced by better screening and better coordination of division workload. This would enable the division to handle anticipated workload without an increase in staff.

Accordingly we recommend that all state agencies making space requests be required to submit a certification from the Department of Finance that adequate funds to complete the project are available. Even if this only reduced the cancellation rate from 20 percent to 15 percent, it would still free up two positions for other duties. On this basis, we recommend the deletion of two positions in Space Management Division for a savings of \$70,000.

II. Statewide Support Services

The statewide support services program consists of 15 program elements. Table 3 lists the elements and their related expenditures over the three-year period ending June 30, 1981.

Office of Local Assistance

The Office of Local Assistance (OLA) administers the State School Building Aid Law which makes financial assistance available to school districts for acquisition and development of school sites, construction or reconstruction of school buildings, and purchase of school furniture and equipment. The OLA is proposing 3 new positions in the current year and 16 new positions in the budget year to handle the additional workload resulting from the passage of AB 8 (Chapter 282, Statutes of 1979). AB 8 establishes a Portable Classroom program and a State School Deferred Maintenance program. In addition the department is proposing to continue 2 of 5.8 positions established last year on a limited term basis to meet workload increases in the State School Building Aid program. We recommend approval.

Motor Vehicle Parking Facilities

Government Code Section 14678 authorizes the Department of General Services to provide for the acquisition, construction, and operation of motor vehicle parking facilities for state officers and employees. The department operates lots and garages containing over 5,000 parking spaces throughout the state.

Charge Market Rates for State Parking Spaces

We recommend that the Legislature (a) appropriate \$1,605,535 from the Motor Vehicle Parking Facilities Account to a new Item 131.1 for the cost of state parking facilities, and (b) add control language requiring that parking rates charged state employees be increased to correspond with comparable rates of competing parking facilities.

The Director of the Department of General Services has the authority to establish the charges to state employees for use of parking spaces in state lots and garages. The charges which are deposited in the Motor Vehicle Parking Facilities Fund, cover the costs of operating the state lots and garages and developing and constructing new lots and garages.

New Budget Item. The funds in the Parking Fund are continuously

DEPARTMENT OF GENERAL SERVICES—Continued

appropriated to the department for operational costs without legislative review. Expenditures from this fund should be subject to the same legislative oversight that is applied to other state special funds. For this reason, we recommend that the Legislature create a new item in the budget bill through which \$1.6 million would be appropriated from the Parking Fund. This would not increase state spending because the Governor's Budget shows \$1.6 million is being continuously appropriated for 1980-81. Approval of this recommendation, however, would increase legislative control and oversight of the parking fund.

Parking Rates. Government Code Section 14678 states, "In determining rates of parking fees the department shall consider the rates charged in the same locality by other public agencies and by private employers for employee parking." In practice, however the director bases parking charges on the projected operational costs of the state lots and garages. These costs include security services, maintenance, groundskeeping, shuttle buses and related administrative costs. Parking charges also are set to cover the cost of developing and constructing additional lots. The policy of the department has been to set rates that will remain constant for a three-to-four-year period.

An analysis of state parking charges indicates that there is a significant gap between state parking rates and comparable private rates. In downtown Sacramento, for instance, covered state parking costs \$18.50 per month, whereas nearby covered parking lots operated by the city cost \$43 per month. In downtown Los Angeles covered state parking costs \$16 per month, whereas nearby covered private parking lots cost \$40-50 per month.

The rates charged by General Services are low relative to private rates because the department (1) does not have to pay property taxes, (2) does not have to pay debt service, (3) makes no allowance for profits, and (4) pays no income tax.

If state parking rates were set at a level comparable to rates charged by nearby parking lot operators, as Section 14678 implies they should be, it would have these advantages:

1. *Market rates would discourage the wasteful use of gasoline.* By charging less than market rates, the state is, in effect, encouraging state employees to drive to work by subsidizing the costs of doing so. This runs directly counter to other state programs that are designed to *reduce* the number of cars being used to commute. A pricing strategy based on market costs could support the state's efforts to promote energy conservation.

2. *Market rates would reduce the need to build more state parking spaces.* Because current parking rates provide a significant subsidy to state (but not non-state) workers, existing parking spaces are oversubscribed, creating demands on the state to build additional lots and garages. If rates in state lots were comparable to rates charged by the city and other employers, there would be less demand for space, thereby reducing the need for additional state parking spaces.

On the other hand, raising the rates to a level comparable with rates charged by private parking operators would have the following drawbacks:

1. *It would increase the financial burden on those employees who continue to park in lots.*
2. *It would increase street parking in adjacent residential or business areas.*

We believe the advantages of raising parking rates to market levels outweighs the disadvantages. Consequently we recommend that control language be included requiring that parking rates charged to state employees be raised to market levels.

If our recommendation is approved, the Motor Vehicle Facilities Fund will realize additional revenues of approximately \$1.5 million. Because the amount is in addition to the \$1.6 million currently collected and appropriated for operating costs, these funds would be transferred to the General Fund as required by Government Code Section 14768.

Procurement Division

We recommend that the Director of General Services be directed to (1) terminate the exclusion of foreign manufactured vehicles from the state vehicle procurement program and (2) use a life cycle cost approach in all vehicle bidding procedures.

The Procurement Division annually purchases approximately 3,300 vehicles valued at approximately \$20 million. These vehicles are distributed to various state departments. The Procurement Division uses a sophisticated bidding process for each type of vehicle to be purchased: passenger, truck, vans, etc. On the basis of numerous studies and analyses, the Division has developed specifications which attempt to insure that vehicles with the lowest purchase price, lowest maintenance costs, and greatest reliability will be purchased.

The division's efforts to purchase the least expensive and most economical vehicles are not always successful because the division also has adopted a policy of buying only those vehicles manufactured or assembled in the United States. Our analysis indicates that this policy prevents the state from obtaining more fuel-efficient vehicles that could reduce both state costs and oil imports. This is especially true with respect to foreign-made trucks which appear to offer opportunities for achieving significant savings.

Of the 31,000 vehicles in the state's inventory, approximately 30 percent, or 10,000, are trucks. Approximately half of these are classified as light trucks. Generally these are American-made half-ton and three-quarter ton trucks with gas mileage ratings in the 11- to 15-miles-per-gallon range. Because foreign manufacturers dominate the light utility size truck segment of the market, the state's procurement policy does not allow it to capitalize on the higher fuel economy of small foreign-made trucks.

The cost and energy efficiency advantages of foreign-made trucks are illustrated in the following comparison. The Department of Forestry is proposing to purchase 16 light trucks in the budget year. The trucks, which must be purchased through the Procurement Division, are half-ton American-made trucks with a V-6 or V-8 engine and with an average gas rating of about 15 miles per gallon. Each truck costs approximately \$5,800. The

DEPARTMENT OF GENERAL SERVICES—Continued

state's procurement policy does not allow foreign-built pickups to be purchased. These pickups have four-cylinder engines that average from 20 to 26 miles per gallon, and cost approximately \$4,500. Assuming 15,000 miles per year, similar maintenance repair costs, a life expectancy of 7 years, and constant gasoline prices, the foreign-made trucks would cost \$500 to \$900 less per year to operate than the American made truck. This represents a savings of \$52,000 to \$92,000 over the life of all 16 trucks, combined, even at today's gasoline prices. The savings would be higher at higher gasoline price levels. Consequently, the purchase of American pickup trucks cannot be justified on the basis of life cycle total cost. In order to achieve the savings offered by foreign-made vehicles, we recommend that the Legislature direct the department to discontinue excluding foreign-made vehicles from the state vehicle procurement program.

State Police

The California State Police Division provides a wide range of general law enforcement services, including criminal investigations, crowd control, air, motor, bicycle and foot patrol, electronic countermeasure detection, and explosive ordnance disposal. The division provides security services to safeguard state facilities and grounds, including security surveys, facility inspections, and nighttime security checks. The division also provides protective services for constitutional officers and legislative members.

Achieving Greater Efficiencies in the State Police Operation

We recommend that 15 dispatcher-clerk positions be added and 15 police officer positions be deleted for a net reduction of \$148,455 in Item 131.

The California State Police Division is authorized 296 positions, including 278 uniformed personnel and 18 nonuniformed personnel. The department has provided information indicating that in fiscal year 1978-79, over 15 police officer personnel-years were used to provide radio dispatch support in the Sacramento, Los Angeles, and San Francisco offices.

We have analyzed the job descriptions of police officers and clerk-dispatchers and have concluded that dispatch support services are more properly performed by a clerk-dispatcher classification. With adequate training and ongoing police officer supervision, the clerk-dispatchers can develop the necessary expertise and specialization to maintain the current high levels of service provided by police officers. Moreover, substituting a clerk-dispatcher for a police officer would result in considerable savings because of the higher salaries, higher training costs, and higher employee benefits associated with using police officers, as shown in Table 5.

Consequently, the California State Police Division could increase the efficiency of its internal operation by providing radio dispatch services using dispatcher-clerks rather than police officers. Radio dispatch services would be provided at current levels, but at a significant decrease in cost-per-position resulting in an estimated annual savings in salary and benefit costs of \$148,455.

We therefore recommend that Item 131 be reduced by \$148,455.

Table 5
Comparison of Various Costs
For State Police Officer and Clerk-Dispatcher

	<i>Police Officer</i>	<i>Clerk-Dispatcher</i>
Annual salary	\$19,140 *	\$11,785
Annual benefits	5,933 (31%)	3,417 (29%)
Training first year (est.)	—	275
Uniform allowance and special equipment	200	—
Other expense	300	200
Total cost per position	\$25,573	\$15,676
Net cost difference per position		\$9,897
Total savings (15 positions)		\$148,455

* Middle range

Terminate Duplicative Law Enforcement Activities

We recommend the reduction of \$1,488,374 from Item 131 to terminate the provision of routine state law enforcement services to agencies in leased office space.

State Police Funding. The State Police offers two basic types of services: general law enforcement services and security services. The provision of these services is funded from three different sources: "General Fund", "pro rata", and "contracts". Table 6 shows the positions and expenditures supported by each of these categories.

The positions supported from the General Fund are devoted to the protection of the State Capitol area and the protection of constitutional officers. These positions are funded directly from the General Fund because the benefits of the service cannot be attributed to any one agency.

The positions supported by pro rata charges provide routine police protective or law enforcement services for state facilities located in major metropolitan areas.

The pro rata service is described in the 1980-81 Price Book as "The minimum level of basic police and security protection. This service is provided to a single building or a group of buildings or other state property on an as-needed or called-for basis. The service does not provide for the continued presence of either an officer or a guard. It does provide for the routine patrol and protection of occupants of state property and for the property itself."

All state agencies within the protected area are charged a fee to cover these costs. The charge to individual agencies in 1980-81 will be 25.2¢ per square foot of building space and 6.3¢ per square foot of parking space. A significant portion of these police services are billed to agencies in privately owned leased space office buildings. Table 7 identifies the amount of state owned and leased space by square footage in Sacramento, Los Angeles and San Francisco. Statewide, over 90 percent of the space billed for police services is in these metropolitan areas. For these three areas combined, 49 percent of all state office space is leased.

The positions and resources funded from the contract services category are used to provide security services at a higher level than that supported

Table 6
California State Police
Source of Funds and Distribution of Personnel
1980-81

	<i>General Fund</i>		<i>Pro Rata</i>		<i>Contracts</i>		<i>Total</i>			
	Personnel-Years	Expenditures	Personnel-Years	Expenditures	Personnel-Years	Expenditures	Personnel-Years	Expenditures	Percent	
Police officer	70.3	\$2,282,150	79.7	\$2,295,073	80	\$2,469,890	229	77.0%	83.0%	
Security officers	—	—	9.5	239,139	15.5	416,469	25	8.4	654,608	7.7
Security guards	—	—	16.0	287,852	5.0	96,494	21	7.1	384,346	4.5
Support	4.7	96,824	7.8	155,685	7.5	160,301	21	7.1	412,810	4.8
Totals.....	75	\$3,143,154	113.0	\$2,976,749	108.0	\$2,378,974	296	100.0%	\$8,498,877	100.0%
Percent.....	25%	38%	38%	36%	37%	29%				

by pro rata charges. Typically, when an agency identifies a persistent security problem, the state police will perform a security survey. Then the two agencies will enter into a contractual agreement to provide for additional services. The current hourly charges are \$25.15 for a police officer, \$20.80 for a security officer, and \$13.75 for a security guard.

Analysis. As a tenant in leased space, the state is paying twice for law enforcement services. First, a portion of the state's rental payment goes for property taxes which support local law enforcement agencies providing law enforcement services to these buildings. In addition, the rent covers the cost of any security-type personnel the building owner may employ. Secondly, the state is paying for law enforcement provided by the State Police through the pro rata charge. As a result the current policy of providing routine police services to state tenants in leased space results in an expensive and unnecessary duplication of services.

Table 7
State Owned and Leased Space Billed for Police Services in
Sacramento, Los Angeles and San Francisco
1979-80

	<i>Sacramento</i>		<i>Los Angeles</i>		<i>San Francisco</i>	
	Total	Percent	Total	Percent	Total	Percent
Office space (square footage)						
Leased	2,931,261	46.6	1,684,029	58.3	504,562	39.6
State owned	3,354,688	53.4	1,203,167	41.7	768,933	60.4
Totals	6,285,949	100.0	2,887,196	100.0	1,273,495	100.0
Parking space (square footage)						
Leased	3,015,117	57.0	2,203,200	55.7	171,000	75.7
State owned	2,270,700	43.0	1,754,700	44.3	56,400	64.3
Totals	5,285,817	100.0	3,957,900	100.0	227,400	100.0

We therefore recommend a reduction in Item 131 of \$1,488,373 and a deletion of 56 positions to reflect the termination of routine state law enforcement services to agencies in state occupied leased space. This amount is based on the estimated amount of billings to state agencies occupying leased space. Because approximately 50 percent of state office billings are made to occupants of leased space, we have recommended a 50 percent reduction in routine police services, or 56 positions. Table 8 shows the effect of our recommendation in reducing state police staff from 296 to 240 positions, an 18.9 percent reduction.

III. ADMINISTRATION

The administration program contains executive management, fiscal, and personnel functions which support the department's line programs. The department also provides accounting, budgeting, and personnel services to a number of smaller state entities on a reimbursable basis.

DEPARTMENT OF GENERAL SERVICES—Continued

Table 8
Recommendation of Legislative Analyst's Office (LAO)
Impact on Positions
State Police

<i>Funding Source</i>	<i>Purpose</i>	<i>Positions</i>		
		<i>1980-81 Budget</i>	<i>Analyst's Proposal</i>	<i>Net Change</i>
1. <i>General Fund</i>	protection of Capitol Park, constitutional officers	75	75	0
2. <i>Contract</i>	security services.....	108	108	0
3. <i>Pro rata</i>	routine law enforcement.....	113	57	56
	Total positions, State Police	296	240	-56

New Energy Assessment Projects

We recommend deletion of duplicative energy assessment projects for a savings of \$579,466 in Item 128.

The department is requesting a total of \$579,466 to implement a comprehensive program of energy conservation for state-owned buildings. Successful implementation of this program will result in "uniform long-range reduction of energy consumption and related energy costs." Funding for this will come from the new Energy Resources Fund which does not exist under current law. This request consists of two parts.

The first is a proposal to add four new positions and \$150,000 to evaluate the design of new state buildings, and propose and coordinate energy savings projects. As part of this effort, the department intends to undertake detailed energy audits and engineering assessments of approximately 35 Office of State Architect (OSA) projects. This proposal is intended to "identify the most promising opportunities for energy efficiency improvements." Our analysis of the current responsibilities and duties of OSA indicates that energy efficiency criteria are already included at every step of design and development. We can find no justification for the department to duplicate this responsibility.

The second proposal is for \$429,466 for consultant contracts to perform energy audit and engineering assessments of existing state buildings. These assessments would entail: (1) surveys of existing mechanical equipment in state buildings, (2) numerical analysis of heating and cooling patterns, (3) recommendation of conservation measures, (4) cost estimates on a life cycle cost basis, (5) preparation of four design schematics. Our analysis indicates that these proposed work plans would duplicate an already-completed study of state buildings performed by the Energy Commission during the current year. The commission study compiled information on existing energy uses, assessed the efficiency of that usage, and recommended no-cost or low-cost conservation measures to realize significant energy savings. Utilization and implementation of these relatively simple conservation measures should be accomplished before another series of review and survey type activities is funded.

An analysis of the department's proposal indicates that it would duplicate (1) previously funded work and (2) the activities of existing state agencies. The program would also be funded through a special fund that will require legislative authorization before funds can be expended.

Therefore we recommend deletion of duplicative energy assessment projects, for a savings of \$579,466. Instead, the department should begin implementing those cost-justified energy savings projects identified by the Energy Commission study. We note that the 1980-81 Governor's Budget proposes \$1 million for the funding of such projects.

IV. EMERGENCY TELEPHONE NUMBERS—LOCAL ASSISTANCE (Item 137)

Under this program, General Services reimburses local public agencies for their costs in implementing emergency telephone number systems.

Chapter 1005, Statutes of 1972 (AB 515), requires local public agencies to establish within specified guidelines emergency telephone systems to enable an individual to contact emergency services, including medical service, police and fire protection, by dialing "911." The act required that the communications division of General Services promulgate statewide standards for such systems.

Subsequently, Chapter 443, Statutes of 1976 (AB 416):

1. Established a tax on intrastate telephone calls beginning November 1977 to fund emergency telephone systems mandated by Chapter 1005.
2. Created a State Emergency Telephone Number Account in the General Fund to receive the tax proceeds.
3. Created within General Services an Advisory Committee on the State Emergency Telephone Number.
4. Required that local governments be reimbursed for costs of installing and operating emergency telephone systems.

5. Appropriated \$1,222,000 from the General Fund for reimbursable expenses incurred by local governments and General Services until the tax proceeds become available.

Chapter 352, Statutes of 1978 (SB 1457) extended various time requirements for implementing the 911 emergency telephone number program. Chapter 352 requires the Communications Division of DGS to assist local government agencies in placing firm orders for their "911" systems with local telephone companies by July 1, 1981. Currently, there are 52 local agencies operating "911" systems with state funding. During fiscal year 1980-81, the division anticipates approving 75 local agency requests for funding, and providing technical and planning assistance to approximately 116 communities. The department budget proposes a total of \$5,012,006, including \$4,814,818 for reimbursement to local agencies and \$197,188 for state administrative costs. The reimbursement funds include installation costs of \$832,743, first-year annual costs of \$1,813,584, and recurring costs of existing systems of \$2,168,491.

**Department of General Services
OFFICE OF STATE ARCHITECT**

Item 125 from the General Fund

Budget p. SCS 98

Requested 1980-81	\$300,000
Estimated 1979-80	300,000
Actual 1978-79	0
Requested increase—None	
Total recommended reduction	\$300,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Acquisition of Works of Art. Delete Item 125, a reduction of \$300,000.* Recommend deletion of funds for works of art in state buildings. 198

GENERAL PROGRAM STATEMENT

Chapter 513, Statutes of 1976, established a program for acquiring works of art in state buildings. Funding for the program is provided by Budget Act appropriations to the Department of Finance which are allocated to the State Architect.

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of Item 125, for a savings of \$300,000.

The budget proposes an appropriation of \$300,000 from the General Fund for allocation by the Department of Finance to the Office of State Architect (OSA) for art in state buildings. This is the same amount appropriated in the current year. Budget Bill language (1) requires the State Architect to consult with and enlist the cooperation of the California Arts Council, and (2) restricts expenditure of the funds to art in new state buildings and limits funding to no more than \$100,000 per building. The same language was included in the Budget Act of 1979.

Other than the budget language, no information regarding the request has been provided.

Previously Funded Program. It is our understanding that the \$300,000 appropriated in the 1979 Budget Act will be used to acquire artwork for Sacramento office buildings 1A and 1B and for the San Jose office building. During 1979 budget hearings, the State Architect indicated that these funds were needed in 1979-80 to enable coordination between the artist and architect during development of working drawings for construction of the building. However, working drawings for the buildings have been completed and to date no artists have been selected, and no information has been provided regarding the artwork to be acquired.

The Budget Act of 1977 provided \$700,000 for the Art in State Building Program—\$650,000 for 51 projects and \$50,000 for administration. In 1978 the State Architect reported that only 24 art projects costing \$520,000 would be funded from that appropriation. It is our understanding that

three of those projects are not yet completed.

Thus, the 1977 program is incomplete, the \$300,000 program in the Budget Act of 1979 has not been implemented and the State Architect has not provided information regarding proposed expenditure of the \$300,000 request in the Budget Bill. Consequently, at this time, there is not an adequate basis upon which the Legislature can evaluate the proposed expenditure of an additional \$300,000.

Department of General Services OFFICE OF STATE ARCHITECT

Item 127 from the Architecture
Public Building Fund and
Item 129 from the Architecture
Revolving Fund

Budget p. SCS 98

Requested 1980-81	\$10,185,463
Estimated 1979-80.....	9,749,124
Actual 1978-79	8,665,634
Requested increase (excluding amount for salary increases) \$436,339 (+4.5 percent)	
Total recommended reduction	\$95,000

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
127	Office of State Architect/Structural Plan Checking	Architecture Public Building	\$1,704,935
129	Office of State Architect/Architectural Consulting and Services	Architecture Revolving	8,480,528
	Total		\$10,185,463

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Structural Plan Checking. Reduce Item 127 by \$95,000.* 201
Reduce authorized positions commensurate with reduced workload in checking plans for public school construction. In addition, reduce Item 131, Service Revolving Fund, by \$77,400 commensurate with workload reduction for checking plans for hospital construction.
2. *Office of State Architect—Architecture Revolving Fund, Item 129.* Recommend that approval of the Office of State Architect budget be withheld until the office (1) submits to the Legislature its detailed schedule for completion of projects in the Budget Bill and (2) resubmits to the Legislature its annual capital outlay status report. 202
3. *Modify Government Code.* Recommend legislation be enacted to require that excess construction amounts be returned to the original fund source. 205

OFFICE OF STATE ARCHITECT—Continued**GENERAL PROGRAM STATEMENT**

The Office of State Architect (OSA) provides two basic services. First, OSA provides a full spectrum of architectural and engineering services and operates a construction inspection service for all state projects as required by law. Second, OSA provides a structural plan checking service with regard to (1) the physically handicapped building accessibility law, (2) the Field Act for school buildings (earthquake safety), and (3) the hospital seismic safety code. In addition, the OSA provides staff assistance to the building standards commission and is responsible, with the assistance of the Arts Council, for the acquisition of works of art for display in state buildings. The responsibility for the commission is being transferred to the State and Consumer Services Agency effective July 1, 1980.

OSA is reimbursed for all of its direct and overhead expenses in connection with each job. The architectural and engineering service activities are financed from the Architecture Revolving Fund (Item 129). Funds appropriated by the Legislature for specific projects are deposited in the fund and assessments for services provided are then made against each project account. Consequently, office workload is dependent, for the most part, upon the level of capital outlay appropriations by the Legislature.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations, totaling \$10,185,463, for support of the Office of State Architect in 1980-81. Item 127 appropriates \$1,704,935 from the Architecture Public Building Fund for plan checking and construction inspection activities related to public schools and hospitals. Item 129 appropriates \$8,480,528 from the Architecture Revolving Fund for the general support of OSA. These amounts are \$436,339, or 4.5 percent, more than the estimated current year expenditure from these two sources. Additional funds totaling \$2,986,765 are made available from the Service Revolving Fund (Item 131) for the hospital plan checking/inspection program (\$2,393,635) and program costs unrelated to specific capital projects (\$593,130).

Public Schools and Hospital Plan Checking and Inspection Program

The OSA plan checking and construction inspection activities related to public schools are funded from the \$1,704,935 in Item 127—Architecture Public Building Fund and \$2,393,635 for the hospital program in Item 131—Service Revolving Fund.

The OSA does not perform any design work under this program. Rather, it checks plans developed by others for conformance to code requirements, and inspects and monitors construction programs to assure compliance with the plans. In the case of public school construction, OSA receives a fee for its services based on estimated construction costs. In the case of hospital construction, the OSA is under contract to the Office of Statewide Health Planning and Development and is reimbursed for direct costs plus overhead from fees charged by the Office of Statewide Health Planning and Development which are based on estimated construction costs.

Table 1 shows the department's estimated trend in schoolhouse and hospital construction and the resulting budgetary impact on the OSA plan checking program.

Table 1
Structural Plan Checking
Governor's Budget Estimate for
Workload Funding and Staffing Changes

<i>Construction Value</i>	<i>Actual</i>	<i>Estimated</i>		<i>Percent Change From</i>
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1979-80</i>
Public Schools	\$241,574,909	\$275,000,000	\$302,500,000	+10%
Hospitals	196,415,917	359,700,000	395,700,000	+10
Totals.....	\$437,990,826	\$634,700,000	\$698,200,000	+10
Total program expenditure.....	3,014,577	3,998,808	4,098,570	+2.5
Production—personnel-years	85	90.2	90.2	—

Reduced Workload

We recommend that authorized positions for the structural safety section be reduced from 90.2 to 85 for a savings of \$172,400—\$95,000 from Item 127 and \$77,400 from Item 131 (Service Revolving Fund).

Our analysis indicates that the staffing request for the structural section is not fully justified because workload is likely to be less than estimated in the budget. While the construction values shown in Table 1 imply an increase in workload, they actually represent a constant level of construction activity in both public schools and hospitals, when the construction value is adjusted for inflation. Construction costs will probably increase by about 8 percent to 10 percent in 1980-81.

More importantly, workload estimates in the budget have proven to be unreliable in recent years. For example, if the actual value of plans checked by OSA in 1978-79 is compared with the estimated value of these plans in the Governor's 1979-80 Budget, it turns out that the actual was 64 percent less than the estimate for public schools and 31 percent below the estimate for hospital buildings. Similarly, in 1977-78 actual values were 20.3 percent less and 52 percent less than estimated values for public schools and hospitals, respectively.

When adjustments are made for inflation and the reliability of workload estimates in the budget, the number of production personnel-years required in 1978-79 (85) should be adequate to sustain the plan checking effort. Thus, we recommend a total reduction of \$172,400 which, based on workload trends, should consist of \$95,000 from Item 127 and \$77,400 from Item 131.

Physically Handicapped Plan Checking

The Budget Act of 1979 included budget language prohibiting the State Architect from implementing regulations for accommodating physically handicapped persons in public buildings until the final regulations had been reviewed by the Legislature. The regulations pertain to new construction and alterations. The restrictive language was added because of

OFFICE OF STATE ARCHITECT—Continued

the Legislature's concern that the regulations, as then proposed by the State Architect, could have had a detrimental effect on the accessibility program by increasing alteration costs for existing buildings to the point where alteration projects become infeasible.

During hearings on the 1979 Budget Bill the OSA indicated that final public hearings on the regulations would be held in May 1979, and that the final regulations would be available by July 1979. Consequently, the Legislature anticipated that it would review the proposed regulations in early 1979-80 and that the final regulations would be enforced during most of fiscal year 1979-80. The OSA now advises us that public hearings will not be held until February or March 1980, and that the final proposed regulations will not be available to the Legislature until mid-April or early May. It is important that the OSA meet this schedule so that the Legislature will have an opportunity to review the regulations during budget hearings, and the issuance of the final regulations will not be delayed further. We will provide a supplemental analysis as soon as we have received and reviewed the final proposed regulations.

Architectural and Engineering Services

The budget for OSA Architecture Revolving Fund activities identifies four major categories and services. These categories and the anticipated construction value of each are identified in Table 2.

Table 2
Architectural and Engineering Services
Categories and Estimated Construction Value

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Estimated 1980-81</i>	<i>Change from 1979-80</i>
Basic services	\$27,334,000	\$30,200,000	\$32,314,000	+7%
Contract architect program	81,066,000	160,916,000	160,916,000	—
Construction services	54,167,284	76,003,821	81,324,088	+7
Disaster services (hours)	2,732	2,868	2,839	-1

Continued Delays in Project Design

We recommend that approval of Item 129, support of Office of State Architect (OSA) from the Architecture Revolving Fund, be withheld until (1) the OSA provides a detailed schedule for completion of projects for which OSA is responsible, in accordance with the Supplemental Report of the 1979 Budget Act, and (2) the OSA resubmits its annual capital outlay status report to the Legislature.

The Supplemental Report of the 1979 Budget Act requires the OSA to provide an annual status report on all capital outlay projects included in that Budget Act as well as a status report on projects in each subsequent Budget Act. Projects for agencies not required to use the office are not covered by this requirement. The report is supposed to include details of any project delays, and is to be submitted to the Legislature by January 1 of each year.

The status report concerning projects in the 1979 Budget Act has been submitted to the Legislature. The report, however, is not fully responsive to the supplemental language because it does not identify or include

details of all projects that have been delayed during the current year. The report indicates that 18 projects have been delayed for various reasons outside the control of the OSA. It does not identify or detail the reasons why a number of other projects have been delayed. A sample of projects which, according to the January 1980 "master workorder list", have not proceeded on schedule but details of the delays are not discussed in the report are:

- Construct—upgrade internal security and control, San Quentin—construction 6 months behind original schedule.
- Construct—convert south block "C" section to special housing unit, San Quentin ^a—construction 2 months behind original schedule.
- Construct—convert east, west, "J" and "L" wings to special housing, Deuel Vocational Institute ^a—2 months behind original schedule.
- Construct—install restrooms for handicapped, public health building, Berkeley—construction 4.5 months behind original schedule.
- Construct—Department of Motor Vehicles (DMV) office building, Pleasanton—construction 3.5 months behind original schedule.
- Construct—DMV building, San Pedro—construction 3.5 months behind original schedule.
- Construct—DMV building, Torrance—construction 2 months behind original schedule.
- Construct—state office building, site 1B, Sacramento—construction 6 months behind original schedule.
- Construct—San Jose state office building—construction 4 months behind original schedule.
- State office building, site 1C, Sacramento—working drawings 2 months behind original schedule.
- Los Angeles state office building—original schedule indicated schematic plans to begin May 1979; preliminary plans to begin November 1979 and working drawings to begin April 1979; current schedule indicates no work to be accomplished during 1979-80.

^a In the Supplemental Report of the 1979 Budget Act, the Legislature specified that the special housing units at San Quentin State Prison and Deuel Vocational Institute were to be considered high priority projects and directed the Office of State Architect to expedite the projects.

In view of the many project delays, the OSA does not appear to have significantly improved or streamlined its procedures sufficiently to enable the state's capital improvement program to proceed in a timely and economical manner. The causes of these delays, and the corrective actions necessary to overcome them warrants the Legislature's attention because of the heavy costs that result from inflation whenever projects are delayed. For this reason, we recommend that approval of the OSA support and operations budget be withheld until the OSA provides a revised status report to the Legislature identifying the reasons for project delays and submits the March 1 schedule for completion of projects in the Budget Bill.

As requested by the Supplemental Report of the 1979 Budget Act, we have compared the advantages and disadvantages of meeting the California Highway Patrol's building needs through capital outlay appropriation with build-to-suit lease with purchase option. This comparison is included

OFFICE OF STATE ARCHITECT—Continued

as part of our analysis of the patrol's capital outlay program. We found that capital outlay funding should be less expensive than lease with purchase option for equal facilities. If, however, capital outlay procedures cannot be revised to expedite site acquisition and planning and to reduce construction costs, the advantages of capital outlay funding will not be realized. Under these circumstances, all of the patrol's facility needs should be met through lease with purchase option agreements. This conclusion is applicable not only to the capital outlay program of the patrol but to the building programs of most state agencies.

State Office Buildings

Under the guidance of OSA, the new state office building program is too costly and behind schedule. Table 3 compares the budgeted construction costs and the cost based on competitive bids.

Table 3
State Office Building Construction Program
Comparison of Original Budget and Bid Costs

Building	Construction Cost		Difference
	Original Budget	Bid	
Site 1A	\$12,905,800	\$16,279,000	\$ + 3,374,000
Site 1B	10,183,000	13,286,275 ^{a,b}	+ 3,103,275
Site 1B (parking)	2,907,000	7,050,000 ^a	+ 4,143,000
Site 3	15,941,000	18,550,000	+ 2,609,400
Justice (phase I)	4,267,540	5,390,000	+ 1,122,460
Justice (phase II)	14,739,078	20,848,000 ^a	+ 6,108,992
Long Beach.....	10,087,000	12,176,545 ^c	+ 2,089,545
Total Difference			\$ + 22,550,672

^a Bids rejected—project not yet under construction.

^b Site 1B office building and parking garage were bid as one project and parking garage was also bid separately (on same bid date). Office building cost is based on bid for combined project as bid for garage.

^c Original project bids rejected and the project was redesigned and rebid. The bid figure represents bid amount for the redesigned building.

Because bids have come in so much higher than the budgeted amounts, only site 1A and Long Beach are under construction. The site 3 building should be under construction this spring.

Site 1A was originally budgeted for construction in the 1976 Budget Act and according to OSA, construction was to begin by the summer of 1977. However, the building had to be completely redesigned, and the project budget had to be augmented twice by the Legislature, before construction could start. The building should be completed early in 1981—nearly three years later than OSA's original schedule showed. As shown in Table 3, the cost of the building exceeded the construction budget by \$3,374,000. In addition it has been necessary to continue leasing approximately 200,000 square feet of office space on account of the delay. Based on current lease rates in Sacramento, comparable lease space costs approximately \$1.8 million, annually.

Other than site 1A, site 3 and Long Beach, the buildings identified in Table 3 are in various stages or redesign because the construction bids were excessive. The site 3 and Long Beach buildings were both redesigned and construction for both should be underway by this spring. Even though

the costs far exceeded the budgeted amounts, the Public Works Board approved construction bids and augmented the budgeted funds.

The cost to continue leasing space comparable to the amount to be provided by the buildings in Table 3 is approximately \$490,000 per month —\$5.8 million annually. Thus, not only is the construction program considerably more costly than what was presented to the Legislature, but the delays are also resulting in continued expensive lease costs.

It is apparent that the state office building program is being administered in a manner that is detrimental to the state's financial interest. Our analysis indicates that it *should* be more economical for the state to build and own its office facilities. Given the state's experience with the projects shown in Table 3, however, it is not clear that these savings are being realized.

The Governor's Budget indicates that the administration is reevaluating the original state office building program and is also reviewing the alternative of proceeding with projects in the state building program on a lease-with-option-to-purchase basis. Unless the administration of the state construction program can be significantly improved the lease-with-purchase option may be a more economical approach.

Modify Government Code

We recommend that legislation be enacted to modify Government Code Section 14959 to require that excess construction amounts be returned to the original fund source.

Under existing law, the Department of General Services must keep a record of all expenditures chargeable against each specific capital outlay project in the Architecture Revolving Fund. Any unencumbered balance for any project in the fund must, within three months after the project is completed, or within three years from the time the funds were transferred to the fund, whichever comes first, be withdrawn from the revolving fund and transferred to the credit of the *appropriation* from which the funds came. These funds remain on the Controller's "book" for an additional two years. As a result, funds excess to project needs, as determined by competitive bidding, remain in the original appropriation and cannot be used for any other purpose for up to five years after the original appropriation. This limits the Legislature's fiscal flexibility, and may prevent it from responding to pressing needs when no surplus is available. For this reason, we recommend that legislation be introduced to amend Government Code Section 14959 as follows:

"The Department of General Services shall keep a record of all expenditures chargeable against each specific portion of the revolving fund, and any unencumbered balance in any portion of the fund shall either within three months after ~~completion of the award of the contract for the~~ project for which such portion was transferred or within three years from the time such portion was transferred or deposited therein, whichever is earlier, be withdrawn from the revolving fund and transferred to the credit of the ~~appropriation fund~~ from which it was transferred the ~~appropriation was made . . .~~"

State and Consumer Services Agency
INTERGOVERNMENTAL PERSONNEL ACT ADVISORY
COUNCIL

Items 138-139 from federal
funds

Budget p. SCS 119

Requested 1980-81	\$1,524,000
Estimated 1979-80.....	1,564,000
Actual 1978-79	1,552,622
Requested decrease (excluding amount for salary increases) \$40,000 (-2.6 percent)	
Total recommended reduction	None

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
138	Program support and grants to state agencies.	Federal	\$677,830
139	Grants to local agencies.	Federal	846,170
	Total		\$1,524,000

GENERAL PROGRAM STATEMENT

The Intergovernmental Personnel Act Advisory Council was created by executive order in 1975 to administer the state's federally funded program for improving personnel management in state and local government under the federal Intergovernmental Personnel Act (IPA). The council's five members are appointed by the Governor and serve without compensation. A staff of 5.5 positions (3.5 professional and 2 clerical) provides administrative support.

Under this program, financial assistance in the form of federal grants is awarded on a matching basis for approved projects. Competing projects are evaluated on the basis of specified criteria, such as the applicability or benefit to other government agencies. Projects approved by the council are then submitted to the Secretary of the State and Consumer Services Agency for concurrence.

Approximately one-third of the proposed projects receive funding under the program.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The Governor's Budget proposes \$1,524,000 from federal funds for support of the Intergovernmental Personnel Act program in 1980-81. This is \$40,000, or 2.6 percent, less than estimated federal fund expenditures for the current year. Table 1 indicates total program expenditures and personnel resources for the three-year period ending June 30, 1981. The table shows that the \$1,524,000 is budgeted as follows:

1. \$455,630 for grants to state agencies.
2. \$846,170 for grants to local agencies.
3. \$222,200 for program administration.

The table also shows a staff reduction of one analyst position in the budget year in order to reduce program administrative costs.

Table 1
Intergovernmental Personnel Act Advisory Council
Budget Summary

	<i>Actual 1978-79</i>	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personal services.....	\$118,891	\$161,719	\$147,405	\$-14,314	-8.9%
Operating expenses and equipment.....	83,593	69,502	74,795	5,293	7.6
Total administrative expenses....	(\$202,484)	(\$231,221)	(\$222,200)	(\$-9,021)	-3.9%
Grants to state agencies	\$860,680	\$449,085	\$455,630	\$6,545	1.5
Grants to local agencies	489,458	883,694	846,170	-37,524	-4.2
Total expenditures (federal funds)	\$1,552,622	\$1,564,000	\$1,524,000	\$-40,000	-2.6
Personnel-years	5.4	6.5	5.5	-1.0	-15.4%

The council reports that during the 1979 calendar year 29 projects were awarded grants totaling \$1,482,062 and matching funds of \$2,796,254 were budgeted by the requesting agencies, resulting in a total cost of \$4,278,316. The amounts awarded were 34.6 percent of the total budgeted costs of the approved projects.

How the Funding Level is Determined

Under the IPA, federal funds are provided to the 50 states through the U.S. Office of Personnel Management (formerly the U.S. Civil Service Commission). The amount of funds allocated to each state is determined by formula based on (1) population, (2) the number of state and local government employees, and (3) the extent to which such funds provided for the prior year were expended.

If the state did not administer the IPA grant program in California, the U.S. Office of Personnel Management would assume this function. By administering the program, the state, rather than the federal government determines which of the competing projects receive funding.

State and Consumer Services Agency
STATE PERSONNEL BOARD

Item 140 from the General Fund and Item 141 from the Cooperative Personnel Services Revolving Fund

Budget p. SCS 120

Requested 1980-81	\$28,002,018
Estimated 1979-80	26,691,221
Actual 1978-79	22,192,653
Requested increase (excluding amount for salary increases) \$1,310,797 (+4.9 percent)	
Total recommended reduction	\$1,251,550

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
140	State Personnel Board (SPB). For direct support of board's operations.	General	\$22,154,900
141	Local government services. For support in form of revenues for services provided.	Cooperative Personnel Services Revolving	1,203,692
—	Reimbursements (to various SPB programs for services to state and other governmental agencies).		4,643,426
Total			\$28,002,018

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|--|--------------------------|
| 1. <i>Data Processing. Reduce Item 140 by \$166,454. Recommend deleting unnecessary funds for data processing.</i> | 210 |
| 2. <i>Equipment. Reduce Item 140 by \$5,000. Recommend reduction of funds for unnecessary equipment.</i> | 211 |
| 3. <i>Civil Services Selection. Recommend SPB submit costs and benefits of its proposed delegated selection program.</i> | 211 |
| 4. <i>Civil Service Selection. Recommend SPB suspend implementation of its delegated selection program.</i> | 212 |
| 5. <i>Personnel Study. Recommend SPB study CHP personnel practices.</i> | 213 |
| 6. <i>Compensation Surveys. Recommend control language requiring \$147,200 proposed for survey workload be expended only if SPB provides survey data to the Legislature.</i> | 215 |
| 7. <i>Compensation Surveys. Recommend control language prohibiting transfer of funds supporting SPB salary survey function to another state agency.</i> | 216 |
| 8. <i>Jobs Subsidy. Recommend control language requiring employers participating in jobs program to pay 20 percent of payroll costs.</i> | 219 |
| 9. <i>Jobs Program. Reduce Item 140 by \$1,080,096. Recommend</i> | <i>220</i> |

20 percent reduction in state payroll costs. Further recommend report, prior to budget hearings, on factors influencing cost effectiveness and strategies to improve placement rate.

GENERAL PROGRAM STATEMENT

The State Personnel Board (SPB) is a constitutional body consisting of five members appointed by the Governor for 10-year staggered terms. On the basis of constitutional and statutory authority, the board adopts state civil service rules and regulations.

The state civil service system is administered by a staff of approximately 620 employees under the direction of an executive officer appointed by the board. The board and its staff also are responsible for establishing and administering on a reimbursement basis merit systems for city and county welfare, public health and civil defense employees, to ensure compliance with federal requirements.

Pursuant to the Welfare Reform Act of 1971, the board staff administers a Career Opportunities Development (COD) program designed to create job opportunities for disadvantaged and minority persons within both state and local governments.

The board also is responsible for coordinating affirmative action and equal employment opportunity efforts within state and local government agencies in accordance with state policy and federal law.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$28,002,018 for support of the State Personnel Board in 1980-81. This is \$1,310,797, or 4.9 percent, more than estimated total expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 presents a summary (1) of expenditures for each of the board's seven programs during the three-year period ending June 30, 1981, (2) of total personnel-years and (3) comparison of expenditures and personnel-years in the current and budget years. The table shows that total staff is expected to increase by 12.2 positions. This staff increase is attributable mainly to the restoration of 12 positions which were eliminated on a one-time basis during the current year pursuant to control Section 27.2 of the Budget Act of 1979. Table 1 also shows a proposed increase in General Fund costs of \$1,242,468, or 5.9 percent, in the budget year.

Table 2 summarizes the proposed 1980-81 General Fund budget changes. It shows that \$395,335, or 31.8 percent of the General Fund increase is for a 6 percent cost-of-living adjustment for reimbursing employers' payroll costs under the jobs program. (We discuss this program later in this analysis.) The other major changes are increases of (1) \$371,167 for price increases and miscellaneous minor adjustments, (2) \$208,328 for restoring 12 positions eliminated under Control Section 27.2 in 1979-80 and (3) \$216,233 for employee merit salary adjustments.

STATE PERSONNEL BOARD—Continued

Table 1
State Personnel Board
Budget Summary

<i>Program</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
1. Departmental services	\$6,443,771	\$7,306,242	\$7,883,543	\$577,301	7.9%
2. Policy and standards	3,145,406	3,602,870	3,510,447	-92,423	-2.6
3. Appeals	1,094,506	1,255,946	1,352,593	96,647	7.7
4. Personnel development	981,547	1,503,734	1,504,917	1,183	0.1
5. Public employment and affirmative action	8,457,640	10,338,656	11,109,726	771,070	7.5
6. Local government services	1,948,479	2,659,285	2,640,792	-18,493	-0.7
7. Management Services:					
Undistributed	121,304	24,488	—	-24,488	-100.0
Distributed	(2,941,555)	(3,288,301)	(3,396,233)	(107,392)	(3.3)
Totals	\$22,192,653	\$26,691,221	\$28,002,018	\$1,310,797	4.9
Reimbursements	-3,816,286	-4,268,593	-4,643,426	-374,833	8.8
Net totals	\$18,376,367	\$22,422,628	\$23,358,592	\$935,964	4.2
<i>General Fund</i>	<i>17,188,033</i>	<i>20,912,432</i>	<i>22,154,900</i>	<i>1,242,468</i>	<i>5.9</i>
<i>Cooperative Personnel Services</i>					
<i>Revolving Fund</i>	<i>1,067,030</i>	<i>1,485,708</i>	<i>1,203,692</i>	<i>-282,016</i>	<i>-19.0</i>
<i>Federal funds</i>	<i>121,304</i>	<i>24,488</i>	<i>—</i>	<i>-24,488</i>	<i>-100.0</i>
<i>Personnel-years</i>	<i>593.2</i>	<i>609.9</i>	<i>622.1</i>	<i>12.2</i>	<i>2.0</i>

Table 2
State Personnel Board
Proposed 1980-81 General Fund Budget Changes

1. Six percent cost-of-living adjustment for reimbursing employers' payroll costs under the jobs program	\$395,335
2. Elimination of salary savings from one-time reduction of 12 positions in 1979-80 per Section 27.2 of the 1979 Budget Act	208,328
3. Merit salary adjustments	216,233
4. Increase in state contribution for employee staff benefits	121,405
5. Less \$50,000 appropriated by Chapter 842, Statutes of 1979 (SB 935) for board in 1979-80 to validate examinations in Department of Corrections	-50,000
6. Less \$20,000 appropriated by Chapter 938, Statutes of 1979 (SB 370) for board in 1979-80 to develop guidelines for reduced worktime program	-20,000
7. Price increases and miscellaneous minor adjustments	371,167
Total	\$1,242,468

Data Processing Expenses Overbudgeted

We recommend deletion of \$166,454 to eliminate unnecessary funds budgeted for data processing (reduce Item 140, General Fund).

An analysis of the SPB budget support data revealed overbudgeting in three of the board's individual line items relating to data processing.

Table 3 indicates the amounts of these items and the amounts by which they should be reduced. These items are discussed in the following paragraphs.

1. *Consolidated Data Center.* The budget includes \$328,028 in 1980-81 for purchasing computer processing services from the Teale Data Center (TDC). Based on actual billings, the board's costs for these services in the current year are not expected to exceed \$250,000. No change is expected in current TDC rates, and no increase is anticipated in the board's computer processing workload. Therefore, we recommend a reduction of

\$78,028, leaving a balance of \$250,000.

2. PIMS—Management Information System. The SPB has budgeted \$111,416 for purchasing computer programming services from the State Controller's Office. According to the existing contract between the Controller's Office and the SPB, the board's current year costs should not exceed \$50,000. By adjusting the \$50,000 current year expenditure for an anticipated 7 percent price increase, \$53,500 would be an appropriate amount to budget for this purpose. We therefore recommend a reduction of \$57,916.

3. *Data Processing*. The budget contains \$57,840 for data processing. According to the SPB, the only expenses budgeted under this item for 1980-81 are for leasing and maintenance of key entry devices and a test scoring machine. Based on existing long-term contracts, budget year costs will be \$27,330. Therefore, we recommend a reduction of \$30,510.

Table 3
Summary of Recommended Reductions to Eliminate
Overbudgeting for Data Processing Function

1980-81

<i>Operating Expense Line Item</i>	<i>Amount budgeted</i>	<i>Analyst's proposal</i>	<i>Recommended reduction</i>
Consolidated Data Center	\$328,028	\$250,000	\$78,028
PIMS—Management Information System	111,416	53,500	57,916
Data processing	57,840	27,330	30,510
Totals	\$497,284	\$330,830	\$166,454

Equipment Not Necessary

We recommend deletion of \$5,000 requested for purchasing a forklift (reduce Item 140, General Fund).

The 1980-81 budget includes \$5,000 for the purchase of a forklift. The board's 1979-80 budget contained \$8,000 for the same purpose, but the Legislature deleted these funds. Our analysis indicates that the board is still unable to show that such a purchase would be in the state's financial interest, and therefore we recommend deletion of the \$5,000.

DEPARTMENTAL SERVICES PROGRAM

The departmental services program has the responsibility for (1) recruiting, selecting and placing qualified candidates in state jobs; (2) maintaining the state position classification plan; and (3) providing personnel consultation and services to state agencies.

Delegation of SPB's Selection Responsibility

1. *We recommend that the SPB submit the following to the Legislature when subcommittee hearings are conducted on the board's budget items:*

(a) *An estimate of the number of SPB staff and related costs which would be eliminated in 1980-81 and in subsequent years if its proposed delegated selection program is implemented.*

(b) *An estimate of the total number of additional staff the individual state line agencies would require and the additional costs they would*

STATE PERSONNEL BOARD—Continued

incur during 1980-81 and in subsequent years if the delegated program is implemented.

(c) A description of operational advantages and disadvantages which would result if the delegated program is implemented.

2. We further recommend that supplemental report language be adopted directing the SPB to suspend implementation of its delegated selection program until the total costs and benefits of the program have been considered by the Legislature.

In January 1980 the SPB advised us that, in order to meet concerns regarding the effectiveness and timeliness of the state civil service selection process, it intends to delegate much of its personnel selection function to the individual line departments. The board estimates that over the next three to five years, up to 75 percent of the current SPB examination workload will be delegated to departments. The delegation is to be made in accordance with SPB guidelines and standards. According to the board it has "not yet reached a point where the delegation costs can be clearly defined and measured."

The prime responsibility of the SPB is administering the state civil service system. The selection process constitutes a significant and fundamental part of that system. It is not appropriate for the board to begin shifting a major portion of this responsibility without first (1) considering the *total statewide* costs and benefits of such a change, and (2) providing the Legislature an opportunity to consider the costs and benefits of such a program.

The proposed decentralization program could have several adverse consequences. Specifically, it could:

- Weaken the board's control of the selection process.
- Increase *total state* costs if line departments require additional technical expertise.
- Cause significant operational problems if departments lacking sufficient resources are unable to acquire the technical expertise necessary for satisfying their employee selection requirements.

Before undertaking such a major restructuring of the civil service selection procedures, we believe the board should first:

1. Identify deficiencies in the present selection system.
2. Develop specific actions for overcoming these deficiencies.
3. Determine the cost of implementing these actions under the *present* system.
4. Then determine the benefits and costs of implementing a delegated selection program.

POLICY AND STANDARDS PROGRAM

This program involves (1) policymaking relative to the state classification and pay plan, (2) evaluating employee selection procedures, (3) monitoring personnel transactions to ensure conformance with classification requirements, (4) conducting salary surveys, (5) planning an orderly transition to collective bargaining for state employees, and (6) assisting individuals in gaining access to information about themselves contained in state records, under provisions of the state Information Practices Act.

Five positions were added to the SPB in 1978-79 to staff the Office of Information Practices. This office was established by the Information Practices Act, Chapter 709, Statutes of 1977 (SB 170). These positions are due to expire June 30, 1980. Two of the five positions are now vacant. The budget proposes the permanent establishment of the remaining three positions (two professional and one clerical). Our analysis indicates that the three positions are necessary in order for the board to comply with the provisions of Chapter 709.

The board's audit and control unit was established in 1977-78 to audit the personnel practices of the individual state agencies to ensure that they complied with state civil service law and rules. The unit has a staff of 17 positions of which 13 are due to expire in June, 1980. The budget requests the permanent establishment of the 13 positions (11 professional and 2 clerical). According to the board's workload standards, this level of staffing enables the unit to audit each state agency every six years. Our analysis indicates that continuation of the requested positions is necessary in order for the board to continue carrying out its classification control responsibilities. We recommend establishment of the positions on a permanent basis.

Recommend Study of CHP Personnel Practices

We recommend that the SPB conduct a study to determine the number of CHP uniformed employees currently performing duties which should be performed by nonuniformed employees.

In our analysis of the Department of the California Highway Patrol (CHP, Item 186), we point out that significant savings appear possible if certain administrative responsibilities performed currently by uniformed employees of the CHP were assigned, instead, to nonuniformed employees.

The SPB audit and control unit has not yet conducted or scheduled an audit of the CHP. It is our understanding that the unit could complete such an audit during 1980 within its budgeted resources, if directed to do so by the Legislature.

In order to determine the magnitude of savings which could be achieved if administrative CHP functions were performed by nonuniformed employees, we recommend the adoption of the following supplemental report language:

"The State Personnel Board shall (1) conduct a study to determine the number of CHP uniformed employees presently performing duties which might more appropriately and efficiently be performed by nonuniformed employees and (2) report its findings and recommendations to the Joint Legislative Budget Committee and fiscal committees by December 1, 1980."

Governor Proposes New Office of Personnel Administration

The Governor's Office submitted "Reorganization Plan No. 2" for review by the Commission on California State Government Organization and Economy in December 1979. (The Government Code requires that the Governor submit any reorganization plan to the commission for study and recommendation 30 days prior to submitting it to the Legislature.

STATE PERSONNEL BOARD—Continued

Under the code, such a reorganization plan becomes effective 60 days after being submitted to the Legislature, unless a later date is provided by the plan or unless either house of the Legislature by majority vote adopts a resolution opposing the reorganization.)

The stated purpose of the reorganization plan is to centralize the authority to establish, direct, and enforce personnel policies for all state agencies and departments. The plan, as submitted to the commission, would establish an Office of Personnel Administration reporting to the Governor to "manage nonmerit aspects of the state's personnel system."

The office is to be responsible for:

1. All functions performed currently by the Governor's Office of Employee Relations. This office has been designated by the Governor to represent the administration in all matters concerning state employee relations.
2. The following functions performed currently by the State Personnel Board:
 - A. *Salary administration*. This includes conducting salary surveys and adjusting civil service salary rates.
 - B. *Administration of working hours and related matters*, including sick leave, holidays and leaves of absence.
 - C. *Training*, which involves establishing statewide training policies and administering central state training courses.
 - D. *Performance evaluation*, which includes establishing performance standards and rating procedures.
 - E. *Layoff and grievance administration*, involving "non-merit aspects" of the layoff process and grievance procedures.
3. *Administering the state employee health benefits program*, which is administered now by the Public Employees' Retirement System.
4. *Salary administration* with respect to employees exempt from civil service. This function is performed currently by the Department of Finance.
5. *Administering the deferred compensation plan*, which is administered now by the Department of General Services.
6. *Administering employee reimbursement and related functions* performed currently by the State Board of Control, involving per diem and travel expenses, clothing and equipment allowances and merit awards.

The reorganization plan provides that the staff and other resources presently allocated to the functions which are to be assumed by the Office of Personnel Administration are to be transferred to that office on the effective date of the plan.

In January 1980, the staff of the Commission on California State Government Organization and Economy expressed concern as to whether the Governor could use reorganization authority to transfer functions into or out of the Governor's Office. The Governor's Office is now in the process of modifying its reorganization plan to eliminate any problems in this area.

SPB Should Continue to Provide Data for Legislative Decision Making Relative to Employee Compensation

We recommend that control language be added to the SPB General Fund support item (Item 140) allowing for the expenditure of \$147,200 for 4.6 analyst positions and one clerical position only if the board continues its compensation surveys to provide data to enable the Legislature to evaluate negotiated compensation increases.

Traditionally, state civil service salaries and benefits have been adjusted on the basis of (1) SPB surveys of salaries and benefits received in nonstate employment, (2) salary and benefit increase recommendations contained in the board's annual report to the Governor and Legislature, (3) budget action by the Governor and Legislature and (4) allocation by the board of funds appropriated for salary increases on a class-by-class basis.

Chapter 1159, Statutes of 1977 (SB 839), which became operative July 1, 1978, provides for a formal, bilateral employee relations system for most state civil service employees. Under its provisions, the Governor or his designee is required to "meet and confer in good faith" with employee organizations which have been selected by a majority of employees within individual bargaining units in an effort to reach agreement relative to "wages, hours and other terms and conditions of employment." Such agreements are to be formalized in memorandums of understanding. Any provision in such a memorandum requiring the expenditure of funds (for example, negotiated salary or benefit increases) is subject to approval by the Legislature. Mediation is required if the parties are unable to reach agreement.

The Public Employment Relations Board (PERB) is responsible for (1) determining appropriate bargaining units (that is, designating the specific civil service classifications which are to be combined in separate units for representation by individual employee organizations) and (2) conducting elections to determine which, if any, of the competing employee organizations will serve as the exclusive bargaining agent for each such unit.

The PERB completed the civil service unit determination process in November 1979 and designated a total of 20 separate bargaining units. The next major step toward collective negotiations is the conducting of elections to determine which employee organizations will be the exclusive representatives of the individual units.

Under Chapter 1159, the SPB will continue to adjust salaries of state civil service employees who (1) are designated as "management," "supervisory," or "confidential" employees or (2) are not in bargaining units represented by exclusive bargaining agents.

Chapter 1159 repealed Government Code Section 18850.3, which required that the SPB submit a report each January to the Governor and Legislature containing its recommendations for adjusting the compensation of civil service employees. In these reports, the board generally recommended increases designed to align civil service salaries with prevailing nonstate salary rates.

Chapter 1159 provides that state employee compensation increases negotiated by representatives of the Governor are subject to approval by

STATE PERSONNEL BOARD—Continued

the Legislature. Consequently, adequate comparative data must be readily available to the Legislature so that it can make informed decisions regarding the appropriateness of such increases.

To encourage the board to continue its existing compensation survey, the Legislature added the following control language to the State Personnel Board's General Fund support items in the Budget Acts of 1978 (Item 119) and 1979 (Item 128):

“ . . . provided, that \$128,561 of the funds specified in category (a) is authorized for 4.6 analyst positions and one clerical position, which positions may only be used for the purpose of continuing the conduct of the State Personnel Board's compensation surveys to provide data to enable the Legislature to evaluate compensation increases negotiated by the Governor or his representative.”

This language, however, has not been included in the Budget Bill of 1980. We continue to believe that the Legislature will need compensation survey data in order to assess compensation increases negotiated on behalf of state workers. We therefore recommend that the control language appearing under Item 128 in the 1979 Budget Act be added to the Budget Bill. The amount of funds specified should be increased from \$128,561 to \$147,200, to allow for the salary increases effective July 1, 1979.

Salary Survey Function Should Not Be Transferred

We recommend that control language be added to Item 140 prohibiting transfer of funds supporting the SPB compensation survey to any other agency. As stated above, the Governor's proposed reorganization plan would transfer the SPB salary survey function to the proposed Office of Personnel Administration, which would report to the Governor's Office. Because the Governor's Office will represent the executive branch in the collective negotiation process, the Legislature should not be dependent on data provided by it in evaluating the increases negotiated through this process. Instead, the data should be provided by an impartial source. For this reason, we recommend that the salary survey function remain with the SPB. To prevent this function from being transferred to the Governor's Office, we recommend that the Legislature adopt the following control language in Item 140.

“Provided further that such \$147,200 shall be exempt from the provision of Sections 13320 and 13325 of the Government Code and Sections 28 and 31 of this Act.”

This language would prevent the Department of Finance from not allocating the funds budgeted for this purpose.

APPEALS PROGRAM

This program involves investigating and making recommendations relative to appeals made to the SPB regarding examinations, disciplinary actions, grievances and related areas.

PERSONNEL DEVELOPMENT PROGRAM

The stated purpose of this program is to provide leadership to state agencies in the development, implementation and evaluation of their employee training programs. The program also offers central training

courses and consulting services.

PUBLIC EMPLOYMENT AND AFFIRMATIVE ACTION

Under the Public Employment and Affirmative Action Program, the board provides leadership, assistance and guidance to the state's efforts in (1) achieving a state work force consisting of ethnic minorities, women and disabled persons in proportion to the appropriate resource pool and (2) employing disadvantaged persons. Program elements are (1) coordination and program development, (2) jobs program and (3) affirmative action.

The budget proposes (1) adding one analyst position and (2) redirecting two positions from the departmental services program to staff the board's bilingual services program within its affirmative action element. The purpose of the bilingual services program is to provide for effective communication between state agencies and persons who are precluded from receiving public services because they do not speak English. The stated functions of this program include conducting surveys, maintaining a bilingual differential salary program, bilingual testing, providing technical assistance, conducting audits, and preparing reports to the Legislature. Our analysis indicates that the additional position is warranted to enable the board to comply with existing law.

Jobs Program

The jobs program, created pursuant to the Welfare Reform Act of 1971, authorizes the SPB to reimburse state and local government agencies for 100 percent of the payroll costs they incur in employing welfare recipients and disabled persons during their on-the-job training periods. The board operates the program in cooperation with the Employment Development Department (EDD).

Under the program, the board (1) provides technical assistance in restructuring civil service jobs and removing artificial barriers to facilitate the employment of jobs program candidates and (2) negotiates contracts with state agencies (including the University of California and California State Universities and Colleges) which call for the placement of candidates in permanent jobs upon completion of their training. The EDD (1) negotiates such contracts with local government agencies and (2) refers its clients to the hiring entities.

The budget requests \$7,038,077 to defray payroll costs of the program participants. Included in this amount is a 6 percent (\$395,335) cost-of-living adjustment above the \$6,642,742 appropriated for this purpose in the Budget Act of 1979.

In addition to this public sector program, EDD administers the Work Incentive/On-the-Job-Training (WIN/OJT) program in the private sector. WIN/OJT is similar to the jobs program in that it provides job training to recipients of Aid to Families with Dependent Children (AFDC) to enable them to find permanent employment and move off of public assistance.

STATE PERSONNEL BOARD—Continued**Legislative Followup**

The Supplemental Report of the Committee of Conference on the 1979 Budget Act required EDD to provide comparative data to the Legislature by December 1, 1979, on the Work Incentive (WIN) program administered by EDD and the jobs program administered by SPB, in cooperation with EDD.

The information, received January 16, 1980, indicates that EDD's federally funded WIN program, which includes an on-the-job training component, placed 78 percent of its participants in permanent jobs during the study period (October 1, 1978 through September 30, 1979). In comparison, the state-funded jobs program had an overall placement rate in permanent employment of 51 percent. Table 4 displays the overall placement rate of the jobs program (based on the number of participants transitioning from training to permanent employment), as well as the rate per program component. The rate of successful placement varies from a high of 85 percent in the state agency component to a low of 33 percent in the local public entities component.

Table 4
SPB/EDD Jobs Program
October 1, 1978 through September 30, 1979

<i>Program Components</i>	<i>Participants Served</i>	<i>Percent of Total Participants Served</i>	<i>Number Moving to Permanent Positions</i>	<i>Job Placement Rate</i>
State agencies	110	11%	94	85%
State Colleges and Universities	166	16	90	54
Local public entities	214	23	71	33
Community-based nonprofit organizations	500	50	254	51
Totals.....	990	100%	509	51%

The EDD study also addressed the comparative placement costs associated with the two programs. The State Personnel Board advised EDD that it does not have a system to capture the administrative costs associated with the jobs program. Thus, the cost comparison of the two programs excludes administrative costs. Table 5 displays the average cost per placement and the placement rate of the programs. The lower placement rate of the jobs program tends to increase the average cost figure.

Table 5
Jobs Program and WIN/OJT
Cost Per Placement
October 1, 1978 through September 30, 1979

<i>Program</i>	<i>Average Cost Per Placement</i>	<i>Percent of Permanent Placements</i>
WIN/OJT	\$3,286	78%
Jobs Program	10,612	51

The data displayed in Table 5 raise the issue of whether the jobs program is a cost-effective method for assisting disadvantaged persons to find permanent employment. As the table indicates, the WIN/OJT program

has been able to place three times as many disadvantaged persons as the Jobs Program for approximately the same amount of money.

Limit Job Subsidy

We recommend that control language be added to Item 140 prohibiting the use of these funds for payroll costs of job participants, unless the employer pays at least 20 percent of such costs.

Subsidies for Private Employers. The federal Work Incentive (WIN) program administered by EDD subsidizes one-half of the payroll costs for WIN-registered recipients placed in private employment during their on-the-job training periods. Private employers also may elect to offset an additional portion of the remaining cost by applying for a tax credit.

Under the California Jobs Tax Credit (CJTC) program, a private employer can claim a 10 percent tax credit against wages (up to \$3,000 per employee) paid to economically disadvantaged and disabled Californians who are dependent upon any of the following types of public aid: (1) Aid to Families with Dependent Children (AFDC), (2) WIN, (3) Supplemental Security Income/State Supplementary Payment (SSI/SSP) for the aged, blind and disabled, and (4) general assistance. In addition, the federally-funded Targeted Jobs Tax Credit (TJTC) program allows an employer a 50 percent tax credit against wages (up to \$6,000 per employee) paid for the employment of an applicant or recipient of AFDC.

EDD advises that as a result of the combined effect of these programs, a private employer may receive a subsidy for WIN recipients above the 50 percent level. However, according to the department, most private employers do not claim tax credits under the program. During 1978-79 such credits were claimed for only 11 percent of the participants placed under the WIN/OJT program.

Subsidies for Public Employers. The state jobs program, in contrast to WIN, reimburses a public employer for 100 percent of the wages paid to welfare recipients and disabled persons during their on-the-job training periods.

We have several concerns with the disparity between these two programs.

First, based on EDD's study, the private employer appears more likely to hire the WIN/OJT participant after the training period (78 percent) than is the public employer (51 percent). Part of this difference may be explained by the fact that the private employer is required to demonstrate his commitment to hiring the participant by paying a portion of the salary, while the public entity has no comparable monetary investment in the trainee.

Second, the WIN/OJT program has demonstrated in the private sector that 100 percent subsidization is not necessary to encourage employers to hire WIN recipients.

Third, we are not aware of any evidence that would justify 100 percent subsidization for the public sector but not the private sector. Given that private employers are willing to hire welfare recipients in the absence of a 100 percent subsidy, it is unclear why public agencies would require a

STATE PERSONNEL BOARD—Continued

100 percent subsidy in order to participate. To the extent they do not require a 100 percent subsidy, part of the funds now budgeted for the jobs program are being used to provide fiscal relief rather than encourage the employment of disadvantaged persons.

We therefore recommend that the public subsidy of the two programs be narrowed by adding control language to Item 140 as follows:

“Provided that none of the funds specified for the jobs program shall be used for defraying the payroll cost of a participant unless the employer of the participant pays at least 20 percent of such payroll cost.”

Program Cost Effectiveness

We recommend a General Fund reduction of \$1,080,096 (Item 140) budgeted for placing participants under the jobs program. We further recommend that SPB report to the Legislature, prior to budget hearings, on specified factors influencing the cost effectiveness of the program and strategies to improve the program's job placement rate.

The board's budget includes \$7,038,077 for placing participants in the jobs program. Of this amount, \$1,637,596 is reserved for placing Department of Rehabilitation clients. The remaining \$5,400,481 is used to reimburse payroll costs of participants other than those who are clients of the Department of Rehabilitation. If the jobs program is modified to subsidize 80 (rather than 100) percent of the employer's payroll costs (except for Department of Rehabilitation clients), the \$5,400,481 budgeted for this purpose could be reduced by 20 percent, or \$1,080,096, without reducing the number of participants placed.

If our prior recommendation for reducing this subsidy is adopted, we recommend a corresponding budget reduction of \$1,080,096 in Item 140.

Better Placement Needed. We recognize the social value of maintaining a program which increases the number of disadvantaged persons employed and participating in government service. However, the jobs program in its present form does not appear to be the most cost-effective approach to meet the intent of the Welfare Reform Act of 1971—to reduce the number of individuals receiving government aid by providing job training leading to permanent employment. Data submitted in response to the Legislature's request clearly indicate that EDD's WIN/OJT program finds more jobs for participants at less cost than SPB's jobs program. Much of this disparity is due to the low permanent placement rate of SPB's local participating agencies component.

An important factor in comparing cost effectiveness of the two programs is the administrative costs associated with participant placements. This information is available from EDD for the WIN/OJT program but not available from SPB for the jobs program.

In order to evaluate the disparities between the two programs, particularly with regard to placement success, additional information is needed. We therefore recommend that SPB provide the following information on the jobs program prior to legislative hearings: (1) an explanation of the low participant placement rate, particularly at the local level, (2) data on program participants, by the type of public entity participating in the program, including (a) types of permanent jobs, (b) entering salaries and

(c) number of placements filled by the same participant after 90 days, (3) state administrative costs associated with the jobs program, and (4) strategies for increasing the placement rate of the jobs program to a level comparable to the 78 percent success rate of the WIN/OJT program.

LOCAL GOVERNMENT SERVICES PROGRAM

This program consists of two interrelated subprograms: (1) Merit Systems Service (MSS) and (2) Cooperative Personnel Services (CPS).

Merit System Services

Under this program, which operates on a fully reimbursable basis, the SPB approves or operates merit systems for a number of local government jurisdictions.

Cooperative Personnel Services (Item 141)

Under the CPS program, the board provides recruitment, selection and other technical personnel services to local government agencies. All program costs, except those resulting from language proficiency tests (discussed below), are financed on a reimbursement basis by revenues from local agencies for services they receive. Such revenues are paid into the Cooperative Personnel Services Revolving Fund.

One temporary help position and \$87,675 from the General Fund are budgeted in 1980-81 in order for the board to develop and conduct examinations for insuring the language proficiency of interpreters used in county superior courts, pursuant to provisions of Chapter 158, Statutes of 1978 (AB 2400).

MANAGEMENT SERVICES

This program consists of executive management and central support services including accounting, budgeting, mail and duplicating services. Program costs are distributed among the board's six line programs.

State and Consumer Services Agency

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Items 142 and 147 from the
General Fund and Items 143-
146 from various funds

Budget p. SCS 131

Requested 1980-81	\$31,406,169
Estimated 1979-80.....	24,682,750
Actual 1978-79	16,677,872
Requested increase (excluding amount for salary increases) \$6,723,419 (+27.2 percent)	
Total recommended reduction	\$227,535

STATE PERSONNEL BOARD—Continued**1980-81 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
142	Social Security and Volunteer Firefighters Retirement	General	\$106,538
143	Retirement Administration	Public Employees' Retirement	17,459,785
144	Health Benefits Administration	State Employees' Contingency Reserve	1,781,834
145	Retirement Administration	Judges' Retirement	165,137
146	Retirement Administration	Legislators' Retirement	123,560
147	Local Assistance (Legislative Mandates)	General	10,734,840
—	Reimbursements	—	1,034,475
	Total		\$31,406,169

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Benefit Division Staff Increase. Reduce Item 143 by \$144,611.* Recommend deletion of proposed staff increase to process existing workload. 225
2. Real Estate Investment. Recommend that PERS be requested to divest itself of its commercial real estate holdings. Recommend the Legislature, by appropriate legislation, clarify its policy on commercial real estate investments. 225
3. *Building Manager. Reduce Item 143 by \$31,042.* Recommend deletion of proposed building manager position. 226
4. *Out-of-state Travel. Reduce Item 143 by \$5,860.* Recommend deletion for unjustified trips. 227
5. Consultant and Professional Services. Withhold recommendation on \$200,000 proposed for updating actuarial valuation programs. 227
6. *Programmers. Reduce Item 143 by \$46,022.* Recommend two vacant programmer positions be deleted. 228

GENERAL PROGRAM STATEMENT

The Public Employees' Retirement System (PERS) administers retirement, health and related benefits for 830,000 active and retired public employees in California. The participants include state constitutional officers, members of the Legislature, state employees, most nonteaching school employees and other California public employees whose employers elect to contract for the benefits available through the system.

PERS is managed by a Board of Administration whose members are either elected by specified membership groups or appointed by the Governor. It is under the administrative jurisdiction of the State and Consumer Services Agency.

Administrative costs of the system are shared by the employees and employers and are funded, primarily, from the interest earnings on invested employee and employer contributions. Therefore, expenditures funded from these contributions are excluded from the state budget total.

The major PERS-administered retirement programs include a retire-

ment, health benefits and social security program. PERS administers the coverage and reporting aspects of the Federal Old Age Survivors, Disability and Health Insurance program which is mandatory for state employees and is available to local public workers whose employers elect such coverage. The health benefits program offers state employees, and other public employees, a number of health benefits and major medical plans on a premium-sharing basis.

The system provides and administers a number of alternative retirement plans through which the state and the contracting agencies provide their employees a variety of benefits.

Table 1 shows the actual and projected growth in the number of PERS participants, and the amount of benefits paid for the past, current and budget year.

Table 1
Public Employees Retirement System
Increase in PERS Workload

<i>Detail</i>	<i>Actual</i>	<i>Estimated</i>	<i>Increase from</i>	<i>Projected</i>	<i>Increase from</i>
	<i>1978-79</i>	<i>1979-80</i>	<i>1978-79</i>	<i>1980-81</i>	<i>1979-80</i>
Total number of participants	829,844	856,621	3.2%	889,659	3.9%
Benefits recipients	252,898	257,909	2.0	278,166	7.9
Active members	576,946	598,712	3.8	611,493	2.1
Total benefits paid (millions)	\$721.9	\$783.4	8.5	\$873.0	11.4

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures of \$31,406,169 from various funds for the support of the Public Employees' Retirement System (PERS) in 1980-81. This is \$6,723,419, or 27.2 percent, more than the estimated current year expenditures.

Table 2 details staffing and expenditures, by program, for the past, current and budget year.

Table 2
Summary of Budget Requirements

<i>Programs</i>	<i>Staff-Years</i>			<i>Expenditures (millions)</i>		
	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>
Retirement	430.0	474.5	532.1	\$11.0	\$14.3	\$16.3
Social security	15.6	16.2	17.2	0.3	0.4	0.4
Health benefits	45.8	53.1	54.4	1.3	1.7	1.8
Redesign project	33.4	31.7	31.8	1.5	1.6	1.7
Administration:						
Distributed to other programs	(148.3)	(174.3)	(183.6)	(5.6)	(7.0)	(7.7)
Undistributed	10.0	9.9	10.3	0.3	0.4	0.5
Legislative mandates	—	—	—	2.2	6.3	10.7
Totals	534.8	585.4	645.8	\$16.6	\$24.7	\$31.4
Reimbursements				-0.8	-1.1	-1.0
Net Totals	534.8	585.4	645.8	\$15.8	\$23.6	\$30.4

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued**Budget-Year Changes**

Nearly two-thirds (65 percent) of the increase—\$4,446,682—results from General Fund financing of additional retirement program costs which the state mandated on local entities. These mandates and their respective budget-year costs (amortized over a 15-year funding period) are shown in the footnotes to Table 3. Excluding these mandated costs, the proposed increase in the 1980-81 PERS support budget is \$2,356,438, or 10 percent. This amount will increase by the amount of any salary or staff benefit increase approved in the budget year. Table 3 identifies the various changes in the proposed budget.

Table 3
Public Employees' Retirement System
Summary of Major Changes in Proposed Budget

	<i>Expenditures (by fund)</i>		
	<i>General Fund</i>	<i>Nongovernmental Cost Funds^a</i>	<i>Total</i>
1979-80 Revised Net Budget.....	\$6,460,832	\$17,107,742	\$23,568,574
1. Workload Changes			
a. Retirement program.....	—	379,187	379,187
b. Health benefits program	—	119,282	119,282
c. Redesign project ^b	—	-20,699	-20,699
d. Administration	—	270,556	270,556
2. Cost Changes			
a. Contract with Controller ^c	—	132,000	132,000
b. Operating costs ^d	-66,136	—	-66,136
c. Legislative mandates ^e	4,446,682	—	4,446,682
3. Program Change Proposals			
a. Benefit Division Task Force	—	144,611	144,611
b. Actuarial consultants ^f	—	305,181	305,181
4. Other changes	—	775,658	775,658
5. Reduced salary savings	—	316,798	316,798
1980-81 Proposed Net Budget	\$10,841,378	\$19,530,316	\$30,371,694
Net Increase Over 1979-80 Revised Budget.....	\$4,380,546	\$2,422,574	\$6,803,120

^a Includes the Public Employees' Retirement Fund, State Employees' Contingency Reserve Fund, Legislators' Retirement Fund, and Judges' Retirement Fund.

^b Net savings resulting from installation of new programming equipment.

^c For processing health insurance deductions.

^d Due to reduction in administrative costs for the Volunteer Firefighters' Service Award System (Chapter 1145, Statutes of 1979) and for the Social Security Task Force of the Redesign Project.

^e Includes the following mandates and respective amortized costs for 1980-81:

1. Chapter 1036, Statutes of 1979 (SB 629)—Cost of living increases for retired school members of PERS. Cost: \$1,620,000
2. Chapter 1170, Statutes of 1978 (AB 2545)—Pension increase for certain retired school members of PERS. Cost: \$5,100,000
3. Chapter 1398, Statutes of 1974 (AB 2926)—Retirement credit for unused sick leave for school members. Cost: \$4,000,000
4. Chapter 1322, Statutes of 1974 (SB 1775)—Survivor benefits for full-time students under age 22. Cost: \$14,840

^f Includes \$200,000 for revision of actuarial programs and \$105,181 for valuation of the Judges' and Legislators' Retirement Systems.

The budget proposes a staff increase of 52 positions to meet the existing and projected workload. We have analyzed the materials submitted by PERS in support of these new positions, and recommend that all but 8 of these positions be approved.

Reduce Backlog by Filling Vacancies

We recommend deletion of 7 new positions, for a \$144,611 savings to the Public Employees' Retirement Fund (Item 143).

The budget proposes 7 new positions at a total cost of \$144,611 to reduce the accumulating backlog of workload in the system's Benefit Division. The PERS acknowledges that the backlog has resulted from the high vacancy rate in this division. During 1978-79, there were 20 vacancies out of 142 total authorized positions in the division. As of January 1, 1980, the number of vacancies had declined to 12.

The Governor's Budget proposes to reduce salary savings by \$316,798 in 1980-81 to permit currently authorized vacant positions to be filled, in order to reduce the backlog in existing workload. Our analysis indicates that this is an appropriate first step toward eliminating the backlog. It also suggests, however, that the addition of 7 new positions to reduce a backlog would be premature, in view of the existing vacancies. PERS should attempt to eliminate the existing backlog by filling existing vacancies before requesting additional personnel. For this reason, we recommend deletion of this proposed staff increase.

PERS Enters Real Estate Investment Field

We recommend that supplemental language be added requesting PERS to divest itself of its commercial real estate holdings (known as the Capitol Square Garage Complex). We further recommend that the Legislature by appropriate legislation, clarify its policy on PERS investment in commercial real estate.

Chapter 1089, Statutes of 1977 (SB 1240), authorized the PERS to purchase a site and construct a building (or remodel an existing structure) for its new administrative headquarters in Sacramento County, using funds loaned from the Public Employees' Retirement Fund. This authorization was sought by PERS to accommodate the system's growing need for additional office space in a centralized location. The PERS was authorized to share its new (or remodeled) building with the State Teachers' Retirement System and other state or private entities on a space-available basis. The authorizations included in Chapter 1089 are limited to real estate in Sacramento County.

In February 1979, pursuant to this authorization, PERS acquired a piece of improved property in downtown Sacramento. Improvements consisted of a building containing offices, a grocery store, garage space and an adjacent gasoline station. PERS originally claimed that it needed to acquire this property because the property was adjacent to the proposed site of its new administrative building. Subsequently, in October 1979, negotiations for that site were terminated, and PERS is looking elsewhere in downtown Sacramento for an appropriate building site. The system's stated intent is to find and purchase a site by July 1980.

Despite the fact that PERS has abandoned its plans to acquire an adjacent site for its new administrative building, PERS continues to hold the improved commercial property which it is managing directly.

Our analysis indicates that this arrangement is not appropriate for four reasons:

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued

1. PERS is, in effect, supporting a commercial enterprise for no public purpose.
2. It removes commercial real estate from the local property tax rolls. We understand that PERS refused to pay a 1979-80 property tax bill of \$28,156 from the County of Sacramento, claiming that, as a state agency, it is exempt from *ad valorem* taxation.
3. It allows PERS to lease state-owned office and parking space at prices which are at times in direct competition with other state-owned space managed by the Department of General Services. This interferes with the ability of the Department of General Services to coordinate its management policies.
4. It does not appear to be consistent with legislative intent. We do not believe that the Legislature, in enacting Chapter 1089, Statutes of 1977, intended to give PERS a blanket legislative authorization to invest in commercial real estate in Sacramento County, except as necessary to develop its own office building.

For these reasons, we recommend that supplemental language be added requesting PERS to divest itself of its commercial real estate holdings. We further recommend that the Legislature, by appropriate legislation, clarify its policy on PERS investments in commercial real estate.

New Building Manager

We recommend that a staff services manager position be deleted, for a savings of \$31,042 to the Public Employees' Retirement Fund (Item 143).

A new position is requested to manage the administrative aspects of site location and construction of a new PERS headquarters building.

When this request was first made (August 1979), the system was negotiating for a building site, and the specific tasks proposed for this new position were being performed by three existing staff in the Administration Division. According to PERS, during the July-December 1979 period, the staff members collectively spent an average of 168 hours per month on these tasks, in addition to their normal tasks. However, in checking the PERS overtime records, we found no evidence of overtime work by these staff members during the July-December 1979 period. In fact, one of the three positions remained vacant during July-October 1979.

Moreover, an unspecified but substantial portion of the 168 hours per month was spent on managing the existing office-store-garage-gas station investment project. As noted above, this project is now entirely separate from the building project, and PERS should justify any need for additional staff in connection with this project separately. Also, we note that monthly workload, as reported by PERS, dropped below 100 hours in December 1979, following termination of negotiations for a new site. While PERS indicates that administrative workload for the project is expected to increase after a new site is purchased, no workload projections were submitted for the budget year.

Consequently, our analysis indicates that the need for a new full-time position has not been justified adequately, and we recommend that it not be approved.

Excessive Budgeting for Out-Of-State Travel

We recommend that funds budgeted for out-of-state travel be reduced for a \$5,860 savings to the Public Employees' Retirement Fund (Item 143).

The PERS is requesting \$43,614 for out-of-state travel during the budget year. This request includes \$2,500 for unspecified trips by the Legal Office and \$12,000 by the Investment Office for inspecting out-of-state property pledged as security on real estate loans considered for the PERS investment portfolio.

The \$12,000 was intended to provide for 25 property inspection trips during the budget year. The Investment Office now estimates that only about 18 of the budgeted 25 trips will be required in 1980-81. Consequently, funding for 7 trips (\$3,360) will no longer be necessary and should be deleted.

The \$2,500 proposed for unspecified trips by the Legal Office is intended as a contingency, in the event the need for out-of-state travel develops during the budget year. At the time this analysis was prepared, the only need the chief of this office anticipated was for investigating legal problems associated with mortgages on out-of-state property to be purchased in 1980-81. However, we note that PERS expects to reduce investments in these mortgages below the level originally contemplated. Should an out-of-state trip become necessary, it could be funded from the \$8,640 (\$12,000 less \$3,360) remaining in the Investment Office's budget for out-of-state property inspection travel.

Request for Actuarial Consulting Funds Premature

We withhold recommendation on \$200,000 proposed to revise actuarial valuation programs pending completion of feasibility study.

The \$1,047,393 proposed for consultant and professional services includes \$200,000 to revise valuation programs in the PERS Actuarial Office. The revision would consist of (1) updating the EDP programs used by the system's actuaries for valuations of the PERS-administered retirement programs, (2) technical changes to account for use of more sophisticated data processing equipment and (3) interfacing with the automated information systems developed by the PERS Redesign Project.

Initially, PERS requested a staff of 3 professional and one clerical positions, with a support budget of \$108,642, to accomplish the proposed revision. Following discussions with the Department of Finance, the request was changed to \$200,000 for additional Consultant and Professional Services so that the system could contract with private actuarial consultants for the work. At the time this analysis was prepared, however, there was no consensus in PERS as to how this revision work could be best accomplished. The system is conducting an in-house feasibility study to determine the most effective and efficient way to revise the programs. We understand that the study will be completed and its recommendations will be made available sometime in February or March 1980. In view of the uncertainty surrounding this project, we withhold recommendation on the \$200,000 request for actuarial consulting services until completion of the in-house feasibility study. Information from this study, hopefully avail-

PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued

able by budget hearings, will help us determine the most effective and efficient method to accomplish this project.

Savings Not Budgeted

We recommend that two programmer positions be deleted, for a savings of \$46,022 to the Public Employees' Retirement Fund (Item 143).

For the budget year, PERS is proposing a \$43,000 contract with a private consultant to complete installation of the Accounting Systems Task Plan (Task Plan 9) under the Redesign Project. This project is an ongoing effort to automate all processing functions in the system. According to PERS, contracting with a private consultant for implementation of Task Plan 9 during the current and budget year will save the system the equivalent of two programmer positions in personal services. These positions, however, have not been deleted from the budget. Therefore, we recommend the deletion of two programmer positions for a savings of \$46,022.

Potential Impact of Governor's Reorganization Plan

In December 1979, the Governor submitted his Reorganization Plan No. 2 for review by the Commission on California State Government Organization and Economy. Under this plan, the Governor proposes to consolidate various personnel management functions, currently located in several state entities, under an Office of Personnel Administration reporting directly to him. With respect to PERS, the plan contemplates transferring health benefits administration from the PERS to the new Office of Personnel Administration.

When this analysis was prepared, the plan was still undergoing administrative review, and no final decisions have been made concerning its organizational and fiscal scope. Consequently, the changes that will result from Reorganization Plan No. 2 are not reflected in the proposed budget.

We discuss the proposed plan in more detail under our analysis of the State Personnel Board (Item 140).

State and Consumer Services Agency

STATE TEACHERS' RETIREMENT SYSTEM

Item 148 from the State Teachers' Retirement Fund and
Item 149 from the Teacher Tax-Sheltered Annuity Fund

Budget p. SCS 138

Requested 1980-81	\$9,035,902
Estimated 1979-80.....	8,813,330
Actual 1978-79	7,603,419
Requested increase (excluding amount for salary increases) \$222,572 (+2.5 percent)	
Total recommended reduction	\$13,776

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
148	Retirement Administration	State Teachers' Retirement	\$8,754,077
149	Annuity Administration	Teacher Tax-Sheltered Annuity	91,825
—	Reimbursements	—	190,000
	Total		\$9,035,902

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Word Processing Equipment. Reduce Item 148 by \$13,776.* 231
 Recommend deletion of requested equipment.

GENERAL PROGRAM STATEMENT

The State Teachers' Retirement System (STRS) was established in 1913 as a statewide system for payment of retirement benefits to public school teachers. The system is managed by the State Teachers' Retirement Board, and is under the administrative jurisdiction of the State and Consumer Services Agency. The STRS has the following primary responsibilities:

1. To maintain a fiscally sound plan for funding approved benefits;
2. To provide authorized benefits to members and their beneficiaries in a timely manner; and
3. To furnish pertinent information to teachers, school districts and other interested groups.

The Governor-appointed members of the board include three members each from the school system and from the public. The Superintendent of Public Instruction, the State Director of Finance and the State Controller are ex-officio members of the board. In addition to having overall management responsibility for STRS, the board reviews applications for benefits provided by the system.

Administrative expenditures of the STRS are funded out of interest income from the system's investments, at no cost to the state. Therefore, these expenditures are excluded from the total state budget figure.

Funding of the benefits provided by the system is discussed under "Contributions to the Teachers' Retirement Fund" (Item 357).

The actual and projected changes in STRS membership and benefits paid for the past, current, and budget year are shown in Table 1.

Table 1
Selected STRS Workload Information

	Actual 1978-79	Estimated 1979-80	Change from 1978-79	Projected 1980-81	Change from 1979-80
Active and inactive members	315,546	314,500	-0.3%	311,000	-1.1%
Benefit recipients	76,019	78,920	3.8	81,823	3.6
Total membership	391,565	393,420	0.5	392,823	-0.2
Total benefits paid (millions)	\$491.0	\$575.4	17.2	\$635.1	10.4

STATE TEACHERS' RETIREMENT SYSTEM—Continued**ANALYSIS AND RECOMMENDATIONS**

The Governor's Budget proposes \$8,754,077 from the State Teachers' Retirement Fund and \$91,825 from the Teachers Tax Sheltered Annuity Fund for support of STRS in 1980-81. This is a \$222,572, or 2.5 percent, increase over the estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Staffing and expenditures, by function, for the past, current, and budget year are shown in Table 2.

Table 2
Summary of Budget Requirements

Functions	Staff-Years			Expenditures (millions)		
	Actual 1978-79	Estimated 1979-80	Proposed 1980-81	Actual 1978-79	Estimated 1979-80	Proposed 1980-81
Administration.....	12.1	12.1	12.1	\$0.5	\$0.6	\$0.7
Records and statistics.....	127.0	102.5	97.2	2.6	2.6	2.5
Member services.....	73.3	71.4	75.5	1.7	2.1	2.2
Accounting.....	36.4	36.0	38.1	1.0	1.2	1.3
Data processing.....	39.4	41.0	41.3	1.1	1.4	1.5
Management services	23.9	21.5	21.8	0.7	0.9	0.8
Totals	312.1	284.5	286.0	\$7.6	\$8.8	\$9.0
Reimbursements				-0.3	-0.2	-0.2
Net Totals	312.1	284.5	286.0	\$7.3	\$8.6	\$8.8

Budget-Year Changes

The budget proposes the addition of 24 new, permanent positions in 1980-81. Eleven of the positions result from the proposal to convert temporary help positions to permanent clerical positions, in recognition of the on-going workload in the Members' Services Division. The budget shows an equivalent reduction in temporary help positions and funds. Of the remaining 13 new positions, 9 are workload-related. These 9 positions are for processing benefits and verifying continued eligibility for STRS benefits. The other 4 new positions are requested for increased auditing of school districts' STRS contributions and for operation of a new tax-sheltered annuity program, as authorized by Chapter 870, Statutes of 1978. Table 3 identifies the various changes in the proposed budget.

Table 3
Significant Budget-Year Changes

	Staff Years	Expenditures
1979-80 Revised Budget	284.5	\$8,623,330
1. Workload Changes		
a. Deletion of temporary help	-11	-114,198
b. Ongoing clerical support	11	115,844
c. Processing of benefits	4	65,832
d. Verification of continued eligibility	5	93,061
2. Program Change Proposals		
a. Increased field auditing	2	55,433
b. Tax-sheltered annuity program	2	91,825
3. Cost changes	—	34,697
4. Salary savings	-11.5	-119,922
1980-81 proposed budget	286.0	\$8,845,902
Net Total Increases	1.5	\$222,572

We have reviewed these proposed staff changes and recommend that they be approved.

Word Processing Equipment Request Premature

We recommend deletion of funds for word processing equipment, for a savings of \$13,776 from the State Teachers' Retirement Fund (Item 148).

The STRS is requesting \$13,776 for the purchase of its first word processing machine, to be used for a yet-unspecified function. The feasibility study required to determine the need for such equipment will not be completed until the fall of 1980, according to the STRS. The system assumes that findings of this study will support the need for the machine, and the budget provides funds to purchase it in the spring of 1981.

We believe that the funding request for this equipment is premature for the following reasons:

1. The STRS has not established the need for word processing equipment. The normal state procedure calls for a feasibility study by the requestor, or by the Office of Management Services of the Department of General Services, prior to the request for funding.

The study is used by the requestor and by the Office of Procurement of the Department of General Services to (a) document the need, and (b) determine the type and cost of the machine needed.

2. The purchase request specifying the justified need, type of equipment, and cost must be submitted to the Office of Procurement by April 1, in order to permit that office to review, approve, and purchase the equipment for the requestor by the end of the fiscal year. It is unlikely that STRS will be able to meet that deadline.

3. The system is requesting funds for a specific type of word processing machine, without having established whether that machine would be appropriate for the need which might be established.

For these reasons, we believe that the request for word processing equipment should be deferred until completion of the required feasibility study.

State and Consumer Services Agency
DEPARTMENT OF VETERANS AFFAIRS

Items 150-151 and 153-154 from
 the General Fund and Item
 152 from the Veterans' Farm
 and Home Building Fund

Budget p. SCS 141

Requested 1980-81	\$35,620,672
Estimated 1979-80.....	34,719,362
Actual 1978-79	27,426,175
Requested increase (excluding amount for salary increases) \$901,310 (+2.6 percent)	
Total recommended reduction	\$851,125

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
150	Administration/Veteran Services	General	\$1,614,681
151	Educational Grants	General	1,333,250
152	Administration	Farm and Home Building	(504,770) *
—	Administration—Continuing Appropriation	Farm and Home Building	8,533,944
153	Veterans' Home	General	15,347,672
—	Veterans' Home	Reimbursement	2,660,925
—	Veterans' Home	Federal funds	5,290,200
154	Local Assistance	General	840,000
	Total		\$35,620,672

* Transferred to Item 150.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Redesign Project. Recommend department report on computer project progress. 236
2. *Member Fees and Charges.* Reduce Item 153 by \$798,000. Recommend the Veterans' Home adopt a graduated fee schedule. 237
3. *Laundry Equipment Savings.* Reduce Item 153 by \$53,125. Recommend seven laundry finisher positions be limited to December 31, 1980. 238
4. Post Fund. Recommend legislation allowing the Veterans' Home Post Fund to be appropriated in the Budget Act of 1981. 238

GENERAL PROGRAM STATEMENT

The Department of Veteran Affairs provides services for qualified California veterans and their dependents through four major programs. Its principal aim is to help needy veterans or dependents to obtain direct federal or state aid of various kinds and to provide a hospital, nursing-home and domiciliary facility for veterans needing such services.

In addition, the department administers a loan program to enable veter-

ans to own their own houses, farms or mobilehomes on a more economical basis than would be available to them by conventional means. This service is self-supporting and self-liquidating from regular payments made by participating veterans.

Farm and Home Loans

The Farm and Home Loans to Veterans Program, also known as the Cal-Vet Loan program, provides low-interest farm, home, and mobile-home loans to qualified veterans through the sale of general obligation and revenue bonds which are redeemed from the monthly payments of the participating veterans. Loans are available in amounts up to \$55,000 for a house (\$60,000 if the house is solar-heated), \$180,000 for a farm, and \$30,000 for a mobilehome situated on the owner's property (\$25,500 if located in a trailer park). Chapter 121, Statutes of 1979 (AB 3), authorized veterans to defer payments on the principal for up to five years. Unlike conventional lending institutions whose loans are secured by deeds of trust, the Cal-Vet Loan program purchases and remains the "owner" of the property until the loan is fully amortized.

Veterans Claims and Rights

The Veterans Claims and Rights program provides information to veterans and their dependents concerning the availability of federal and state benefits, and assists eligible persons in obtaining them through three elements: claims representation, employment preference and county subventions. Benefits include hospital and out-patient medical and dental care, pensions, insurance, burial benefits, educational assistance, and employment preference.

Claims Representation. This element assists California veterans seeking federal benefits by appearing on their behalf before the Veterans Administration rating boards. Assistance is given for claims involving initial ratings of service-connected disabilities and increases in existing disabilities.

Employment Preference. Honorably discharged veterans and veterans' widows receive a 10-point preference on civil service examinations, and veterans with a service-connected disability receive 15 points. This element processes applications for the preference points and certifies eligible veterans and widows to the State Personnel Board.

County Subvention. This element administers grants to local veterans service offices, which assist veterans in establishing their claims and rights. Service offices are located in 54 of the state's counties.

Educational Assistance. The Educational Assistance to Veterans Dependents program provides counseling and financial assistance to qualified dependents of veterans who were killed or totally disabled as a result of active military service. Full-time college students receive \$50 per month and high school students receive \$20 per month. In past years, financial assistance was also provided to totally disabled veterans, but this program element has been discontinued due to expansion of G.I. Bill education benefits.

DEPARTMENT OF VETERANS AFFAIRS—Continued**Care of Sick and Disabled**

The Care of Sick and Disabled Veterans program operates the Veterans' Home in Yountville, which is one of the largest geriatric facilities in the country. The home maintains an 844-bed medical and nursing unit and domiciliary quarters with a bed capacity of 1,489. The home provides war veterans who are California residents with several levels of medical care (acute, skilled nursing and intermediate care), rehabilitation services and residential services. The home is licensed by the state, and its hospital is fully accredited.

Administration

General Administration provides for administrative implementation of policies established by the California Veterans Board and the department director. Fiscal, legal, personnel and other functions not specifically assigned to the other programs are included in this element.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$35,620,672 from various funds, which is an increase of \$901,310, or 2.6 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The department's administrative support is financed by (1) appropriations from the General Fund in Items 150 and 153, (2) a continuing appropriation from the Farm and Home Building Fund, (3) federal funds and (4) reimbursements. The amounts provided by each source are shown in Table 1. A continuing appropriation of \$8,533,944 is provided by Section 988 of the Military and Veterans Code for administrative support of the Cal-Vet Loan program. The program maintains existing loan accounts, and will acquire new property amounting to approximately \$866 million in the budget year.

The proposed appropriation of \$1,333,250 in Item 151 will provide educational grants to veterans' dependents. The budget proposes to continue the policy established by the Legislature in the Budget Act of 1979 of not providing state educational benefits to dependents of non-California Veterans or servicemen currently missing in action. Item 154 provides \$840,000 for assistance to county veterans service offices.

Table 1
Department of Veterans Affairs
Funding Summary

	<i>Estimated 1979-80</i>	<i>Proposed 1980-81</i>	<i>Change Amount</i>	<i>Percent</i>
General Fund:				
Item 150 (Administrative Expenses)	\$1,531,727	\$1,614,681	\$82,954	5.4%
Item 151 (Educational Grants).....	1,302,250	1,333,250	31,000	2.4
Item 153 (Veterans' Home)	14,034,546	15,347,672	1,313,126	9.4
Item 154 (Veterans Service Offices)	840,000	840,000	—	—
Totals, General Fund	\$17,708,523	\$19,135,603	\$1,427,080	8.1%
Special Fund:				
Item 152 (Loan Administration)	\$469,342	\$504,770	\$35,428	7.5%
Continuing Appropriation (Loan Program).....	8,577,473	8,533,944	-43,529	-0.5

Loan, debt service, taxes (Loan Program).....	844,883,643	866,200,000	21,316,357	2.5%
Totals, Special Fund	\$853,930,458	\$875,238,714	\$21,308,256	2.5%
Federal (direct)	5,694,120	5,290,200	-403,920	-7.1
Reimbursements	2,739,246	2,660,925	-78,321	-2.9
Grand Totals	\$880,072,347	\$902,325,442	\$22,253,095	2.5%

The "direct" federal funding shown in Table 1 consists of medical and billet payments in behalf of residents at the Veterans' Home. The reimbursements include federal funds paid through the veterans to the home for "aid and attendance" and fees paid directly by the veterans.

Table 2 summarizes the department's administrative costs by program.

Table 2
Department of Veterans Affairs
Program Cost Summary

<i>Program</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>Amount</i>	<i>Percent</i>
Farm and Home Loan.....	\$9,046,815	\$9,038,714	\$-8,101	-0.1%
Personnel-years	248.2	256.9	8.7	3.5
Veterans claims and rights	1,161,197	1,205,672	44,475	3.8
Personnel-years	45.9	47.2	1.3	2.8
Home and hospital	22,838,442	23,707,806	869,364	3.8
Personnel-years	883.1	892.4	9.3	1.1
General administration	(945,877)	(939,831)	(-6,046)	-0.6
Personnel-years	(30.6)	(29.4)	(-1.2)	-3.9
Totals	\$33,046,454	\$33,952,192	\$905,738	2.7%
Personnel-years	1,177.2	1,196.5	19.3	1.6

Major Data Processing Project Continues

The budget includes \$465,083 for 12 new positions and related operating expenses to continue a major data processing project begun in July 1978. To date, the project has been staffed through position reclassifications from the affected programs and a contract for personal services with the Department of General Services Data Processing Services Office. The project, known as the Redesign and Financial Management Information System (FMIS), has short-term plans to: (1) automate the processing of Cal-Vet loans and remittance payments; (2) provide consolidated management information on the loan program; and (3) automate the Veterans' Home billing and cost accounting system. Long-term tasks involve the development of an automated patient care tracking system for the home, a home inventory and procurement system, and a financial management information system for the department. All tasks are scheduled for completion by June 30, 1982.

Of the 12 positions proposed, 8.5 are for the Farm and Home Loan portion of the redesign project and 3.5 positions are for the Veterans' Home portion.

DEPARTMENT OF VETERANS AFFAIRS—Continued**Redesign Project Progress**

We recommend that the department report to fiscal committees during budget hearings on the progress of the redesign project directed at Farm and Home Loan remittance processing, loan creation and maintenance, and Veterans' Home billing and cost accounting.

During the past few years, the Department of Finance and the Auditor General have been critical of the Department of Veterans Affairs' administrative practices. Much of the criticism has focused on two areas: (1) inefficiencies in processing Cal-Vet loans and planning for the cash needs of the program and (2) the failure to accurately account for costs at the Veterans' Home. The reports prepared by the department and the Auditor General indicate that these inadequacies have resulted in unnecessary costs and poor service to veterans.

Recent legislative and administrative changes in the Cal-Vet Loan program have resulted in an increased flow of loan applications to the department. If the program is to benefit veterans seeking to acquire homes, it must provide prompt services. In addition, inaccurate cost accounting at the home could result in lower U.S. Veterans Administration payments to the state.

The department appears to have made a commitment to improve both service and accounting. Our analysis indicates that the staffing request for the redesign project and the data processing applications under consideration in both the Farm and Home Loan and Veterans' Home programs, are appropriate.

Because the redesign project is the key to proposed service improvements to veterans, better program management, and realization of potential savings, we recommend that the department report during budget hearings on the progress of the project. This report should detail program milestones, progress to date, significant problems encountered, and potential administrative savings.

Health Program for Veterans' Home Employees

The department is requesting \$131,236 to establish a full-service health program for employees at the Veterans' Home. The proposed program is intended to control Workers' Compensation costs. Paid compensation costs (dollars actually expended during a fiscal year) by the department totaled \$157,248 in 1978-79 and are estimated to be \$218,000 in 1979-80. Incurred compensation costs (future expenditures for injuries that occurred during the fiscal year) amounted to \$275,444 in 1977 and \$411,040 in 1978. The cost of lost work time is unknown, but probably significant.

The amount by which incurred costs exceed paid costs represents the net change in accumulated debt. The fact that this "debt" has risen indicates higher levels of expenditure (paid costs) are likely to occur in the next few years. Rather than budget additional funds to provide for paid costs exceeding the \$218,000 in payments projected for 1979-80, the department proposes to establish an employee health program intended to reduce these costs. Under this program, the department would be able to control the selection of the original treating physician during the first 30 days following an employee injury. The department anticipates that this

will result in decreases in paid costs, incurred costs, and lost work time.

Other Program Changes

Home Certification. The budget includes three proposals to meet the certification and licensing requirements of the state Department of Health Services, the U.S. Veterans Administration, and the federal Department of Health, Education, and Welfare. The budget requests: (1) \$203,013 for 10 additional positions to develop, implement, and supervise the social, recreational, and rehabilitative programs of the home; (2) \$70,977 for 3 positions to enhance social services provided home members; and (3) \$57,642 to establish a preventive maintenance program.

Additional Health Care Staff at the Home. The budget proposes \$47,104 to augment health care staff at the home with one dental hygienist and one respiratory therapist. Overtime funds are included to provide additional services of a clinical laboratory technologist.

Special Maintenance. The department is requesting \$200,000 to finance needed repairs at the Veterans' Home.

Veterans' Board Staff. The budget includes \$15,343 from the General Fund and \$15,343 from the Veterans' Farm and Home Building Fund to reestablish the assistant to the California Veterans Board, a statutorily authorized position.

Appeal Hearings on Veterans Benefits. The department proposes an expenditure of \$8,730 for in-state travel to comply with Chapter 474, Statutes of 1979 (AB 1010), which mandates that the Veterans' Board reply to appeals by veterans applying to the department for benefits. This measure will result in additional meetings of the board each month and additional travel for the department's legal officer.

Our analysis of the workload upon which these program changes are proposed indicates the requests are reasonable and we recommend their approval.

Member Fees and Charges Do Not Reflect Ability to Pay

We recommend that the California Veterans' Home adopt the graduated fee schedule proposed in our report, "An Analysis of the California Veterans' Home Fee Policy", for a General Fund savings of \$798,000 (Item 153).

In accordance with Chapter 1277, Statutes of 1978, our office submitted a report (Report No. 80-4, January 22, 1980) to the Legislature which reviewed the California Veterans' Home fee schedule. That report found that the home's fee schedule places a heavier fee burden on lower income members at the home. Moreover because the fee system does not recognize a member's ability to pay and does not automatically increase revenues to the home as home operating costs and income rise, it requires an excessive General Fund subsidy. We concluded that relative to the home's current fee system, a graduated fee schedule along the lines proposed in our report would: (1) better distribute the burden of fee payment among members according to their ability to pay; (2) yield more revenue for the home and thus reduce the amount of General Fund support now and in future years; (3) provide all members with a greater personal exemption;

DEPARTMENT OF VETERANS AFFAIRS—Continued

and (4) support the concept that fees should not inhibit members from seeking proper care.

Therefore, we recommend that the home adopt the graduated fee schedule outlined in our report, for a General Fund savings of \$798,000.

Realize Savings from New Laundry Equipment

We recommend that seven laundry finisher positions be limited to December 31, 1980, for a savings of \$53,125 (Item 153).

Last year, the Department of Veterans Affairs budget included \$595,000 for new laundry equipment at the home. The Legislature approved this expenditure because the existing equipment was obsolete and in poor condition. At that time, the department indicated that after the new equipment was in operation, it would be possible to eliminate seven laundry finisher positions. We have received no information to indicate that the positions cannot be reduced upon installation of the equipment.

According to the department, the equipment should be in operation by December 1980. Therefore, we recommend that seven laundry finisher positions be limited to December 31, 1980, for a General Fund savings of \$53,125.

Home Post Fund

We recommend that legislation be enacted allowing the Veterans' Home Post Fund to be appropriated in the Budget Act of 1981.

The Veterans' Home maintains a Post Fund to be used for the benefit of the home and its members. Currently, expenditures are not subject to appropriation in the Budget Act. As Table 3 shows, Post Fund expenditures have exceeded Post Fund income for the last three fiscal years.

Table 3
Veterans' Home Post Fund

	Revenue	Expenditures	Difference
1975-76	\$838,859	\$763,246	\$+75,613
1976-77	835,836	867,357	-31,521
1977-78	1,017,235	1,038,625	-21,390
1978-79	1,117,463	1,168,485	-51,022

Information provided in the Governor's Budget indicates that the department expects Post Funds costs to exceed income by \$73,000 in 1979-80 and \$35,000 in 1980-81.

The Post Fund pays for certain goods, and services (such as library and chapel expenses, equipment, and minor capital improvements) that the General Fund might otherwise have to support. Thus, the declining Post Fund balance may result in increased demands on the General Fund in the future. Before the Post Fund's condition is allowed to erode further, the Legislature should attempt to oversee the use of funds through the budget process. This would allow the Legislature to make any necessary program adjustments more gradually.

In order for the Legislature to exercise any control over the Post Fund through the budget process, the fund must be established in law as a state fund in the State Treasury. Additional benefits would accrue to the Post Fund if such legislation were enacted. For example, as a state fund in the

Treasury, the Post Fund would be able to take advantage of investment services provided by the State Treasurer through the Pooled Money Investment Account. The State Treasurer provides information, expertise, and a large base of funds to invest. Because the largest source of Post Fund income is the interest on Post Fund and trust fund (member deposits with the home) investments, the professional management of those investments by the State Treasurer could result in higher revenues to the Post Fund over the long run.

Therefore, we recommend that legislation be enacted to establish the Post Fund as a state fund in the State Treasury, and that the Post Fund be subject to appropriation in the Budget Act of 1981.

Business and Transportation Agency

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Item 155 from the General Fund

Budget p. BT 1

Requested 1980-81	\$12,675,227
Estimated 1979-80.....	12,655,605
Actual 1978-79	11,478,876
Requested increase (excluding amount for salary increases) \$19,622 (+ 0.2 percent)	
Total recommended reduction	\$145,600

1980-81 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
155	Support	General	\$12,450,227
	Support	Reimbursements	225,000
	Total		\$12,675,227

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Data Processing Savings. Reduce by \$145,600. Recommend deletion of 10 clerical positions. Further recommend 10 additional clerical positions be limited to June 30, 1981.* 243

GENERAL PROGRAM STATEMENT

The Department of Alcoholic Beverage Control (ABC), a constitutional agency established in 1954, is headed by a director who is appointed by the Governor with the consent of the Senate. Headquartered in Sacramento, the department maintains a northern division office in Hayward, which supervises eight northern district offices, and a southern division office in Downey, which supervises 10 southern district offices. Department staff is presently authorized at 382.6 positions.

The Constitution gives the department exclusive power, in accordance with laws enacted by the Legislature, to license the manufacture, importa-