

**STATE TREASURER—Continued**

increase in the custodial workload of the Treasurer's staff.

4. 2.0 new clerical positions and an increase of \$35,838 within the administrative program to provide additional staff necessary to meet the increased workload generated by the new commissions, and
5. \$3,000 for other miscellaneous increases in reimbursable operating expenses and equipment costs.

Our analysis indicates that these additional amounts are reasonable.

**Table 1**  
**State Treasurer**  
**Budget Summary**  
**(dollars in thousands)**

<i>Programs</i>	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1980-81</i>	<i>Authorized 1981-82</i>	<i>Proposed 1982-83</i>	<i>Actual 1980-81</i>	<i>Authorized 1981-82</i>	<i>Proposed 1982-83</i>
Bond sales and services .....	19.0	20.0	20.2	\$636	\$719	\$739
Investment services .....	8.9	8.2	8.3	479	553	573
Paying and receiving .....	50.0	55.1	55.4	1,607	1,918	2,042
Trust services .....	19.2	19.0	19.1	750	820	839
District securities division .....	7.2	7.4	6.5	345	383	390
Administration (distributed to other programs) .....	16.4	17.9	19.1	(686)	(821)	(809)
Administration (undistributed) ..	—	—	—	46	21	113
Totals .....	120.7	127.6	128.6	\$3,863	\$4,414	\$4,696
Reimbursements .....	—	—	—	1,509	1,183	1,491
General Fund .....	—	—	—	2,354	3,231	3,205

**State and Consumer Services Agency**  
**MUSEUM OF SCIENCE AND INDUSTRY**

Item 1100 from the General  
Fund

Budget p. SCS 1

Requested 1982-83 .....	\$4,350,000
Estimated 1981-82 .....	4,370,000
Actual 1980-81 .....	3,352,000
Requested decrease (excluding amount for salary increases) \$20,000 (—0.4 percent)	
Total recommended reduction .....	\$169,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
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1. **Utilities Expense. Reduce by \$54,000.** Recommend deletion of double-budgeted price increase for telephone, gas and electric service. 150
2. **Equipment. Reduce by \$16,000.** Recommend that funds donated for the Hall of Economics and Finance be used in place of state funds to purchase equipment for the new building. 151
3. **Salary Savings. Reduce by \$99,000.** Recommend a 6.9 per- 151

cent salary savings requirement to reflect prior years' experience.

### GENERAL PROGRAM STATEMENT

The Museum of Science and Industry (MSI) 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 the program is financed by the Museum Foundation Fund, which is supported by private contributions. Several facilities of the museum are available to public and private groups for education, recreational and civic functions.

Associated with the Museum of Science and Industry is the Museum of Afro-American History and Culture. Its exhibits, which first received state support in 1981-82, are currently displayed in MSI facilities.

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 responsible for security in Exposition Park.

The museum has approximately 135 authorized positions in the current year.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,350,000 from the General Fund to support operation of the Museum of Science and Industry and the Museum of Afro-American History and Culture in 1982-83. This is \$20,000, or 0.4 percent, less than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefits approved for the budget year. Total 1982-83 expenditures in support of the museum will include \$19,000 in reimbursements and \$851,000 from the California Museum Foundation of Los Angeles for education and other museum-related programs. Table 1 shows the museum's proposed expenditures for the past, current and budget years.

**Table 1**  
**Museum of Science and Industry**  
**Budget Summary**  
**(in thousands)**

Programs	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
<b>Education:</b>					
Museum Operations .....	\$2,453	\$2,756	\$2,725	-\$31	-1.1%
Science Workshop .....	49	49	51	2	4.0
Aerospace Science Museum .....	—	49	51	2	4.0
Afro-American History and Culture Museum .....	—	361	375	14	4.0
Subtotals .....	\$2,502	\$3,215	\$3,202	-\$13	0.4
Administration .....	869	1,174	1,167	-7	-0.6
Foundation .....	(770)	(774)	(851)	(77)	9.0
Totals .....	\$3,371	\$4,389	\$4,369	-20	-0.5
<b>General Fund .....</b>	<b>\$3,352</b>	<b>\$4,370</b>	<b>\$4,350</b>	<b>-20</b>	<b>-0.5</b>
Reimbursement .....	\$19	\$19	\$19	—	—
Personnel-Years .....	111	134.8	129.2	-5.6	-4.2

**MUSEUM OF SCIENCE AND INDUSTRY—Continued**

The \$20,000 decrease in expenditures is the net result of several proposed program reductions, partially offset by price increases for the museum's remaining activities. The budget proposes the following reductions in the museum's General Fund programs: (1) \$50,000 for refurbishment of exhibits, (2) \$102,000 and 3.5 positions in the graphics, temporary exhibit, clerical and science education areas, (3) \$40,000 for equipment, and (4) \$18,000 for various other items. These reductions are included in the schedule of expenditure changes displayed in Table 2. The museum did not propose any additions to existing program operations for the budget year, although it is requesting \$6,625,000 in capital outlay funds. We discuss this request separately in Item 1100-301-036.

**Table 2**  
**Museum of Science and Industry**  
**Schedule of Changes**

	<i>General Fund</i>	<i>Reimbursement</i>	<i>Total</i>
1981-82 Current Year Revised .....	\$4,370,000	\$19,000	\$4,389,000
1. Cost Changes			
Personal Services .....	68,000	—	68,000
Operating Expenses .....	118,000	—	118,000
2. Program Change Proposals			
Restore 1981-82 reduction			
Travel .....	8,000	—	8,000
Personal Services .....	52,000	—	52,000
Operating Expense .....	9,000	—	9,000
Delete 1981-82 Special Repairs .....	-65,000	—	-65,000
Reduce by 5 percent			
Refurbish exhibits .....	-50,000	—	-50,000
Equipment .....	-40,000	—	-40,000
Clerical staff .....	-19,000	—	-19,000
Exhibit and graphics staff .....	-54,000	—	-54,000
Science education game .....	-29,000	—	-29,000
Miscellaneous .....	-18,000	—	-18,000
1982-83 Proposed Expenditures .....	\$4,350,000	\$19,000	\$4,369,000

The Museum of Afro-American History and Culture, which is also supported from this item, is currently displaying temporary exhibits in part of the MSI exhibit space. The budget proposes \$479,000 for this museum in 1982-83. This includes \$82,000 for support of the museum's operating staff, \$104,000 for administration, \$147,000 under consulting expense for exhibit borrowing and display expenses, and \$146,000 for communications, MSI clerical and exhibit staff assistance, and general expenses.

**Overbudgeting for Communications and Utilities**

*We recommend a reduction of \$54,000 budgeted for utility costs because expected rate increases have been double funded.*

The Department of Finance estimates that electric utility expenses will increase by 30 percent from 1980-81 to 1981-82, and by 49 percent over the two-year period from 1980-81 to 1982-83. The department instructed all state agencies to budget for electricity expenses accordingly.

The museum calculated estimated expenses for 1981-82 by increasing

actual electric utility billings in 1980-81 by 30 percent. It then added an additional 49 percent of actual 1980-81 expenses to the 1981-82 estimate in calculating its funding requirements for 1982-83. This resulted in overbudgeting for anticipated electricity costs by \$47,137, or 30 percent of 1980-81 actual costs. The museum calculated its telephone and natural gas expenses in 1982-83 using the same method, bringing overbudgeted utility expenses to \$54,000. We recommend that this amount be deleted.

#### **Donations Should Fund Equipment for New Hall**

*We recommend deletion of \$16,000 budgeted for equipment in the Hall of Economics and Finance, because support for construction and all exhibits should come from donations provided by private parties.*

For several years, the museum has been raising private support for a Hall of Economics and Finance. In 1980, MSI requested and the Legislature approved one director and one clerical position for the museum. Last year, the Legislature approved \$300,000 for site improvement for the hall, which will be adjacent to the main hall of the museum. A ceremonial groundbreaking took place November 30, 1981. The museum expects construction to begin in March, and to be completed in September 1982. The Administration's freeze on capital outlay funds brings this schedule into question, however.

When the museum first proposed this project, it stated that all construction and exhibits would be funded by contributions; the state would be requested to provide only staff. The \$16,000 requested for exhibit, program and monitoring equipment falls under the category of building and exhibit expenses, rather than staff support. In line with museum's commitment to the Legislature, this equipment should be funded from private contributions, rather than from the General Fund. The museum has raised \$3.5 million for the building, and expects to raise another \$3.5 million for exhibits which could be used to fund the new equipment.

Accordingly, we recommend that the \$16,000 be deleted from the budget, for a corresponding savings to the General Fund.

#### **Salary Savings Underbudgeted**

*We recommend that the museum's salary savings be increased to 6.9 percent to reflect actual experience, for a savings of \$99,000 to the General Fund.*

The museum has consistently experienced vacancy rates and salary savings far in excess of the amounts included in the budget. Table 3 displays the savings anticipated from vacant positions, expressed as a percent of authorized positions, as presented in the Governor's Budgets for the last five years. It also displays the salary savings actually achieved for four of those years, as adjusted for special reductions. The table shows that actual savings have averaged 11.7 percent, while the museum has budgeted such savings at an average of 2.4 percent. This results in more funds being budgeted to pay museum staff than are needed.

The museum states that it has had to use the excess salary savings to cover increasing worker's compensation costs. MSI does not budget for these expenses. Table 3 shows, however, that total personal services expenditures, which include charges for worker's compensation, also have been consistently less than the amount budgeted.

We recommend that the total personal services budget be reduced by 3.1 percent, or \$99,000, which is the same percent of personal services savings that occurred in 1980-81. This will result in a salary savings rate of 6.9 percent.

**MUSEUM OF SCIENCE AND INDUSTRY—Continued**

**Table 3**  
**Museum of Science and Industry**  
**Excess Salary Savings**

	<i>Salary Savings (As Percent of Salaries)</i>		<i>Total Personal Services (in thousands)</i>			
	<i>Estimated</i>	<i>Actual</i>	<i>Estimated</i>	<i>Actual</i>	<i>Difference</i>	<i>Percent</i>
1977-78 .....	2%	4%	\$2,099	\$2,051	—\$48	—2.2%
1978-79 .....	2	17	2,157	1,937	—219	10.1
1979-80 .....	3	11	2,351	2,178	—172	7.3
1980-81 .....	2	15	2,773	2,687	—86	3.1
1981-82 .....	3	N/A	3,215	N/A <sup>a</sup>	N/A <sup>a</sup>	N/A <sup>a</sup>

<sup>a</sup> If the experience for the first three months of 1981-82 is projected for the full year, actual personal services expenditures would be approximately 14.5 percent less than the amount estimated.

**MUSEUM OF SCIENCE AND INDUSTRY—CAPITAL OUTLAY  
AND REVERSION**

Items 1100-301 and 1100-495  
 from the General Fund, Special  
 Account for Capital Out-  
 lay

Budget p. SCS 4

Requested 1982-83 .....	\$7,244,000
Recommended approval .....	658,000
Recommended reduction .....	6,586,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Transfer to General Fund. Recommend savings resulting from our recommendations be transferred to the General Fund to increase the Legislature's flexibility in meeting high-priority needs statewide. 153
2. Rebudgeting of frozen capital outlay funds. Recommend that prior to budget hearings, the Department of Finance identify any additional funds needed for projects which were frozen in the current year and proposed for rebudgeting in the budget year. 154
3. *Aerospace Science Building. Reduce by \$3,757,000.* Recommend deletion of construction funds because the request is premature given the current status of the project. 154
4. *Afro-American History and Culture Museum. Reduce by \$2,817,000.* Recommend deletion of construction funds because the request is premature given the current status of the project. 154
5. *Minor Capital Outlay. Reduce by \$12,000.* Recommend deletion of two minor capital outlay projects that can be accomplished in another manner. 156

## ANALYSIS AND RECOMMENDATIONS

### Transfer to General Fund

*We recommend that the savings resulting from our recommendations on Item 1100-301-036—\$6,586,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$6,586,000 in the Museum of Science and Industry's capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Special Account for Capital Outlay, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

### 1982-83 Capital Outlay Projects

The budget proposes an appropriation of \$7,244,000 from the General Fund, Special Account for Capital Outlay, for the Museum of Science and Industry. The proposal includes (1) money for projects funded in the 1981-82 Budget Act but deferred in order to avoid a deficit in the current year, (2) construction funds for two buildings that received funds for working drawings in the 1981-82 Budget Act, and (3) four minor capital outlay projects. Table 1 summarizes the museum's capital outlay program for the current and budget years. Our analysis of the individual requests follows.

**Table 1**  
**Museum of Science and Industry**  
**Capital Outlay Projects**  
**Item 1100-301-036**  
**(In thousands)**

Project Title	1981-82			1982-83		
	Budget Act	Amount Expended	Amount to be	Budget Bill	Analyst's Proposal	Future Costs
	Appropri- ation <sup>a</sup>	Transferred to OSA	Reverted <sup>b</sup>	Amount <sup>a</sup>		
Aerospace Science Building .....	\$243 pw	\$106	\$138	\$3,895 wc	\$138	—
Afro-American History Building .....	183 pw	79	103	2,920 wc	103	—
Elevator Replacement .....	78 c	—	78	78 c	78	—
Site Improvements .....	300 c	—	300	300 c	300	—
Minor Capital Outlay .....	—	—	—	51 pwc	38	—
Totals .....	\$804	\$185	\$619	\$7,244	\$657	—

<sup>a</sup> Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction. OSA = Office of State Architect.

<sup>b</sup> Item 1100-495, reverts the unencumbered balance as of June 30, 1982.

**MUSEUM OF SCIENCE AND INDUSTRY—CAPITAL OUTLAY  
AND REVERSION—Continued****Rebudgeting of 1981–82 Capital Outlay Funds Frozen by Executive Order**

*We recommend that prior to legislative hearings on the budget, the Department of Finance indicate the amount of additional funds that will be needed to undertake projects frozen in the current year.*

The budget for 1982–83 includes project funds that were appropriated by the Legislature in the Budget Act of 1981.

Executive Order B87-81 placed a freeze on capital outlay projects by instructing the State Public Works Board to alter allocation of certain funds appropriated by the Legislature for 1981–82 and prior years. The budget proposes to revert these funds under Item 1100-495. In addition, it rebudgets the same amount for 1982–83 that was appropriated for 1981–82. This, however, makes no allowance for the additional funds that will be needed to undertake these projects, due to the inflation in project costs that has occurred since the delay was imposed. Consequently, the rebudgeted projects would appear to be underfunded. On this basis, we recommend that prior to legislative hearings on the budget, the Department of Finance verify that the requested amounts are adequate for the rebudgeted projects.

**Aerospace Science Building**

*We recommend that Item 1100-301-036(a), working drawings and construction for the Aerospace Science Building, be reduced by \$3,757,000 because the request for construction funds is premature.*

The budget proposes \$3,895,000 for working drawings and construction for a new building to house the Aerospace Science Exhibit Program. The project includes a 27,400 net square foot two-story building that could be expanded to provide an additional 15,000 net square feet. The 1981 Budget Act contains \$243,400 for preliminary plans and working drawings for this project. The department has allocated \$105,600 to the Office of State Architect, (OSA) for preliminary plans. The working drawing portion (\$137,800) is proposed for reversion under Item 1100-495, and a new working drawing request is included in the 1982–83 budget.

**Construction Fund Request Premature.** The OSA is responsible for design of the Aerospace Science Building. It is in the process of developing a prearchitectural program to identify the specific functions to be housed in the new building. The program however, has not been completed, and preliminary plans have not been started. Consequently, there is not adequate information available to substantiate the need for the construction funds requested in the budget. Based on the current status of the project, we recommend deletion of the proposed construction funds, a reduction of \$3,757,000. The remaining \$138,000 will replace the working drawing funds approved by the Legislature in the 1981 Budget Act and proposed for reversion (Item 1100-495) in the current year.

**Afro-American History and Culture Museum Building**

*We recommend that Item 1100-301-036(b), working drawings and construction for an Afro-American History and Culture Museum Building, be reduced by \$2,817,000 because the construction fund request is premature.*

This \$2,920,000 proposal would provide funds for working drawings and construction of a 22,000 square foot building to house the museum of

Afro-American History and Culture. The 1981 Budget Act provided \$182,600 for preparation of preliminary plans and working drawings for the proposed new building. The museum is to preserve, collect and display samples of Afro-American contributions to the arts, sciences, religion, education, literature, entertainment, politics, sports and history of the state and the nation. This new museum is governed by a seven-member advisory board, with members appointed by the Governor, Legislature and the California Museum of Science and Industry.

**Construction Request Premature.** Preliminary planning funds (\$79,260) for this project have been transferred to the Office of State Architect. The prearchitectural program, however, has not been completed and preliminary planning has not begun. No new information on the project has been developed since the Legislature appropriated planning funds. Consequently, we have no basis on which to evaluate the adequacy of the proposed construction amount, and we recommend deletion of that portion of the request. The remaining \$103,000 would replace working drawing funds approved by the Legislature in the 1981 Budget Act and proposed for reversion under Item 1100-495.

#### **Elevator Replacement**

*We recommend approval of Item 1100-301-036(c), elevator replacement.*

The budget includes \$78,000 in construction funds to convert an existing freight elevator to passenger use. The project also includes replacing the existing hydraulic elevator system with an electric system.

Funds for this project were appropriated in the 1981 Budget Act but are proposed for reversion under Item 1100-495. This request would restore the funds and allow the project to proceed in 1982-83. Our analysis of the original funding request is included on page 147 of the 1981-82 *Analysis*.

Given the Legislature's previous action, we recommend approval of the project. We further recommend that the Department of Finance advise the fiscal committees and our office whether the amount appropriated last year continues to be adequate to carry out the project, despite the one-year delay.

#### **Site Improvements—Edgerton Hall/Hall of Economics and Finance**

*We recommend approval of Item 1100-301-036(d), preliminary plans, working drawings and construction, site improvements, between Edgerton Hall and the future Hall of Economics and Finance.*

This request would fund construction of site improvements, including realignment of museum roads, landscaping and expansion of other facilities related to the construction of a new Hall of Economics and Finance. This building is to be financed by the Museum Foundation through private donations. The 1981 Budget Act included \$300,000 for the site development project. These funds, however, have been frozen by executive order and are proposed for reversion under Item 1100-495.

Given the Legislature's previous action, we recommend approval of the proposal. We further recommend that the Department of Finance verify the adequacy of these funds given the delay in implementing the project.



**MUSEUM OF SCIENCE AND INDUSTRY—CAPITAL OUTLAY  
AND REVERSION—Continued****Minor Projects**

*We recommend Item 1100-301-036(e), minor projects, be reduced by \$12,000 to delete two projects that can be accomplished in another manner.*

The museum's minor capital outlay program (projects costing \$150,000 or less) includes four projects totaling \$51,000. A closed-circuit television system, costing \$26,000, would improve security for the museum's numerous displays and exhibits. In addition, \$13,000 is proposed to replace classroom doors which do not meet fire code. We recommend approval of these two projects.

The museum also proposes \$4,000 to replace six existing drinking fountains with fountains accessible to the physically handicapped. We recommend deletion of these funds because the experience of other state agencies such as the Department of Developmental Services, indicates that less expensive solutions are available (such as the installation of paper cup dispensers).

Finally, one minor capital outlay project would provide \$8,000 for the Office of State Architect to conduct a seismic safety study of the museum's two main buildings. We recommend deletion of the proposed funds because the Seismic Safety Commission has completed an evaluation of state-owned buildings which produced a priority list for seismic rehabilitations. The museum's facilities were not considered in the commission's report. The museum's facilities could be evaluated and integrated into the statewide priority list utilizing the commission's evaluation methodology. The small cost for conducting this evaluation should be borne by the museum's support budget. In other portions of the *Analysis* we recommend that further study of seismic rehabilitation needs for individual buildings proceed in accordance with the statewide priority ranking included in the commission's report.

**Item 1100-495, Reversion of Appropriations in the 1981 Budget Act**

*We recommend approval.*

As shown in Table 1, the unencumbered balance of four appropriations, for capital outlay in the 1981 Budget Act, are proposed for reversion under this item. The amount to be reverted totals \$619,140. The amount associated with each project, however, is rebudgeted under Item 1100-301-036. Thus, reversion of the 1981 Budget Act amount does not cancel the project.

**Projects by Descriptive Category**

In the A pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do not involve life threatening conditions.

3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.

4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.

5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.

6. Energy conservation projects—includes projects with a payback period of less than five years.

7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 2 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

**Table 2**  
**Major Projects by Description Category**  
**Item 1100-301-036 Museum of Science and Industry**  
**(in thousands)**

<i>Category</i>	<i>Item Number/Project Title</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
1	None		
2	None		
3	(d) Site development .....	\$300	—
4	None		
5	(a) Aerospace Science Building .....	138	\$3,757
	(b) Afro-American Cultural History Building .....	103	2,817
	(c) Elevator replacement .....	78	—
	Subtotals .....	\$319	\$6,574
6	None		
7	None		
Totals	Museum of Science and Industry .....	\$619	\$6,574

**State and Consumer Services Agency**  
**DEPARTMENT OF CONSUMER AFFAIRS**

Items 1120-1655 from various  
funds

Budget p. SCS 4

Requested 1982-83 .....	\$64,334,000
Estimated 1981-82 .....	60,396,000
Actual 1980-81 .....	50,661,000
Requested increase (excluding amount for salary increases) \$3,938,000 (+6.5 percent)	
Total recommended reduction .....	\$636,000
Recommendation pending .....	\$16,220,000

**1982-83 FUNDING BY ITEM AND SOURCE**

<i>Item</i>	<i>Description</i>	<i>Fund</i>	<i>Amount</i>
1120-001-704—Board of Accountancy	Accountancy		\$2,126,000
1130-004-706—Board of Architectural Examiners	Architectural Examiners		1,180,000
1140-006-001—State Athletic Commission	General		570,000
1150-008-128—Board of Automotive Repair	Automotive Repair		3,989,000

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

1160-010-713—Board of Barber Examiners	Barber Examiners	683,000
1170-012-773—Board of Behavioral Science Examiners	Behavioral Science Examiners	536,000
1180-014-717—Cemetery Board	Cemetery	218,000
1200-016-157—Bureau of Collection and Investigative Services	Collection Agency	584,000
1210-018-769—Bureau of Collection and Investigative Services	Private Investigator and Adjuster	1,746,000
1230-020-735—Contractors' State License Board	Contractors' License	15,550,000
1240-022-738—Board of Cosmetology	Cosmetology Contingent	2,333,000
1260-024-741—Board of Dental Examiners	State Dentistry	1,655,000
1270-026-380—Board of Dental Examiners	Dental Auxiliary	470,000
1280-028-325—Bureau of Electronic and Appliance Repair	Electronic and Appliance Repair	928,000
1300-030-180—Bureau of Employment Agencies	Employment Agencies	544,000
1310-032-258—Nurses' Registry	Nurses' Registry	18,000
1320-034-745—Board of Fabric Care	Fabric Care	648,000
1330-036-750—Board of Funeral Directors and Embalmers	Funeral Directors and Embalmers	500,000
1340-038-205—Board of Registration for Geologists and Geophysicists	Geology and Geophysics	153,000
1350-040-001—State Board of Guide Dogs for the Blind	General	25,000
1360-042-752—Bureau of Home Furnishings	Bureau of Home Furnishings	1,299,000
1370-044-757—Board of Landscape Architects	Board of Landscape Architects	287,000
1390-046-758—Board of Medical Quality Assurance	Contingent Fund of the Board of Medical Quality	10,642,000
1400-048-108—Board of Medical Quality Assurance	Acupuncturists	263,000
1410-050-208—Board of Medical Quality Assurance	Hearing Aid Dispensers	111,000
1420-052-759—Board of Medical Quality Assurance	Physical Therapy	259,000
1430-054-280—Board of Medical Quality Assurance	Physician's Assistant	160,000
1440-056-295—Board of Medical Quality Assurance	Podiatry	256,000
1450-058-310—Board of Medical Quality Assurance	Psychology	633,000
1460-060-376—Board of Medical Quality Assurance	Speech Pathology and Audiology Examining Committee	158,000
1470-062-260—Board of Examiners of Nursing Home Administrators	Nursing Home Administrator's State License Examining Board	246,000
1480-064-763—Board of Optometry	State Optometry	285,000
1490-066-767—Board of Pharmacy	Pharmacy Board Contingent	1,754,000
1500-068-770—Board of Registration for Professional Engineers	Professional Engineers	1,917,000
1510-070-761—Board of Registered Nursing	Board of Registered Nursing	3,544,000
1520-072-771—Certified Shorthand Reporters Board	Certified Shorthand Reporters	185,000
1530-074-775—Structural Pest Control Board	Structural Pest Control	1,799,000
1560-078-777—Board of Examiners in Veterinary Medicine	Veterinary Examiners' Contingent	437,000
1570-080-118—Board of Examiners in Veterinary Medicine	Animal Health Technician Examining Committee	65,000
1590-082-779—Board of Vocational Nurse and Psychiatric Technician Examiners	Board of Vocational Nurse and Psychiatric Technician Examiners, Vocational Nurse Account	1,588,000
1600-084-780—Board of Vocational Nurse and Psychiatric Technician Examiners	Board of Vocational Nurse and Psychiatric Technician Examiners, Psychiatric Technicians Account	365,000

1640-086-001—Division of Consumer Services	General	1,400,000
1640-086-702—Division of Consumer Services	Consumer Affairs	562,000
1650-088-001—Consumer Advisory Council	General	78,000
1655-090-702—Building Maintenance and Operation	Consumer Affairs	1,271,000
1655-090-702—Division of Administration	Consumer Affairs	(5,533,000)
—Certified Shorthand Reporters Board	Transcript Reimbursement Fund	314,000
Total		\$64,334,000

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

1. Excessive Surplus Funds. Recommend Board of Cosmetology adopt a schedule of reduced fees to bring its surplus into conformance with existing law. 162
2. CFIS Unfunded. Recommend Department of Finance report prior to budget hearings on amount and source of funds required for Department of Consumer Affairs to access CFIS data base. 163
3. Preservation of Enforcement Funds. Recommend that Control Section 27.15 of the 1981 Budget Act be continued in the 1982 Budget Bill to insure that funds budgeted for enforcement are not diverted for other purposes. 163
4. Continuing Education. Recommend adoption of supplemental report language requiring Department of Consumer Affairs to evaluate and report on the benefits of mandatory continuing education requirements. 164
5. *State Athletic Commission. Reduce Item 1140-006-001 by \$22,000.* Recommend reducing operating costs by \$22,000. Further recommend legislation to convert to special fund agency. 165
6. Contractors' State License Board. Withhold recommendation pending submission of 1982-83 budget proposal on February 1, 1982. (Budget will be zero-based pursuant to language in 1981 Budget Act.) 166
7. *Dental Auxiliary Toll-Free Phone Line. Reduce Item 1270-026-380 by \$12,000.* Recommend reduction because installation of a toll-free phone line lacks adequate justification. 167
8. *On-site School Visits. Reduce Item 1270-026-380 by \$39,000.* Recommend reduction to Dental Auxiliary Committee because on-site school visitation program is not necessary. 167
9. Bureau of Employment Agencies. Withhold recommendation pending receipt of more complete information from the bureau. (Supplemental report language to the 1981 Budget Act requires our office to evaluate bureau performance.) 168
10. Nurses' Registry Program. Recommend legislation to terminate the Nurses' Registry program due to insufficient workload, for an annual savings of \$18,000. 168
11. Board of Funeral Directors and Embalmers. Recommend enactment of legislation to remove regulation of pre-need trust accounts from board and transfer to Depart- 170

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

- ment of Banking, for an annual savings of \$300,000. This activity can more appropriately be carried out under supervision of the Banking Department.
12. **Board of Medical Quality Assurance. Reduce Item 1390-046-758 by \$30,000.** Recommend reduction for positions to process applications for an exam which will not be given. 171
  13. **Expanded Enforcement Program. Reduce Item 1450-058-310 by \$22,000.** Recommend reduction because the Psychology Examining Committee's proposal to increase enforcement activities (investigations) lacks adequate justification. 172
  14. **Exam "No Shows". Reduce Item 1510-070-761 by \$10,000.** Recommend reduction to the Board of Registered Nursing because staffing level of exam proctors is overestimated. 172
  15. **Nursing Board Newsletter. Reduce Item 1510-070-761 by \$21,000.** Recommend reduction because newsletter editor position is not justified. Further recommend adoption of supplemental report language requiring the board to report on actual costs of producing its newsletter. 173
  16. **Nursing Board Staffing Study.** Withhold recommendation on \$126,000 and 6.3 positions for licensing and renewal units pending receipt of staffing evaluation report. 174
  17. **Overtime Savings. Reduce Division of Administration (Item 1655-090-702) by \$20,000.** Recommend reduction because overtime savings were not deleted when new positions were added. 174
  18. **"Unallocated" Appropriation. Reduce Division of Investigation (Item 1655-090-702) by \$78,000.** Recommend reduction because operating expenditures includes an "unallocated" proposed expenditure which is not justified. 175
  19. **One-time Funds Not Deleted. Reduce specified items by a total of \$44,000.** Recommend reduction because funds for one-time only current-year study have been carried over into the budget year. 175
  20. **Examinations. Reduce Board of Architectural Examiners (Item 1130-004-706) by \$113,000.** Recommend elimination of funds for Architecture Board to develop its own exam. Further recommend Budget Bill language preventing the Psychology Examining Committee (Item 1450-058-310) from expending funds to develop its own exam until possible adverse effects of withdrawing from national exam are evaluated. 177
  21. **Annual vs. Biennial License Renewal.** Recommend legislation to convert renewals from annual to biennial for an overall savings to specified funds of approximately \$75,000. 179
  22. **Historical Overbudgeting. Reduce specified items by a total of \$100,000.** Recommend reduction because specified agencies repeatedly revert excessive portions of their budgets. 179
  23. **Underestimated Salary Savings. Reduce specified items by a total of \$52,000.** Recommend reduction because salary savings are underbudgeted, based on past experience. 180

24. *Underbudgeted Salary Savings. Reduce Division of Administration (Item 1655-090-702) by \$2,000.* Recommend reduction because salary savings are underbudgeted. 181
25. *Overbudgeted Operating Expenses. Reduce specified items by a total of \$68,000.* Recommend reductions because various agencies have operating expenditure proposals which are not justified. 181
26. *Overstated Temporary Help Benefits. Reduce specified items for a total savings of \$3,000.* Recommend reduction because benefit allocations for temporary help are excessive. 182

### 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 41 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 statutes, each of the 41 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 objective 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 to most constituent agencies. A few boards and bureaus, however, have their own inspectors and investigators. Boards and bureaus are charged \$36.53 per hour for inspections and \$41.09 per hour for investigations during the current year. These charges are projected to increase to \$37.07 and \$41.65, respectively, in the budget year.

The Division of Consumer Services was established by Chapter 139, 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 (71 percent) and various special funds (29 percent).

The department has 1531.3 authorized positions in the current year.

**DEPARTMENT OF CONSUMER AFFAIRS—Continued****ANALYSIS AND RECOMMENDATION**

The budget proposes total expenditures of \$64,334,000 from various funds for support of the department and constituent agencies in 1982-83. In addition, the budget proposes expenditures of \$5,116,000 from reimbursements, for a total expenditure program of \$69,450,000. This is a decrease of \$315,000, or 0.5 percent, from estimated current-year expenditures. The apparent decrease, however, is misleading. The decrease actually reflects *accounting* changes made between the current and budget years in computing reimbursements, and does not reflect *program* changes. When adjustments are made for these accounting changes, the department's 1982-83 budget is \$3,938,000, or 6.5 percent, *higher* than estimated current-year expenditures. Furthermore, this increase will grow by the amount of any salary or benefit increase approved for the budget year.

The budget includes \$1,271,000 for building and maintenance costs and \$5,533,000 for departmental administrative costs. These costs will be paid from pro-rata charges, reimbursements and budget appropriations. The budget also includes \$314,000 for the Transcript Reimbursement Fund, or Chapter 1350, Statutes of 1980, which is not displayed in the Budget bill.

The department contains three entities which receive General Fund support. They are the State Athletic Commission, the Division of Consumer Services and the Consumer Advisory Council. In accordance with the Governor's directive that most General Fund agencies reduce their baseline budget by 5 percent, the department is proposing the following reductions in operating expenditures: State Athletic Commission—\$30,000, Division of Consumer Services—\$74,000 and Consumer Advisory Council—\$4,000.

**Excessive Surplus Funds**

*We recommend that the Board of Cosmetology (Item 1240-022-738) adopt a schedule of reduced fees to bring its surplus 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, the budget projects a June 30, 1982 surplus in the Cosmetology Contingent Fund that exceeds the maximum amount allowed by Section 128. Therefore, we recommend that the Board of Cosmetology adopt a schedule of reduced fees in order to bring the fund's surplus into conformance with existing law.

**Projected Fund Deficits**

According to the budget, the following eight agencies are expected to have little or no surplus in their respective funds at the end of the budget year. Consequently, fee increases or reductions in program expenditures will be necessary if these agencies are to avoid a deficit fund condition in the future.

- Contractors' State License Board
- Bureau of Electronic and Appliance Repair

- Board of Registration for Geologists and Geophysicists
- Board of Landscape Architects
- Acupuncture Advisory Committee
- Physician's Assistant Examining Committee
- Board of Examiners of Nursing Home Administrators
- Structural Pest Control Board

We are advised that the Contractors', Electronic and Appliance Repair, Geology and Geophysicists, Nursing Home Administrators, Physician's Assistants and Structural Pest Control boards all have statutory authority to increase fees administratively. A bill is currently pending before the Legislature which would raise the maximum fee levels that can be charged by the Board of Landscape Architects. The Acupuncture Advisory Committee is considering converting to a continuous renewal system which would advance the receipt of revenues and delay a fund deficit.

#### **Landscape Architects Sunset Report**

Chapter 375, Statutes of 1980, sunsets the California State Board of Landscape Architects, effective June 30, 1984, unless prior to that date the Legislature enacts a bill to continue the agency. Chapter 375 also requires the Board of Landscape Architects to submit to the Legislature no later than June 30, 1982 a statement regarding its purpose, organization and performance. Our office is required to review the statement and conduct an evaluation of the board for submission to the Legislature within three months of receiving the board's statement. The appropriate legislative policy and fiscal committees are required to conduct hearings and issue a statement of findings.

Pursuant to Chapter 375, the Board of Landscape Architects submitted the required statement to the Legislature in December 1981. Our office is conducting the required evaluation of the board, and we will report our findings to the Legislature during March 1982.

#### **No Funding for CFIS**

*We recommend that the Department of Finance report prior to the budget hearings on the sources of funds needed to finance the Department of Consumer Affairs' costs in accessing the California Fiscal Information System.*

Department of Finance budget instructions direct departments that intend to access the California Fiscal Information System (CFIS) data base to request in their 1982-83 budgets funding for data processing, equipment (terminals, printers) and supplies (paper). Although the Department of Consumer Affairs intends to access the CFIS data base during the budget year, no funds have been included in its 1982-83 budget for this purpose. Therefore, we recommend that prior to the budget hearings, the Department of Finance (1) provide the fiscal committees with an estimate of the costs that the Department of Consumer Affairs will incur in accessing the CFIS data base and (2) identify the source of funds needed to cover these costs.

#### **Enforcement Funds Should Be Preserved**

*We recommend Section 27.15 of the 1981 Budget Act be continued in the 1982 Budget Bill to ensure that funds budgeted for enforcement activities are not diverted for other purposes.*

Enforcement services for boards and bureaus in the department consist



**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

of investigations (provided either by the Division of Investigation or agency investigators), legal services provided by the Attorney General and hearings conducted by the Office of Administrative Hearings. These services generally comprise the largest portion of an agency's operating expense budget. For this reason, when agencies overspend in other areas of operating expense such as printing, postage, or travel, funds sufficient to offset the deficit frequently are diverted from enforcement services. As a result, necessary enforcement services are often curtailed.

To ensure that enforcement services are not jeopardized, the 1981 Budget Act contains Control Section 27.15, which limits the redirection of budgeted enforcement funds. This section prohibits transferring more than 5 percent of funds budgeted for enforcement unless 30 days' advance notice has been given to the Legislature. This language is not included in the 1982 Budget Bill.

In order to assure that enforcement monies are used for enforcement activities, we recommend that the following language be continued in the 1982 Budget Bill:

"Notwithstanding any provisions of law, no more than 5 percent of the amount allocated for enforcement, pursuant to Items 1120-001-704 to 1655-090-702, inclusive, may be used for any other purpose sooner than 30 days after written notice of the necessity, therefor, to the chairperson of the Joint Legislative Budget Committee."

**Continuing Education**

*We recommend that supplemental report language be adopted requiring the Department of Consumer Affairs to evaluate and report to the Legislature by November 15, 1982 on the value and effectiveness of existing continuing education requirements.*

There are presently twelve licensing agencies in the Department of Consumer Affairs that administer statutorily mandated continuing education programs. "Continuing education" (CE) provisions generally require license holders to successfully complete a specified number of hours of educational activities as a prerequisite for license renewal. The intent of CE is to promote continuing *competence* through mandatory educational activities.

Those currently required to complete CE as a prerequisite for license renewal are: accountants, barber instructors, dentists, dental auxiliaries, hearing aid dispensers, physician and surgeons, nursing home administrators, pharmacists, podiatrists, registered nurses, structural pest control operators, and vocational nurses. Two agencies in the department, the Optometry Board and the Acupuncture Committee, have authority to require CE through regulations, but do not presently do so.

Agencies in the department expend approximately \$440,000 annually to administer continuing education programs. This does not reflect the cost to licensees for taking CE courses. Approximately \$75,000 in annual revenues are generated as a result of CE requirements.

A survey of those agencies with CE programs conducted by our office reveals that there are significant discrepancies among the agencies regarding such factors as hour and course requirements, certification procedures, costs and administration of program.

Further, we were unable to identify any information which demonstrates (1) that CE has caused the competence of licensees to be higher

than it would be otherwise, or (2) that the benefits of CE justify the costs.

Because information on the effectiveness of CE programs could assist the Legislature in funding and monitoring regulatory activities carried out by these 12 agencies, we recommend that the following supplemental report language be adopted:

"The Department of Consumer Affairs shall evaluate and report to the Legislature by November 15, 1982 on the effectiveness, costs and benefits of existing continuing education requirements."

#### **Establish Athletic Commission as a Special Fund Agency**

*We recommend that legislation be enacted to establish the State Athlete Commission as a self-supporting special fund agency. In addition, we recommend the commission close its Sacramento and San Francisco offices, for a savings of \$22,000 (Item 1140-006-001).*

The State Athletic Commission is responsible for regulating the sports of boxing, wrestling and full-contact karate. The commission receives revenues from license and other fees charged those it regulates, as well as from penalties and fines. In addition, the commission receives 2 percent of the gross ticket sales for regulated events. All commission revenues are deposited in the General Fund.

The commission is requesting a General Fund appropriation of \$570,000 for 1982-83. In accordance with the Governor's directive that most General Fund agencies reduce their baseline budget by 5 percent, the commission has reduced its operating expenses by \$30,000.

Since 1976-77, commission expenditures have exceeded commission revenues, thus requiring the state to subsidize commission operations from the General Fund. In last year's *Analysis*, we reported that the General Fund subsidy had been increasing steadily, and was projected to reach \$178,347 for 1981-82. Subsequently, the Legislature added language to the 1981 Budget Act specifying that the General Fund appropriation for the commission was not to exceed revenues it would generate.

Chapter 1156, Statutes of 1981 (AB 2232), raised the commission's license fees for the first-time since 1941. The new fee structure went into effect January 1, 1982. Fees for four license categories were raised 100 percent, and fees for four others were raised 20 percent. In addition, Chapter 1156 lowered the tax the commission levies on gate receipts and television or broadcasting revenues, from 5 percent to 2 percent. This reduction was intended to make California more competitive with other states in the area of gate admission and broadcasting taxes.

**Impending deficit situation.** The board is faced with a large and growing deficit in the current year. Table 1 displays the board's deficit during the first six months. It shows that the commission's revenues during the first half of the fiscal year were \$171,630, while its expenditures were \$250,533. In contrast, revenues during the first six months of 1980-81 were nearly twice the level achieved in the comparable period this year.

According to the Commission, this deficit results from the inability of California to attract enough matches to generate sufficient revenue to cover the commission's expenditures. The commission attributes this to California's rigorous health and safety standards, which boxers are required to meet before they will be issued a license. The commission maintains it cannot sustain its operation without some form of state subsidy.

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

**Table 1**  
**Athletic Commission**  
**Revenues and Expenditures**

	<i>Revenues</i>	<i>Expenditures</i>	<i>Difference</i>	<i>Balance</i>
July .....	\$23,957	-	\$23,957	\$23,957
August .....	16,195	\$81,622	-65,427	-41,470
September .....	30,871	40,818	-9,947	-51,417
October .....	69,199	46,161	23,038	-28,379
November .....	11,489	40,941	-29,452	-57,831
December .....	19,920	40,991	-21,071	-78,902
Total .....	\$171,630	\$250,533	-\$78,902	

The commission has not developed revenue projections for 1982-83. It is in the process, however, of formulating a method to collect a specified percentage of receipts generated by cable television broadcasting of boxing matches.

It appears that the Athletic Commission must seek other remedies if it is to remain solvent in the budget year. We believe these remedies should include provisions for both fee increases and expenditure reductions.

***Commission should be self-supporting.*** In past analyses, we have been unable to find a compelling reason why the regulation of this particular activity warrants a General Fund subsidy. The benefits from the commission's activities accrue primarily to those persons associated with the regulated sports—boxing, wrestling and contact karate. They do not accrue to the public at large. Consequently, we concluded that the costs of regulating these activities should be borne by the primary beneficiaries rather than by all taxpayers. This is the policy that applies to the regulatory activities of the other 40 regulatory agencies in the department. Specifically, we recommend that legislation be enacted establishing the Athletic Commission as a special fund agency, and providing it with full authority to charge fees needed to finance its legislatively-approved budget.

***Expenditure reductions possible.*** The commission currently operates offices in Sacramento, San Francisco and Los Angeles. The commission pays rent of \$11,544 a year for its Sacramento office, \$10,500 for its San Francisco office and \$7,000 for its Los Angeles office. According to the commission's staff, the majority of its license fee and gate revenues are generated in the Los Angeles metropolitan areas. In addition, a majority of the regulated boxing matches in the state are held in Los Angeles County.

Given the need to reduce commission expenditures in order to remain solvent, we recommend the closure of the commission's offices in Sacramento and San Francisco, for a savings of \$22,000.

### **Contractors' License Board Budget Zero-Based**

***We withhold recommendation on the Contractors' State License Board budget (Item 1230-020-735), pending receipt of the board's zero-based budget request from the Department of Finance on February 1, 1982.***

The budget displays a 1982-83 budget request of \$15,550,000 for the Contractors' State License Board. This is an increase of \$314,000, or 2.1 percent, over estimated current-year expenditures. This amount, however, provides only for "baseline" expenditures. It does not include any changes relating to workload increases or decreases, special price adjustments or any proposed new program activities.

Language in the 1981 Budget Act requires the Department of Finance to present to the Legislature a zero-based budget for the board by February 1, 1982. We are advised that the zero-based budget will provide for any changes in funding that the Department of Finance's review indicates are needed in the budget year. Pending review and analysis of the revised budget, we withhold recommendations on this item.

#### **Toll-Free Phone Line Not Justified**

*We recommend that the proposed toll-free line for the Dental Auxiliary Committee (Item 1270-026-380) not be installed, because the need for such a line has not been demonstrated, for a savings of \$12,000.*

The Dental Auxiliary Committee is proposing to redirect \$12,000 of enforcement monies to provide a toll-free telephone line in the budget year.

Our analysis indicates that enforcement services can be reduced without having a significant adverse impact on the program. It also indicates, however, that the request for a toll-free phone line lacks adequate justification.

The Dental Auxiliary Committee maintains that a toll-free line will "monitor the types of activities auxiliaries are performing, thereby indicating what level of enforcement activity is needed." The committee, however, has not provided the Legislature with any information which would indicate that questions and complaints concerning dental auxiliaries are not being filed because filers must pay for a long distance call. In fact, the committee indicates that between 150 and 200 auxiliary-related calls are received each month on existing (nontoll-free) lines. Furthermore, the ability to submit complaints by letter is available to all persons, and, in our judgment, represents a more desirable option for filing complaints in most instances.

Accordingly, we recommend that the Dental Auxiliaries Committee's request for funds to establish a toll-free phone line be denied, for a savings to the State Dental Auxiliary Fund of \$12,000.

#### **On-Site School Visits Not Warranted**

*We recommend that the Dental Auxiliary Committee's proposal to expand and make formal its on-site school visitation program be denied because other state agencies are already reviewing dental auxiliary schools, for a savings of \$39,000 to Item 1270-026-380. Further, we recommend that the committee discontinue on-site visits and instead coordinate with existing education approving agencies.*

The Dental Auxiliary Committee began an on-site school visitation program for dental assisting schools in late 1979. This program was established pursuant to statutory authority granted to the Board of Dental Examiners (Ch 128/74), which required dental auxiliaries to graduate from board-approved schools. For the budget year, the committee is requesting \$39,000 and one administrative assistant to expand and make formal its on-site school visitation program. Currently, the committee conducts these evaluations as resources permit.

Our review of the committee's proposal indicates that the on-site school visitation program is not necessary. Of the 66 schools approved by the Board of Dental Examiners, approximately half are community colleges and half are private schools. In addition, several approved vocational training centers offer dental auxiliary programs. Each of these schools is reviewed on an ongoing basis by one of three state education agencies.

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

Community colleges are reviewed by the Chancellor's Office of the California Community Colleges. Private dental auxiliary schools are approved by the Office of Private Post Secondary Education. Vocational schools operate under the jurisdiction of the State Department of Education. Each of these agencies conduct periodic reviews and site visits of the schools they oversee.

The committee's proposal would provide sufficient funds to visit each school approximately once every two years. Previous studies conducted by our office, as well as accepted accreditation standards, indicate that reviews of once every three to five years are adequate to protect the public, unless complaints regarding individual schools are received. Information from the committee indicates that it has not received a single complaint to date regarding dental auxiliary schools.

Given the fact that other agencies oversee dental auxiliary schools and that no complaints have been filed to date, we conclude that the committee's on-site visitation program is not warranted. Accordingly, we recommend deletion of \$39,000 and one administrative assistant position. Further, we recommend that the committee work closely with the three education agencies to make any improvements that have been identified in the regulations of dental auxiliary schools. Finally, we recommend that if the committee wishes to establish an ongoing in-house site evaluation program, it seek specific statutory authority from the Legislature.

**Bureau of Employment Agencies**

*We withhold recommendation on the Bureau of Employment Agencies, (Item 1300-030-180) pending receipt of more complete information from the bureau.*

The Supplemental Report to the 1981 Budget Act requires our office to "evaluate the number and nature of complaints to the Bureau of Employment Agencies and the disposition of such complaints to determine if the bureau fulfills a legitimate public purpose."

We requested that the bureau provide us with the information needed to conduct an analysis of the bureau's activities. At the time this analysis was prepared, the only information we had received was incomplete, contradictory, and lacked sufficient workload data to permit an adequate evaluation of the bureau's operations. We have discussed these deficiencies with bureau staff and requested that the necessary information be prepared in a timely manner, in order that we may complete our evaluation before the budget hearings. Pending receipt of this additional information, we withhold recommendation on this item.

**Nurses' Registry Program**

*We recommend enactment of legislation to terminate the Nurses' Registry program (Item 1310-032-258) in the Bureau of Employment Agencies, for a savings of \$18,000.*

The Nurses' Registry Act of 1970 (Chapter 20.5 of the Business and Professions Code) established a program in the Bureau of Employment Agencies to license those agencies which locate private nursing positions or provide private nursing services to the public. The objective of the Nurses' Registry program is to ensure that only those possessing the necessary qualifications are licensed as nurses' registries, and to enforce standards of ethical and legal conduct on the part of these licensees.

Table 2 details performance indicators for the Nurses' Registry program for the six year period ending June 30, 1983. Table 3 lists the unexpended balance as a percentage of the registry's total budget, for each year during the same period.

**Table 2**  
**Nurses' Registry Program**  
**Performance Measures**  
**1977-78 to 1982-83**

	<i>Actual</i>				<i>1981-82</i>	<i>1982-83</i>
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Estimated</i>	<i>Proposed</i>
Number of licenses .....	96	107	125	125	125	125
Number of:						
Applications received .....	22	33	25	30	25	25
Complaints Received .....	37	39	22	13	10	10
Disciplinary actions initiated .....	2	—	—	1	—	—

**Table 3**  
**Nurses Registry Program**  
**Unexpended Balance**  
**As a Percentage of Total Appropriation**  
**1977-78 to 1982-83**

	<i>Actual</i>				<i>1981-82</i>	<i>1982-83</i>
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Estimated</i>	<i>Proposed</i>
Total appropriation .....	\$24,808	\$22,796	\$21,928	\$24,000	\$28,000	\$18,000
Unexpended balance .....	7,873	9,151	8,134	9,000	5,000	—
Total expenditures .....	16,935	13,645	13,794	15,000	23,000	18,000
Unexpended balance as percent of total appropriation .....	32%	40%	37%	38%	18%	—

The data for this six-year period show that the bureau has taken disciplinary action through its Nurses' Registry Program on only three occasions. The bureau does not expect to take any disciplinary actions in 1982-83. Furthermore, table 2 shows that the total number of licenses has stabilized at 125, and the number of complaints the bureau expects to receive in 1982-83 is only a little more than one-fourth the number received in 1977-78 and 1978-79. In addition, Table 3 shows that the bureau has failed to spend an average of 32 percent of its yearly appropriation for its Nurses' Registry program over the past five years. The bureau agrees that it has again overbudgeted expenditures for the registry, and recommends a reduction in the budget year of \$5,000.

Currently, the 8.7 positions authorized for the Bureau of Employment Agencies provides administrative services (application, license fee and complaint processing) for the Nurses Registry Program. The bureau is to be reimbursed \$5,000 by the Nurses Registry Fund in the current year for these services.

The Bureau of Employment Agencies does not expect even minor growth in the nurses registry industry in the future. With few complaints, a Nurses Registry program does not appear to be needed any longer.

As a result, we recommend that legislation be enacted to terminate the Nurses Registry program in the Bureau of Employment Agencies. The budget projects a surplus at the end of the current year of \$40,000. If such legislation is enacted, the Legislature may wish to include provisions for dispensing this surplus. This could be accomplished by providing a rebate

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

to registrants, or by transferring the surplus to the unappropriated surplus in the General Fund.

**BOARD OF FUNERAL DIRECTORS AND EMBALMERS**

The Board of Funeral Directors and Embalmers is responsible for licensing trained funeral directors and embalmers, and for regulating various other activities associated with this industry, including the protection of pre-need trust accounts. Pre-need trust accounts contain funds paid by consumers to a funeral director to be held in trust for the performance of a service in the disposition of human remains sometime in the future. In the event a board auditor discovers that trust funds have been handled improperly, the board may hold disciplinary hearings which may result in license suspension or revocation. Pursuant to Ch 655/81 (AB 201), violation of any of the provisions relating to pre-need funeral arrangements by a funeral director is punishable as either a misdemeanor or a felony.

There are 339 firms in California which administer 452 reportable trusts totaling in excess of \$55 million. Pre-need accounts were first audited by the state in 1974. These audits are designed to detect instances in which funds from a pre-need account are used for purposes other than administration of the trust ("out-of-trust" funds). The board is currently authorized two general auditor II positions to perform these audits. A third general auditor I position that was first authorized on July 1, 1980, is currently vacant. The board estimates it will conduct 130 field audits and 450 desk audits in the current year.

**Shortcomings of the Existing Audit Program**

According to board staff, the pre-need trust funds held by most mortuaries in the state have never been audited. The board favors auditing each pre-need account once every 18 months, but limited audit staff prevents the board from doing so. The board contends that present staff would have to be increased nine-fold to provide the resources needed to adequately audit pre-need accounts.

The board has established audit priorities which prevent it from undertaking a comprehensive audit of all pre-need accounts. Those firms with a history of significant dollar amounts "out-of-trust" are audited yearly. In addition, all accounts which are the subject of Office of Administrative Law hearings are re-audited. Finally, funeral homes must be audited before they are transferred or sold. For these reasons, the number of accounts audited yearly is limited.

Under current law, if the board revokes the license of a funeral director, or if a firm fails, the board may liquidate its assets to refund the principle and interest earned on the trust accounts it holds. If the funeral director does not have sufficient property to liquidate, reimbursement of the total amount in the account (principle and interest) is impossible. The board estimates that consumers have lost \$182,000 since 1977-78 because funds could not be recovered after license revocation.

The board contends that in the current year, up to 80 percent of its expenditures, or \$300,000 are directly related to its pre-need audit program. Revenues currently received from the annual pre-need report fee, however, will total only \$10,000. Thus, the board is not covering through fees the costs of the audits it undertakes. The board's staff has recommended that the \$150 yearly licensing fee for funeral directors be increased in order to pay for audits, but a revised fee schedule has not yet been approved.

Pursuant to Section 1269(d) of the Rules and Regulations of the board, funeral directors who "commingle" funds in a variety of investments are required to submit an independently verified audit with every annual report. (Commingled investment portfolios are the major source of out-of-trust pre-need funds.) The board contends that the results of these independent audits have been poor because (1) the audits are concerned with the accuracy of ledger amounts, not compliance with pre-need trust laws, and (2) independent auditors will report *net* income earned on the principle to be pro rated among trustees, rather than the gross income earned. As a result, trustees do not receive a full return on their accounts.

Finally, there is little indication that the board's process of selecting firms for audit is the most effective method available. With 83 percent of all audits performed in-house, the board lacks an effective audit presence in the field. In addition, the board was unable to provide data on out-of-trust dollars discovered per audit dollar spent. The board, however, claims to have discovered \$2.5 million dollars in out-of-trust funds over a seven-year period. This is an average of \$357,000 a year, versus expenditures of an average of \$150,000 a year for this same period. In other words, the board, by its own admission, is identifying just over \$2 out-of-trust for each audit dollar it spends. We believe this is not an effective audit program.

#### **Transfer the Regulation of Pre-Need Trust Accounts to the Department of Banking**

*We recommend that legislation be enacted removing the regulation of pre-need funeral trust accounts from the Board of Funeral Directors and Embalmers and transferring this activity to the State Banking Department, pursuant to the banking laws of the state, in order to provide a greater measure of protection to the public at less cost.*

Our review indicates there is nothing in the education and/or training requirements for funeral directors which qualify them to act as securities brokers or bankers. Further, the program which the board is most qualified to regulate are those issues relating to health and sanitation standards that must be observed in the disposal of human remains.

We find the current regulation of pre-need trust accounts by the board to be inadequate. In order to provide adequate protection to the public, we recommend that legislation be enacted transferring regulation of pre-need accounts to the Department of Banking, and that these accounts be regulated under the state's banking laws. By transferring responsibility for pre-need trust accounts to the Department of Banking, consumers could deposit funds in advance in the custody of a state or federally-chartered bank. Funeral directors would not be involved in the handling of these funds. Such funds would be readily available for withdrawal, should the consumer move to another area, or could be withdrawn when service is provided. Pre-need trust accounts would be reviewed during the regular cycle of bank examinations, which are conducted every 12 to 18 months to determine the overall solvency and solidity of financial institutions. In this way, current audit costs of approximately \$300,000 a year would be avoided, and the potential abuse of trust funds would be greatly limited.

#### **Board of Medical Quality Assurance**

*We recommend that 1.5 clerical positions associated with processing supplemental exam applications be deleted because the board will not be administering this exam, for a savings of \$30,000 to the Board of Medical*



**DEPARTMENT OF CONSUMER AFFAIRS—Continued*****Quality Assurance (Item 1390-046-758).***

Applicants for physician and surgeon licenses are required to take and pass a national examination. During the current year, the Board of Medical Quality Assurance completed development of a license exam to supplement the national exam for persons seeking licensure in California as a physician and surgeon. This exam, the California Licensing Exam (CLEX) was to be administered to approximately 5,000 persons annually. It was designed to test subject matter not covered in the national exam, including human sexuality, geriatric medicine, nutrition and child abuse detection and treatment.

The 1981 Budget Act authorized 1.5 office technician positions for the increased workload associated with processing applications for CLEX. The board, however, indicates that it has secured cooperation from the national testing organization and will not require funds to administer CLEX in the budget year. We recommend, therefore, that the 1.5 office technician positions provided for this purpose be deleted, for a savings of \$30,000 to the Board of Medical Quality Assurance.

**Psychology Examining Committee**

*We recommend a reduction of \$22,000 to the Psychology Examining Committee (Item 1450-058-310) because the need for increased enforcement activities has not been established.*

The Psychology Examining Committee is requesting \$22,000 to increase the investigation portion of its enforcement budget from \$33,000 in the current year to \$55,000 in the budget year. Investigation services are purchased on an hourly basis from the Board of Medical Quality Assurance. The committee contends that there is a significant amount of "patient exploitive" relationships between licensees, registrants and license applicants and their clients, and that these relationships are not being investigated because of insufficient money for enforcement. These "patient-exploitive" relationships are ones where licensees, registrants, or applicants use "psychological techniques in an organized manner to exploit" individuals. The committee indicates that these types of relationships are particularly difficult to investigate because they often involve a "large number of individuals who are interrelated in a complex network which is difficult to penetrate".

In our judgment, the committee has not provided adequate justification to support the specific increase requested. Further, although the committee claims that it needs to conduct these special types of investigations, it has not demonstrated that these investigations cannot be financed within its existing enforcement service budget. For these reasons, we recommend that this increased level of funding be denied for a savings of \$22,000 to the Psychology Examining Committee.

**BOARD OF REGISTERED NURSING****Examination "No Shows"**

*We recommend that the Board of Registered Nursing budget funds for exam proctors based on the projected number of exam candidates, rather than on the number of applicants, for a savings of \$10,000 (Item 1510-070-761).*

The Board of Registered Nursing is requesting \$122,850 for exam proc-

tor salaries in 1982-83. Exam proctors are used by the board to administer its exam to persons seeking licensure as a registered nurse in California. At a ratio of one proctor to every 16 exam candidates, the proposed funding level is sufficient to support enough exam proctors to administer the exam to 17,500 candidates.

The board is projecting 17,500 exam *applicants* during 1982-83. Based on historical experience, however, approximately 8 percent of the applicants scheduled to take the nursing exam fail to appear for the exam. Applying this 8 percent "no show" rate to 1982-83 estimate of applicants, we estimate that the number of exam *candidates* will be only 16,100. This is the number of exams for which the board is requesting funds.

We recommend that the board budget funds for exam proctors in the same manner that it budgets for the exams themselves—that is based on the projected number of exam *candidates*, rather than exam *applicants*—for a savings of \$10,000.

### **Newsletter Costs Excessive**

*We recommend adoption of supplemental report language directing the Board of Registered Nursing to report to the the Legislature by March 30, 1983 on the actual costs associated with issuing its newsletter. We further recommend deletion of the proposed editorial technician position because experience of other agencies indicates that the position is not needed, for a savings of \$21,000 to the Board of Registered Nursing Fund (Item 151, 070-761).*

The Board of Registered Nursing is requesting \$175,000 to compile and distribute a quarterly newsletter to its 200,000 licensees. This request, which includes \$21,000 for an editorial technician position and \$154,000 in operating expenses, provides for single issues to be compiled, printed and mailed at a cost of 21.9 cents per copy.

We do not question the merit of the board providing a quarterly newsletter to its licensees. Our analysis indicates, however, that the proposed funding level is excessive. We surveyed several other agencies which issue newsletters with circulations of between 19,500 and 165,000. This survey showed that single issue production and mailing costs range between 14.4 cents and 18.4 cents per single issue. The board's proposed newsletter will cost 21.9 cents per single copy. Discussions with the Office of State Printing indicate that generally, as the volume of copies printed increases, the single copy price decreases. Because the Nursing Board will be distributing a larger volume of copies than the agencies we surveyed, our analysis of the board's proposed single copy price of 21.9 cents indicates that it may be excessive. Therefore, we recommend that the Legislature adopt the following supplemental report language directing the Board of Registered Nursing to document actual newsletter expenditures:

"The Board of Registered Nursing shall document and identify the specific costs associated with producing and mailing its newsletter, and report its findings to the Legislature by December 31, 1982."

Further, our review of the workload data provided for the editorial technician position by the board indicates that the position is not necessary. Our survey of other agencies which issue newsletters, (one of which issues copies ten times annually) indicates that none require the services of a full-time editorial position. In fact, all of these agencies use existing staff resources to produce their newsletters. The newsletter the board is proposing to issue will not be a "creative" publication. Rather, it will

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

provide information to the board's licensees on disciplinary actions, and proposed and actual changes in the Nursing Practice Act.

Further, the Division of Consumer Services' Consumer Liaison Section provides at no direct cost general information and assistance on the preparation and distribution of newsletters to constituent agencies within the Department of Consumer Affairs. (Agencies are assessed a pro-rata charge to support the Division of Consumer Services.) On a contractual basis, the Consumer Liaison Section will also provide specific services and technical assistance regarding publication of newsletters and other printed material.

For these reasons, we recommend that the editorial position be deleted, for a savings of \$21,000. Reduction of this position will lower the single issue price to 19.3 cents, an amount still higher than other small-volume newsletters.

**Staffing Needs Under Review**

*We withhold recommendation on \$126,000 and 6.3 positions requested by the Board of Registered Nursing, (Item 1510-070-761) pending completion of a management analysis study of the board's license issuance and renewal processes.*

The Board of Registered Nursing is requesting an increase of \$126,000 to support 6.3 clerical positions for processing initial and renewal licenses.

A review of information provided by the board indicates that this request is based on incomplete workload data, and that the number of positions needed cannot be accurately determined at the present time. In order to develop the information needed to make this determination the management analysis unit of the department's division of administration is conducting an evaluation of the board's procedures and staffing needs in the licensing and renewal units. A report on its findings will be completed by March 15, 1982. We withhold recommendation on the board's requested increase for its licensing and renewal units, pending review of the results of this study.

**Overtime Savings**

*We recommend a reduction of \$20,000 in the budget for the Division of Administration (Item 1655-090-702) to reflect savings in overtime expenditures associated with the addition of new positions.*

The budget is proposing an increase of \$108,000 in the Division of Administration's budget to fund five new positions in the accounting office. Our review of workload data submitted for the accounting office indicates that the additional positions are warranted. Our review further indicates, however, that the budget fails to reflect savings in overtime expenditures that will result from the addition of these positions.

During the current-year, the accounting office estimates that it will use 2,541 hours of overtime, at a cost of approximately \$31,000. The addition of these five new positions should reduce overtime usage by 1,619 hours, or \$20,000. The division estimates that 902 hours will still be needed for year-end closing of books and other contingencies. Accordingly, we recommend that overtime funds for 1,619 hours be deleted, for a savings of \$20,000.

**Division of Investigation**

*We recommend a reduction of \$78,000 in the budget for the Division of Investigation (Item 1655-090-702), due to overbudgeting of operating expenditures.*

The budget proposes expenditures of \$3,383,000 for the Division of Investigation (D of I), of which \$2,412,000 is for salaries and benefits, and \$971,000 is for operating expenses. Within the budget for operating expenses, the division has designated \$78,000 as an "unallocated" expenditure. These funds are budgeted as a contingency in the event the division is requested to provide investigative services in excess of the amount planned.

Because D of I is fully funded by hourly fees charged to boards, it does not require a contingency appropriation. Should additional operating funds be needed due to an unanticipated increase in workload, provisions of Section 28 of the Budget Act provide a means for making the necessary adjustment in the division's budget. Thus, there is no need for the division to maintain an "unallocated" appropriation. Accordingly, we recommend that the "unallocated" line item appropriation in operating expenditures be deleted, for a reduction of \$78,000.

**One-Time Funds Not Deleted**

*We recommend a total reduction of \$44,000 in the budgets for six specified boards on the basis that one-time current-year funds should not be continued in the budget year.*

During the current year, the Division of Administration is spending \$44,000 to conduct a research and planning exercise on the causes and results of indoor environmental pollution. Funding for this study is being provided by six of the department's constituent agencies, as identified in Table 4.

**Table 4**  
**Funding Sources**  
**Indoor Environmental Pollution Study**

<i>Item</i>	<i>Amount</i>
1230 Contractors' State License Board .....	\$15,000
1390 Board of Medical Quality Assurance.....	15,000
1500 Board of Registration for Professional Engineers .....	5,000
1113 Board of Architectural Examiners.....	5,000
1530 Structural Pest Control Board .....	2,000
1360 Bureau of Home Furnishings .....	2,000
Total .....	\$44,000

**Section 28 Violation.** Although plans for this study began in 1980-81, neither this department nor the financing agencies requested legislative approval to use funds to support the study during the current year. Section 28 of the Budget Act authorizes the Director of Finance to approve the expenditure of funds for programs which were not included in the budget, and therefore, not approved by the Legislature. The Director's approval cannot be granted sooner than 30 days *after* notifying the legislative fiscal committees and the Joint Legislative Budget Committee in writing of her intent to authorize the expenditure of funds. The Director failed to provide such notification to the Legislature before approving the redirection of funds for the Indoor Environmental Pollution study.

The Indoor Environmental Pollution study should be completed during

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

the current year. A review of the funding agencies' proposed budgets, however, indicates that the amounts identified in Table 4 have been carried over into 1982-83 budget. We recommend that the funds associated with this one-time study be deleted from the specified funding agencies' budget, for a total savings of \$44,000.

**LICENSING EXAMINATIONS**

Successful passage of an examination is the method most commonly used by the department's regulatory agencies in assessing competence. A survey of the various agencies in the department which test license applicants, conducted by our office, indicates that the kinds of exams used are as varied as the agencies themselves. For example, there are several types of exams (written, oral, practical), and many examination formats (essay, fill in the blank, true/false, multiple choice). Exams may be developed by professional testing consultants, national organizations, board members, staff members or licensees.

In order to effectively test the skills and knowledge of an applicant for a license in a particular field, an exam's content must be updated or revised periodically to reflect changes in the professions. The Central Testing Unit, within the department's Division of Administration, provides technical assistance to agencies conducting exam reviews.

**Adverse Impact and Job Relatedness**

Where applicable, exams must also reflect or comply with national, state or professional standards. For example, Government Code Section 12944 makes it "unlawful for a licensing board to require any examination which has an adverse impact on any class by virtue of its race, creed, color, national origin or ancestry, sex, age, medical condition or physical handicap, unless such practice can be demonstrated to be job related." The Department of Fair Employment and Housing is charged with enforcing this chapter.

The provisions of Section 12944 have prompted the agencies in the department to review and reapprove many of the exams which they administer. However, an agency which must discard or revise an exam faces significant problems. These problems include the costs of developing and administering a new exam, complying with the requirements of national associations and meeting standards necessary for interstate reciprocity.

Those agencies that use a nationally-accepted exam face the most difficult problems in attempting to affect changes needed to comply with Section 12944. Often, despite a large number of licensees in California, the state is still only one voice among many in determining the direction, scope and specific content of a national exam.

**Nursing Board illustrates problems.** The Board of Registered Nursing's recent experiences illustrate some of these problems. This board administers an exam provided by the National Council of Boards of Nursing. Use of this exam is a key factor in the granting of license reciprocity for nurses among different states.

The Director of the Department of Fair Employment and Housing has filed a complaint against the board, alleging that the national council's exam violates Section 12944. The Board of Registered Nursing, while exploring the possibility of having to provide its own exam, has been nego-

tiating with the National Council to bring about changes in the national exam which would bring it into compliance with California statutes.

If the board is not successful in securing changes in the exam, the state may have to withdraw from the national exam program. Doing so, however, could jeopardize existing reciprocity agreements between California and other states. For these reasons, the Legislature adopted Resolution Chapter 72, Statutes of 1981 (SCR 34). Recognizing the potentially adverse effect withdrawal from the National Council of Boards of Nursing's exam may have on reciprocity, the Legislature in this resolution requests that the Board of Registered Nursing not withdraw until these effects can be determined. Resolution Chapter 72 directs our office to study the potential effect of California's withdrawal from the registered nursing national exam, and to report our findings to the Legislature by July 1, 1982.

### **Proposals to Withdraw From National Exams**

For differing reasons, two other agencies are requesting funds in the budget year to develop their own exams, in lieu of continuing to use national exams. A discussion of these requests and our recommendations follow:

*We recommend (1) adoption of Budget Bill language requiring the Psychology Examining Committee (Item 1450-058-310) to study and report to the Legislature on the effect of withdrawing from the nationally-accepted licensing exam, and (2) that the Board of Architecture Examiners (Item 1130-004-706) defer efforts to develop its own exam until it has established a need for and the feasibility of a state-only exam, for a reduction of \$113,000 and a reduction of one limited-term analyst position.*

**Psychology Examining Committee.** The Psychology Examining Committee currently administers written and oral exams to persons seeking licensure as a psychologist in California. The written exam, a multiple choice test developed and scored by Professional Examination Services, is owned by the American Association of State Psychology Boards (AASPB). This exam is used by virtually every state which licenses psychologists, as well as several Canadian provinces.

On May 26, 1981, the Director of the Department of Fair Employment and Housing filed a complaint against the committee alleging that the written exam was not in compliance with Government Code Section 12944. Information from the committee indicates that although AASPB appears willing to make some changes in its exam, these changes would not be sufficient to bring the exam into compliance with Section 12944.

For these reasons, the committee is requesting \$43,000 and a two-year limited-term Test Validation and Development Specialist position to develop its own exam. This position will be located in the department's Central Testing Unit.

Our review of the committee's request indicates that the additional funds are needed if the committee is to comply with state law. Given the concerns expressed by the Legislature in Resolution Chapter 72, we recommend that the following Budget Bill language be adopted:

"Provided, that no funds may be expended for the development of the committee's own written exam until the committee has studied the effect on interstate reciprocity of withdrawing from the nationally-accepted licensing exam, and reported its findings to the Legislature."

**Board of Architectural Examiners.** Architecture license applicants are currently required to take and pass both a written and oral examination.

**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

The oral exam is prepared by the board. The written exam is a nationally-accepted exam developed by the National Council of Architecture Registration Boards (NCARB). The California board administers this exam twice annually in December and in June.

A study funded by the board and conducted by private consultants in 1978 found the national exam to be "outmoded and often irrelevant to the actual job requirements of being an architect." The national association also conducted an evaluation of its exam. Results from this study were similar. Proposals made by the National Council to revise the exam, however, have not been satisfactory to the California board.

Therefore, in the current year, the board requested and received \$128,750 to contract with a professional testing firm (1) to develop a model exam, and (2) to provide the board with a cost estimate for the board to develop its own exam on an ongoing basis.

The board is planning to administer the NCARB exam and pretest its model exam in December 1982. Effective June 1983, the board plans to discontinue use of the NCARB exam and use its own exam exclusively. We do not know what the effect of withdrawing from the NCARB exam will be on existing reciprocity agreements with other states.

Information provided by the board indicates that negotiations with NCARB are continuing, and in fact, it is the board's hope that NCARB will modify its exam in a manner satisfactory to the California board. Should this happen, the California board will continue to use the NCARB exam rather than its own.

Further, our analysis indicates that, although the board has broad statutory authority to develop and administer an exam, changes must be made in existing regulations before the board can actually give its own exam. The board began the process to modify its regulations in July 1981. This administrative review process, however, has not been completed. If the process is not completed prior to June 1982, the entire procedure will have to be started anew.

The board's proposed budget for 1982-83 includes (1) \$323,990, to fund the purchase of exams from NCARB in *both* December and June, and (2) \$113,000 and a half-year limited-term associated governmental program analyst position so that the board can continue to prepare its own exam.

Our analysis indicates that funds for the board to administer its own exam in the budget year are not justified for several reasons. First, the board has not received from its private consultant an estimate of the cost of developing its own exam. It may be that the projected cost is too high to make this a desirable option. Second, the board does not yet have the authority to administer its own exam. Third, it is possible that NCARB will modify its exam in a manner satisfactory to the board, in which case the board will not need its own exam. Finally, withdrawal from the national exam may adversely affect interstate reciprocity, an issue that has not yet been addressed.

For these reasons, we recommend that funds which would allow the board to administer its own architectural licensing exam be deleted for a savings of \$113,000.

### Convert License Renewal from an Annual to Biennial Basis

*We recommend that legislation be enacted converting the license renewal process of the boards and bureaus in the Department of Consumer Affairs from an annual to biennial basis, for an annual cost savings of \$75,000.*

In the *Supplemental Report to the 1981 Budget Bill*, the Legislature directed the Department of Consumer Affairs to report on the feasibility and desirability, including associated costs and savings, of having those boards which presently renew licenses on an annual basis convert to a biennial license renewal system.

In the report prepared in response to this requirement, the department indicates that converting from annual to biennial license renewal would achieve cost savings to the boards and bureaus in two areas. First, savings would be realized by a board if one renewal cycle were eliminated every second year. Second, the department's data processing unit would incur savings as a result of this reduced workload. The department estimates these two-year savings to be \$150,000.

The boards and bureaus in the Department of Consumer Affairs currently process 134,524 licenses annually, pursuant to statute. Eighteen boards and bureaus continue to renew licenses on an annual basis. These eighteen agencies are identified in Table 5.

Based on the potential savings identified in the department's report, we recommend that legislation be enacted to alter the relevant statutes of those boards and bureaus currently renewing licenses on an annual basis, to enable them to convert from annual to biennial renewal. This would result in a savings of \$75,000 annually.

**Table 5**  
**Department of Consumer Affairs**  
**Agencies Renewing on an Annual Basis**

Board of Cosmetology	Board of Barber Examiners
Board of Fabric Care	Board of Behavioral Science
Board of Medical	Board of Optometry
Quality Assurance	State Athletic Commission
Board of Pharmacy	Board of Vocational Nurse and
Board of Funeral Directors	Psychology Technician Examiners
and Embalmers	Bureau of Electronic and
Board of Examiners in	Appliance Repair
Veterinary Medicine	Bureau of Employment Agencies
Cemetery Board	Nurses' Registry
Bureau of Collection	Board of Automotive Repair
and Investigative Services	
Board of Dental Examiners	

### Pattern of Overbudgeting

*We recommend reductions in various items, based on a pattern of overbudgeting, for a total savings of \$100,000.*

In analyzing the proposed 1982-83 budget for the Department of Consumer Affairs, we identified eight agencies that in the past have shown a pattern of overestimating budget requirements. As a result of this overbudgeting, these agencies have consistently reverted funds at the end of each fiscal year. This pattern of overbudgeting is shown in Table 6, which covers the period 1977-78 to 1980-81.

Based on this pattern of reversions, we recommend various reductions



**DEPARTMENT OF CONSUMER AFFAIRS—Continued**

in specified items, as identified in Table 6, for a total savings of \$100,000. The specific deletions recommended were determined based on an *individual* analysis of each agency's reversions, allowing for one-time circumstances that are not likely to reoccur, reductions or redirections proposed for the budget year, and unanticipated emergencies or contingencies.

**Table 6**  
**Department of Consumer Affairs**  
**Selected Agencies**  
**Fund Reversions**  
**1977-78 to 1980-81**

<i>Item No.</i>	<i>Agency</i>	<i>Recommended Reduction</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>
1240	Board of Cosmetology .....	\$25,000				
	Amount reverted .....		\$345,243	\$131,561	\$120,015	\$167,000
	Percent of budget .....		20.3	7.7	8.2	8.9
1300	Bureau of Employment Agencies .....	30,000				
	Amount reverted .....		\$311,577	\$118,088	\$36,538	\$85,000
	Percent of budget .....		52.4	26.1	10.7	18.8
1310	Nurses' Registry .....	1,000				
	Amount reverted .....		\$7,873	\$8,011	\$8,134	\$7,000
	Percent of budget .....		31.7	35.1	37.1	37.5
1320	Fabric Care (Consumer Education program) .....	6,000				
	Amount reverted .....		\$12,859	\$51,658	\$61,750	\$12,445
	Percent of budget .....		17.2	68.9	82.3	20.7
1410	Hearing Aid Dispensers .....	7,000				
	Amount reverted .....		\$25,048	\$41,330	\$40,542	\$24,000
	Percent of budget .....		22.0	36.1	39.1	25.0
1480	Optometry .....	6,000				
	Amount reverted .....		\$152,163	\$22,539	\$27,540	\$41,000
	Percent of budget .....		46.4	10.5	12.1	15.7
1560	Veterinary .....	20,000				
	Amount reverted .....		\$2,530	\$5,000	\$58,666	\$67,000
	Percent of budget .....		1.0	2.0	18.5	18.0
1570	Animal Health Technicians .....	5,000				
	Amount reverted .....		\$3,212	\$11,561	\$9,021	\$27,000
	Percent of budget .....		8.1	23.3	16.1	41.0

**Underestimated Vacancy Rate**

*We recommend a reduction of (1) \$25,000 in the budget for the Board of Barber Examiners (Item 1160-010-713), (2) \$12,000 in the budget for the Board of Funeral Directors and Embalmers (Item 1330-036-750), and (3) \$15,000 in the budget for the Board of Pharmacy (Item 1490-060-767), because of underestimated vacancy rates.*

All state agencies have some vacancies in authorized positions during the year because of staff turnover, delay in filling new positions, or filling positions at the beginning of the salary range. Consequently, the agency does not receive funding for the full costs of its authorized positions. "Salary savings" are estimated and deducted from the appropriation to account for the difference between the cost of authorized positions and expected expenditures for salaries and wages.

For several agencies, we reviewed the amount of salary savings budgeted over a three-year period and compared these amounts to the amount

of salary savings actually achieved during this same period. Our review indicates that actual salary savings, including savings on salaries, benefits and temporary help, were significantly greater than the amount historically budgeted by these agencies, as discussed below.

1. **Board of Barber Examiners** (Item 1160-010-713). For the budget year, the Barber Board projects salary savings of \$3,000, or 0.8 percent of its total personal services request of \$328,000. For the years 1978-79 to 1980-81, however, the board actually incurred an average salary savings of 7.4 percent. Based on this average annual percentage of unspent personal services funds, we recommend that salary savings be budgeted at \$28,490, for a savings of \$25,000 to the State Board of Barber Examiners' Fund.

2. **Board of Funeral Directors and Embalmers** (Item 1330-036-750). The Funeral Board has budgeted salary savings of \$3,582 for 1982-83, which equals 1.4 percent of its total personal services budget of \$356,611. However, a review of the three-year period 1978-79 through 1980-81 indicates that the board, on the average, has underspent its personal services funds by 8.7 percent. Allowing for a unique vacancy situation that is unlikely to reoccur, we recommend that salary savings for 1982-83 be budgeted at 4.3 percent, or \$15,420, for a savings of \$12,000 to the Funeral Board's budget.

3. **Board of Pharmacy**. (Item 1490-066-767). This agency is projecting budget year salary savings of \$6,000, or 0.6 percent of its personal services budget. For the period 1978-79 through 1980-81, however, the agency underspent its personal services appropriation by an average of 5.5 percent, which is significantly higher than the 0.6 percent the board projects for the budget year.

The board is requesting \$975,000 in total personal services for the budget year. Allowing for contingencies anticipated by the board during 1982-83, our analysis indicates that a minimum of 2.2 percent, or \$21,000, in salary savings should be budgeted, for a \$15,000 savings to the Pharmacy Board Contingent Fund.

## TECHNICAL BUDGETING ISSUES

### Underbudgeted Salary Savings

*We recommend a reduction of \$2,000 to the Division of Administration (Item 1655-090-702) to adjust for underbudgeted salary savings.*

The Division of Administration is requesting \$70,212 in salaries for five new positions in its accounting office, and \$30,324 in salaries for two new positions in its affirmative action office. Salary savings for these positions have been computed at 4.3 and 3.3 percent, respectively. The State Administrative Manual however, specifies that a minimum of 5 percent salary savings should be budgeted for new positions. We recommend that salary savings for these positions be calculated in accordance with Department of Finance instructions, for a savings of \$2,000.

### Overbudgeted Operating Expenditures

*We recommend reductions in various items because operating expenditures have been overbudgeted, for a total savings of \$68,000.*

Our analysis indicates that many of the agencies have requested funds for operating expenses which either lack adequate justification or are simply overbudgeted. A brief description of our findings, by agency, follows. Based on these findings, we recommend reductions in specified items as discussed below.

**DEPARTMENT OF CONSUMER AFFAIRS—Continued****1. Dental Auxiliary Committee (Item 1270-026-380)**

Budgeting directions from the Department of Finance require that price increases for operating expenditures in the budget year be calculated at 7 percent over the amount budgeted in the current year. The Dental Auxiliary Committee's proposed budget includes \$7,000 in excess of this amount. No justification has been provided for this additional amount. We recommend, therefore, that \$7,000 be deleted from the committee's budget.

**2. Board of Medical Quality Assurance (Item 1390-046-758)**

a. In the current year, the Medical Board was allocated \$4,000 to remodel its existing facilities. A review of the board's proposed budget indicates that this amount has erroneously been included in the board's 1982-83 budget. We, therefore, recommend that \$4,000 be deleted from the board's budget.

b. The Board of Medical Quality Assurance purchases and administers a national exam entitled the Federation Licensing Examination (FLEX) to candidates seeking licensure as a physician and surgeon. The exam is given twice each year in December and June. Effective January 1, 1983, the purchase price for the full FLEX exam will increase from \$95 to \$160 per exam (partial parts of the exam can be purchased for a lesser amount than the cost of a full exam; however, these prices are also being raised).

For the budget year, the board is requesting an exam augmentation of \$440,000, due to the increase in purchase price and an increase in the projected number of exam applicants. A review of the board's request indicates that purchase price for both the December and June exams have been calculated at the \$160 rate, when in fact, this new rate will apply only to the June exam. Applying the \$95, rather than \$160, exam charge for the December exam allows for a reduction of \$52,000 to this request. Accordingly, we recommend that the board's budget be reduced by \$52,000.

**3. Board of Pharmacy (Item 1490-066-767)**

The budget provides \$1,000 for out-of-state travel expenditures. Information from the board, however, indicates that no out-of-state travel is planned in the budget year. We, therefore, recommend that these funds be deleted.

**4. Board of Registration for Professional Engineers (Item 1500-068-770)**

The board is requesting an increase of \$75,000 (\$40,000 as a new appropriation and \$35,000 redirected from existing resources) for printing and postage which have historically been underbudgeted. The printing request includes \$4,000 for graphic artist services for lettering the certificates of registration. However, \$4,000 for graphic artist services is also provided under the "Consultant Services" category. To correct for this double-budgeting, we recommend that the board's budget be reduced by \$4,000.

**Overstated Temporary Help Benefits**

*We recommend reductions in various items due to overbudgeting of temporary help benefits, for a total savings of \$3,000.*

The three agencies identified in Table 7 are requesting increases in

temporary help blankets which include benefits calculated at between 25 and 33 percent of salary costs. According to the Public Employees Retirement System, however, the benefit costs incurred by agencies using temporary help personnel are generally limited to social security, which is computed at 6.7 percent. By recomputing temporary help benefits at 6.7 percent, we recommend reductions in these agencies requests, as identified in Table 7.

**Table 7**  
**Temporary Help**

<i>Item</i>	<i>Agency</i>	<i>Amount of Temporary Help Requested</i>	<i>Amount of Benefits Requested</i>	<i>Benefits at 6.7 Percent</i>	<i>Recommended Reduction</i>
1130	Board of Architectural Examiners....	\$6,000	\$2,000	\$402	\$1,000
1340	Board of Registration for Geology and Geophysicists.....	4,000	1,000	268	1,000
1370	Board of Landscape Architects .....	8,000	2,000	536	1,000

**State and Consumer Services Agency**  
**DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING**

Item 1700 from the General  
Fund

Budget p. SCS 88

Requested 1982-83 .....	\$8,310,000
Estimated 1981-82.....	8,697,000 <sup>a</sup>
Actual 1980-81 .....	6,196,000 <sup>a</sup>
Requested decrease (excluding amount for salary increases) \$387,000 (-4.4 percent)	
Total recommended reduction .....	None
Recommendation pending .....	\$8,310,000

<sup>a</sup> Includes expenditures for support of the Fair Employment and Housing Commission, which is funded by Item 1705 in the 1982 Budget Bill.

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Federal Support Probably Overstated. Withhold recommendation until the administration either substantiates the amount of federal funds anticipated for this program, or provides an alternative funding plan for the department.

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**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 relating to cancer, and age over 40.

The department pursues these objectives through the following three programs:

**DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING—Continued**

1. *General administration*, which provides budget, accounting, personnel, and other administrative support services.

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. Funding for the Fair Employment and Housing Commission, which was formerly shown in this item, is now contained in Item 1705, pursuant to Ch 625/81 (AB 1747).

3. *The Governor's Task Force on Civil Rights*, which was established by Executive Order B-66-80 to develop strategies to prevent future civil right disruptions. The task force is scheduled to terminate on December 31, 1982.

The department has authorized 280.3 personnel-years in 1981-82.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes a General Fund appropriation of \$8,310,000 for support of the department in 1982-83. This is \$387,000, or 4.4 percent, below estimated current-year expenditures. This, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

As shown in Table 1, the department proposes expenditures from all sources, including federal funds and reimbursements, of \$10,207,000 in 1982-83. This is a decrease of \$770,000, or 7.0 percent, below estimated current-year expenditures.

**Table 1**  
**Department of Fair Employment and Housing**  
**Budget Summary**  
(dollars in thousands)

<i>Funding</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
General Fund.....	\$8,697	\$8,310	-\$387	-4.4%
Federal funds.....	2,084	1,852	-232	-11.1
Reimbursements.....	196	45	-151	-77.0
Totals.....	\$10,977	\$10,207	-\$770	-7.0%
<i>Program</i>				
Administrative services.....	\$1,395	\$1,316	-\$79	-5.7%
Personnel-years.....	32.2	31.2	-1.0	-3.1
Enforcement of antidiscrimination laws.....	8,858	8,846	-12	-0.1
Personnel-years.....	230.6	221.2	-9.4	-4.1
Fair employment and housing commission.....	548	—	-548	-100.0
Personnel-years.....	12.5	—	-12.5	-100.0
Governor's task force on civil rights.....	176	45	-131	-74.4
Personnel-years.....	5.0	1.2	-3.8	76.0
Totals.....	\$10,977	\$10,207	-\$770	7.0%
Personnel-years.....	280.3	253.6	-26.7	-9.5

**Program/Budget Changes**

The decrease in the department's expenditures projected for 1982-83 is due primarily to three factors: (1) the transfer of funding for the Fair Employment and Housing Commission to a separate Item (1705), (2) a decline in federal funding, and (3) the 5 percent reduction imposed on

many General Fund agencies by the administration. The department's budget also shows a need for an allocation of \$659,000 from the reserve for contingencies or emergencies in the current year because of an anticipated reduction in federal funds.

The civil rights task force is financed by grants provided under the federal Intergovernmental Personnel Act, the Commission on Peace Officers' Standards and Training and the Office of Criminal Justice Planning (OCJP). Only an OCJP grant of \$45,000 is expected to continue in 1982-83, and it will terminate December 31, 1982.

### **Federal Funds Probably Overbudgeted**

*We withhold recommendation on this item, pending either substantiation of the amount of federal funding anticipated for 1982-83 or submission of an alternative funding plan for the department.*

The proposed budget for the Department of Fair Employment and Housing includes \$1.9 million in federal funds. Our analysis indicates that an undetermined portion of this amount may not materialize in the budget year. In the current year, only about \$2.1 million of the \$3.2 million in federal funds that was anticipated in the 1981-82 budget is now expected to be received. This has necessitated strict expenditure controls during the current year, including a freeze on all vacant positions. The \$659,000 allocation from the reserve for contingencies or emergencies, mentioned above, is intended to cover the remaining deficiency.

The current-year funding problem arose largely because the department overestimated the number of cases which would be eligible for subsidization by the federal Equal Employment Opportunity Commission (EEOC). We believe the decline in federal support is likely to continue. This is because the department is still processing cases at a slower rate than its agreement with the federal government requires, and the federal government lowers the per case reimbursement rate when a state does not meet its contract requirement.

**Federal Reimbursement Criteria.** The federal government reimburses state civil rights agencies for processing cases which, although filed with the state, are subject to the jurisdiction of the EEOC. Currently, the reimbursement rate is \$412.50 per case for cases processed within 180 days and \$393.75 if the processing time exceeds 180 days. The reimbursement covers only cases which may be filed pursuant to federal law. Beginning in 1982-83, the federal government will require states to process cases within 160 days in order to qualify for the higher rate (\$412.50).

Even the higher rate actually covers only about one-third of the state's processing costs. Despite the inadequate reimbursement level, the department indicates that it will continue to accept these cases because state law does not allow it to decline cases that fall under both federal and state jurisdiction.

Because the state law protects more classes of individuals than does the federal law, some of the department's workload is financed solely by the state. For example, the federal law covers employers having 20 or more employees, while state law covers employers with five or more employees. Although both acts cover persons 40 years of age and older, the federal act covers such persons up to 70 years, while the state act has no maximum age limit. The federal act does not cover discrimination on the basis of marital status, physical handicaps or medical conditions related to cancer. Such discrimination, however, is covered under state law. Table 2 shows the number of cases covered by state and federal law and thereby sub-

**DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING—Continued**

dized by the EEOC (commonly referred to as EEOC cases) and the number of cases covered by state law only.

**Table 2**  
**Department of Fair Employment and Housing**  
**Cases by Protected Class Filed in 1980-81 Covered Under State and Federal Law**  
**and Under State Law Only**

<i>Protected Class</i>	<i>Cases Covered by State and Federal Law</i>	<i>Cases Covered by State Law Only</i>	<i>Total Cases</i>
Race/Color .....	1,795	650	2,445
Origin/Ancestry .....	891	297	1,188
Religion .....	94	29	123
Sex .....	1,500	655	2,155
Marital Status .....	—	74	74
Age .....	429	175	604
Physical Handicap .....	—	642	642
Medical Condition .....	—	20	20
Retaliation .....	163	45	208
Totals .....	4,872	2,587	7,459
Percent .....	65.3%	34.7%	100%

As mentioned earlier, the department has failed to complete the number of federally-subsidized cases that it anticipated in the 1981-82 budget. This resulted primarily because it assumed 80 percent of its cases would fall under both state and federal law when, in fact, only 65 percent of its caseload did so.

The department had contracted with the federal government to complete 7,959 EEOC cases for the period October 1, 1980, to September 30, 1981, at the rate of \$412.50 per case. Had the department met the contract level, it would have received in excess of the amount budgeted. However, it completed only 5,335 EEOC cases during that period, and received only \$2,200,688.

The department's current contract with the federal government requires it to complete 6,000 EEOC cases during the period October 1, 1981, to September 30, 1982. Because of the department's failure to meet last year's contractual obligation to process its EEOC cases within 180 days, it is receiving only \$393.75 per case during this contract period.

During the first quarter of the current contract period (October 1, 1981 to September 30, 1982), the department has completed only 1,273 EEOC cases. At this rate, it will finish only 5,092 cases, and will not qualify for the higher rate of reimbursement for the contract period of October 1, 1982, to September 30, 1983. Moreover, the federal government withholds 20 percent of the amount of each contract until the end of the contract period when the state falls behind the rate of case processing called for in the contract. The final 20 percent is paid on only the number of cases actually processed by the end of the contract period.

Given the fact that the department (1) is experiencing a slower rate of processing cases, (2) is unlikely to qualify for the higher rate of reimbursement in the next contract period, and (3) may be subject to the 20 percent withholding provision, it is not likely that the department will receive the \$1.9 million in federal funds on which its budget is based. We, therefore,

withhold recommendation on this budget request, pending receipt of a proposal from the administration which would ensure the solvency of this program in 1982-83.

### State and Consumer Services Agency FAIR EMPLOYMENT AND HOUSING COMMISSION

Item 1705 from the General

Fund

Budget p. SCS 90

Requested 1982-83 .....	\$600,000
Estimated 1981-82.....	439,000 <sup>a</sup>
Actual 1980-81 .....	222,000 <sup>a</sup>
Requested increase (excluding amount for salary increases) \$161,000 (+36.7 percent)	
Total recommended reduction .....	None

<sup>a</sup> Funding for 1980-81 and 1981-82 are shown in the budget of the Department of Fair Employment and Housing (Item 1700).

#### GENERAL PROGRAM STATEMENT

The Fair Employment and Housing Commission establishes overall policy and promulgates regulations for carrying out state laws which prohibit discrimination in employment, housing, and public accommodations on the basis of race, religion, creed, color, national origin, sex, marital status, physical handicap, medical condition related to cancer, and age over 40. The Department of Fair Employment and Housing (Item 1700) is responsible for enforcing these laws.

The commission also holds hearings so that parties who are accused by the department of violating laws prohibiting discrimination can have the dispute resolved. In past years, funding for the commission and the department was provided under a single item. The commission's funds are now shown separately, pursuant to Ch 625/81 (AB 1747), which established the commission as an independent entity.

The commission is authorized 12.5 personnel-years in the current year.

#### ANALYSIS AND RECOMMENDATIONS

##### *We recommend approval.*

The budget proposes an appropriation of \$600,000 from the General Fund for support of the commission in 1982-83. This is an increase from the General Fund of \$161,000, or 36.7 percent. The size of this increase, however, is misleading. In prior years, some of the federal funds received by the Department of Fair Employment and Housing were distributed to the commission and used to finance its program. Considering the entire spending program provided for in the current year (\$548,000), the \$600,000 proposed for the budget year, is an increase of \$52,000, or 9.5 percent 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. We have examined the commission's request and find it to be reasonable.



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

Item 1710 from the General

Fund

Budget p. SCS 92

Requested 1982-83 .....	\$4,234,000
Estimated 1981-82.....	4,058,000
Actual 1980-81 .....	4,337,000
Requested increase (excluding amount for salary increases) \$176,000 (+4.3 percent)	
Total recommended reduction .....	\$276,000

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

1. Five Percent Reduction. Recommend the office and the Department of Finance report to the Legislature prior to budget hearings, on specific reductions. 189
2. *Hazardous Materials Training. Reduce by \$37,000.* Recommend deletion of one position associated with the Hazardous Materials Training Program because program is being discontinued. 190
3. *One-Time Operating Expenses. Reduce by \$137,000.* Recommend deletion of funds for fire-related expenses which were needed on a one-time basis in 1981-82 and should not be part of the 1982-83 budget. Further recommend that the office indicate which elements of operating expenses should be reduced. 190
4. *Double Budgeting. Reduce by \$102,000.* Recommend deletion of funds which are double-budgeted. Further recommend that the office indicate which elements of operating expenses should be reduced. 191

**GENERAL PROGRAM STATEMENT**

The Office of the State Fire Marshal is responsible for the protection of life and property from fire. It does this by:

- Developing, maintaining and enforcing fire safety standards for all state-owned/occupied structures, all educational and institutional facilities, public assembly facilities, organized camps, and buildings over 75 feet in height.
- Developing, maintaining and enforcing controls for portable fire extinguishers, explosives, fireworks, cargo tanks used in the transportation of flammable liquids, decorative materials, fabrics and wearing apparel.

Office activities are carried out through two programs. The first program, Public Fire Safety, consists of (1) enforcement, and (2) analysis and development. The second program, Administration, provides policy guidelines and administrative support to the Public Fire Safety program. The office was budgeted 122.9 positions in the current year to carry out these activities.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,234,000 from the General Fund for support of the Office of the State Fire Marshal in 1982-83. This is an increase of \$176,000, or 4.3 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. Table 1 summarizes the funding changes proposed for 1982-83.

**Table 1**  
**Office of the State Fire Marshal**  
**Proposed 1982-83 Budget Changes**  
**(in thousands)**

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Total</i>
1981-82 Expenditures, Revised .....	\$4,058	\$876	\$4,934
Baseline Adjustments			
Personal Services Adjustment .....	73	—	73
Restore One-Time Cuts:			
Two percent unallotment .....	73	—	73
Section 27.10, Budget Act of 1981 .....	102	—	102
Five percent baseline cut .....	-223	—	-223
Other adjustments (including price increase) .....	151	-9	142
1982-83 Expenditures, Proposed .....	\$4,234	\$867	\$5,101
Change 1982-83 Over 1981-82			
Amount .....	176	-9	167
Percent .....	4.3%	-1.0%	3.4%

Net baseline adjustments of \$176,000 include an increase of \$275,000 for merit salary adjustments and price increases. The budget also proposes to restore two one-time reductions made in the 1981-82 budget: (1) a reduction of \$73,000 as part of the administration's across-the-board 2 percent cut in state operations, and (2) a reduction of \$102,000 for in-state travel. These increases are partially offset by savings from the 5 percent baseline reduction of \$223,000 and reductions of \$118,000 associated with one-time programs.

### Undocumented Expenditures

Under the provisions of Section 28 of the Budget Act, the Director of Finance must notify the Legislature of any proposed expenditure by a state agency which was not provided for in the Governor's Budget. In the current year, two Section 28 letters were filed by the Director for the State Fire Marshal to allow one-time expenditure of unanticipated federal funds. These expenditures include \$35,019 for a pilot program to evaluate the fire safety of board and care homes for the developmentally disabled and \$45,260 to administer two data workshops on the National Fire Incident Reporting System. The expenditure of these federal funds in the current year is not documented in the 1982-83 Governor's Budget. Total expenditures for the office in 1981-82 should be \$5,014,000 not the \$4,934,000 indicated in the budget.

### Five Percent Baseline Reduction

*We recommend that the office and the Department of Finance report to the Legislature, prior to budget hearings, on how the office will be able to achieve reductions in facilities operations, data processing, and the California Fire Incident Reporting System (CFIRS), given the deficien-*

**OFFICE OF THE STATE FIRE MARSHAL—Continued**

*cies it has experienced in these activities during the current year.*

A total of \$223,000 has been cut from the State Fire Marshal's budget pursuant to the administration's 5 percent reduction in the baseline budgets of certain state agencies. The major portion of this reduction (\$160,000) is in operating expenses associated with the Hazardous Materials Program. The remainder is in out-of-state travel (\$1,000), facilities operations (\$18,000), data processing (\$18,000) and CFIRS (\$26,000).

The Fire Marshal is anticipating a deficiency of \$378,000 in the current year. The Department of Finance plans to fund this cost-overrun through the annual deficiency bill, and the \$378,000 has been included in the office's estimated expenditures for 1981-82. Part of this deficiency is due to cost-overruns in facilities operations (\$34,000), data processing (\$26,000) and CFIRS (\$70,000). Given these deficiencies in the current year, it is not clear how the office can absorb reductions in funding for these activities during the budget year. The office and the Department of Finance should provide the Legislature with detailed information as to how it plans to meet the office's statutory responsibilities within the amount budgeted.

**Hazardous Materials Training**

*We recommend that one fire service training specialist III position associated with the Hazardous Materials Training Program be deleted because the budget proposes to terminate the program, for a General Fund savings of \$37,000.*

To achieve the 5 percent reduction required by the Department of Finance, the office will discontinue the Hazardous Materials Training Program. This program was first established by the 1980 Budget Act for a limited term of one year. Additional funds (\$200,000) were appropriated in the 1981 Budget Act to continue the program. The Fire Marshal indicates that this program is one of the lower priority functions of his office, and the budget deletes the operating expenses associated with it (\$160,000). The budget does not, however, delete funds for the fire service training specialist III position that was authorized to conduct the Hazardous Materials Training Program and funded in the current year. This position is retained by the Fire Marshal in 1982-83.

Since the program is being discontinued, there is no justification for continuing the position authorized for it. Accordingly, we recommend that this position be deleted, for a General Fund savings of \$37,000.

**Exclude One-Time Expenditures**

*We recommend a reduction of \$137,000 in operating expenses and equipment (OE&E) to exclude one-time expenditures from the office's baseline budget. We further recommend that the State Fire Marshal identify, prior to budget hearings, the amount which should be reduced from each element of OE&E.*

On January 20, 1981, the office complex which housed the State Fire Marshal was completely destroyed by fire. Subsequently, the Fire Marshal received a deficiency appropriation of \$354,000 to fund the costs of recovering from the fire. The Fire Marshal expended \$217,000 of this amount during 1980-81, and the remaining \$137,000 was reverted on June 30, 1981.

Part of the deficiency in the office's budget for the current year is due to an expenditure of \$137,000 for one-time expenses related to recovery

from the fire losses. This amount was included by the Fire Marshal in calculating his baseline budget for 1982-83. The funds are distributed throughout the OE&E elements, such as general expenses, printing, and communications.

Because these funds were provided on a one-time basis, there is no justification for including them in the 1982-83 budget. Therefore, we recommend that these funds be deleted from the budget, for a General Fund savings of \$137,000. The Fire Marshal has not provided information detailing which OE&E elements were augmented by this amount in the current year. For this reason, we further recommend that prior to budget hearings, the Fire Marshal detail the amount of these funds included in each element of OE&E.

### Double Budgeting

*We recommend deletion of \$102,000 under operating expenses and equipment (OE&E). This amount has been budgeted twice in the 1982-83 baseline. We further recommend that the State Fire Marshal identify the amount which should be reduced from each element of OE&E.*

Pursuant to Section 27.10 of the 1981 Budget Act, the State Fire Marshal's in-state travel budget for the current year was reduced by \$102,000. This was a one-time reduction, and it should be restored in the 1982-83 budget. The \$102,000, however, has been included twice.

This double-budgeting occurred because the Department of Finance included a \$102,000 augmentation in the Fire Marshal's estimated expenditures for 1981-82. This augmentation is to replace the Section 27.10 reduction in travel expenses. This augmentation, however, was not recognized when the 1982-83 baseline calculation was made, and an additional \$102,000 was added to the Fire Marshal's budget. The extra \$102,000 is not budgeted specifically for in-state travel, but is distributed among other operating expenses and equipment items.

We recommend that the extra \$102,000 be deleted, for a corresponding savings to the General Fund. We further recommend that prior to budget hearings, the Fire Marshal identify how the \$102,000 has been distributed among the various OE&E items so that the committee has an accurate estimate of funding requirements, by category of expenditure.

## State and Consumer Services Agency FRANCHISE TAX BOARD

Item 1730 from the General  
Fund

Budget p. SCS 95

Requested 1982-83 .....	\$87,916,000
Estimated 1981-82.....	83,029,000
Actual 1980-81 .....	74,770,000 <sup>a</sup>
Requested increase (excluding amount for salary increases) \$4,887,000 (+5.9 percent)	
Total recommended reduction .....	\$632,000
Recommendation pending .....	\$1,056,000

<sup>a</sup> The budget shows 1980-81 expenditures of \$87,350,000. This amount, however, includes \$12,580,000 in expenditures for the employer withholding program, which was transferred from the Franchise Tax Board to the Employment Development Department in 1981-82.

**FRANCHISE TAX BOARD—Continued****1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
1730-001-001—Support		General	\$87,911,000
1730-101-001—Legislative mandates		General	5,000
Total			\$87,916,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

	Analysis page
1. <i>Return Estimates. Reduce Item 1730-001-001 by \$125,000.</i> Recommend deletion of 10.0 personnel-years due to revised estimates of income tax returns to be processed.	195
2. <i>Audit Positions. Reduce Item 1730-001-001 by \$275,000.</i> Recommend deletion of 12.5 personnel-years because the board can achieve its audit goal without these positions.	196
3. <i>Collections Positions. Reduce Item 1730-001-001 by \$232,000.</i> Recommend deletion of 11.5 personnel-years because collections positions are no longer justified.	197
4. Computer Upgrade. Withhold recommendation on main-frame computer acquisition, pending Department of Finance review of board's feasibility study.	198

**GENERAL PROGRAM STATEMENT**

The Franchise Tax Board (FTB) is responsible for administering the Personal Income Tax (PIT) Law, Bank and Corporation (B&C) Tax Law, the Senior Citizens Property Tax Assistance Law, 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 administering the FTB's day-to-day operations, subject to supervision and direction from the board.

The board has 2,884.1 authorized personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$87,916,000 from the General Fund for support of the Franchise Tax Board in 1982-83. This is an increase of \$4,887,000, or 5.9 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefits increase approved in 1982-83. The department also expects to receive \$3,863,000 in reimbursements during 1982-83, resulting in total budget-year expenditures of \$91,779,000. This is a \$5,129,000, or 5.9 percent, increase over 1981-82 expenditures.

The FTB requests funding for 3,025.8 personnel-years, 141.7 personnel-years more than the number authorized for the current year (2,884.1).

**1982-83 Expenditures**

As shown in Table 1, most of the proposed \$5,129,000 increase in FTB expenditures during the budget year can be attributed to *baseline adjustments*, including merit salary adjustments (35 percent) and the general price increase for operating expenses and equipment (38 percent). Partially offsetting the costs of baseline adjustments are savings in *workload*.

The cost of processing and taxpayer assistance is expected to decrease by \$242,000 (\$386,000 when reimbursable workload is included), reflecting improved productivity and new processing savings. These savings more than offset the added cost of processing an increased number of returns expected to be filed with FTB in 1982-83. The major *program changes* proposed in the budget are increases in the audit and collections programs.

**Table 1**  
**Franchise Tax Board**  
**Proposed 1982-83 Budget Changes**  
**(in thousands)**

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Total</i>
1981-82 Current Year Estimated .....	\$83,029	\$3,621	\$86,650
Baseline Adjustments			
Restoration of 2 Percent Reduction .....	\$205	\$225	\$430
Personal Services .....	2,010	87	2,097
Operating Expenses and Equipment .....	1,364	74	1,438
Subtotal, Baseline Adjustments.....	(\$3,579)	(\$386)	(\$3,965)
Workload Changes			
Processing and Tax Assistance .....	-\$242	-\$144	-\$386
Program Changes			
Audits .....	\$1,344	—	\$1,344
Collections and Filing Enforcement .....	659	—	659
Bank Tax Computation.....	-257	—	-257
Review of Regulations .....	-196	—	-196
Subtotal, Program Changes .....	(\$1,550)	—	(\$1,550)
1982-83 Budget Request.....	\$87,916	\$3,863	\$91,779
Change 1982-83 Over 1981-82:			
Amount .....	4,887	242	5,129
Percent .....	5.9%	6.7%	5.9%

### Special Reductions

Through an executive order, the administration directed all departments to reduce 1981-82 state operations expenditures by 2 percent. In the case of the Franchise Tax Board, this would have required a reduction of approximately \$1.7 million. The budget, however, shows a current year "unallotment" of only \$205,000, or about one-tenth of the reduction required to comply with the executive order. Even this amount, however, does not represent *additional* savings to the General Fund, since the 1981 Budget Act required that these funds be reverted regardless of the executive order.

The FTB originally planned to achieve \$400,000 of the \$1.7 million reduction required in 1981-82 through general administrative savings. Instead of unallotting these funds, however, the administration authorized the board to redirect the monies to revenue-generating activities (\$300,000 in collections and \$100,000 in audits). The FTB determined that it would have to take the remainder of the 2 percent reduction out of its audit program. Because of the revenue loss which would result from such a cut, the administration did not require the board to achieve this reduction.

For the budget year, the administration required many General Fund departments to reduce state operations by 5 percent. FTB determined

**FRANCHISE TAX BOARD—Continued**

that, since its primary discretionary authority is in the compliance area, it would have to take the full reduction in its audit program. Because the revenue loss from a reduced audit program would have exceeded the expenditure savings, the Department of Finance granted FTB an exemption from the 5 percent reduction.

**Department Overview**

Table 2 summarizes the department's personnel-years and expenditures, by program, for fiscal years 1980-81, 1981-82, and 1982-83. FTB receives direct General Fund support for the PIT, B&C, and Homeowners and Renters Assistance programs. Resources expended on contract work and the Political Reform Act are reimbursed by other government agencies.

**Table 2**  
**Franchise Tax Board**  
**Program Summary: 1980-81 through 1982-83**  
(dollars in thousands)

Program	Personnel-Years			Expenditures		
	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Actual 1980-81	Estimated 1981-82	Proposed 1982-83
Personal Income Tax .....	1,847.9	1,931.4	2,041.9	\$50,226	\$55,947	\$59,500
Bank and Corporation Tax .....	676.2	703.4	740.2	21,776	24,221	25,611
Homeowners and Renters Assistance .....	110.0	104.5	95.9	2,835	2,898	2,842
Contract Work .....	133.9	119.5	119.5	2,856	2,612	2,724
Political Reform Act .....	28.8	25.3	28.3	979	967	1,097
Administration—Distributed .....	(178.3)	(177.1)	(180.2)	(4,937)	(5,009)	(5,148)
Legislative Mandate .....	—	—	—	—	5	5
Totals .....	2,796.8	2,884.1	3,025.8	\$78,672	\$86,650	\$91,779
General Fund .....	2,634.1	2,739.3	2,878.0	74,770	83,029	87,916
Reimbursements .....	133.9	119.5	119.5	2,923	2,654	2,766
Political Reform Act .....	28.8	25.3	28.3	979	967	1,097

**Table 3**  
**Franchise Tax Board**  
**Programs Supported by the General Fund**  
**By Program Function**  
**1982-83**  
(dollars in thousands)

Program Function	Personal Income Tax Program		Bank and Corporation Tax Program	
	Personnel- Years	Budgeted Expenditures	Personnel- Years	Budgeted Expenditures
Processing/Taxpayer Assistance <sup>a</sup> .....	1,102.9	\$31,680	185.3	\$5,401
Audit <sup>a</sup> .....	437.1	12,108	366.8	14,462
Collections .....	367.9	11,635	119.3	3,806
Filing Enforcement .....	134.0	4,077	36.6	898
Exempt Corporations .....	—	—	32.2	1,044
Administration—Distributed .....	(119.5)	(3,449)	(44.8)	(1,275)
Totals .....	2,041.9	\$59,500	740.2	\$25,611
Percent of FTB General Fund Totals .....	70.9%	67.7%	25.7%	29.1%

<sup>a</sup> The Governor's Budget shows resources spent on the mathematical verification of forms as audit expenditures. This table includes them in the processing function.

Table 3 displays budget year information on the three programs supported by the General Fund, by program function. Two-thirds of FTB's General Fund expenditures are dedicated to the PIT program, and almost 30 percent of the total is spent on the B&C program. In terms of functions, 45 percent of the General Fund appropriation is spent on processing forms and providing taxpayer assistance. Another 30 percent is expended on auditing returns, and 18 percent is spent on collecting assessments.

### I. PROCESSING AND TAXPAYER ASSISTANCE

The most important factor in estimating FTB's processing and taxpayer assistance costs is the number of individuals and corporations who will file returns with the department. Table 4 shows workload volumes for the most important return categories, for fiscal years 1980-81, 1981-82, and 1982-83. The numbers of returns and declarations of estimated tax filed for both the PIT and B&C programs are expected to increase significantly in the budget year, while the number of HRA claims is projected to decline once again.

**Table 4**  
**Franchise Tax Board**  
**Document Volumes**  
**1980-81 through 1982-83**

Document Type	Actual 1980-81	Revised 1981-82		Projected 1982-83	
		Amount	Percent Change	Amount	Percent Change
<b>PIT:</b>					
Returns .....	10,950,000	11,475,000	4.8%	11,985,000	4.4%
Declarations .....	2,354,000	2,500,000	6.2	2,650,000	6.0
<b>B&amp;C:</b>					
Returns .....	372,000	390,000	4.8	415,000	6.4
Declarations .....	432,000	460,000	6.5	490,000	6.5
<b>HRA—Claims .....</b>	<b>605,000</b>	<b>485,000</b>	<b>-19.8</b>	<b>470,000</b>	<b>-3.1</b>

### Document Volume Estimates Outdated

*We recommend the deletion of 10.0 personnel-years and \$125,000 requested for FTB's processing and taxpayer function, based on updated estimates of document volumes.*

FTB's projections of document volumes are based primarily on estimates of California civilian employment and population. The budget process requires the board to make these estimates using data available as of July 1981. Since that time, however, estimates of civilian employment during the budget year have dropped precipitously. The most recent data (January 1982) indicate that FTB can perform its processing and taxpayer functions with fewer resources than the amounts requested in the budget. Our initial review suggests that staffing for the board can be reduced by 10.0 personnel-years, for a General Fund savings of \$125,000.

### II. AUDITS

Through the personal and bank and corporation income tax programs, FTB collects one-half of the state's General Fund revenue. In order to protect these important components of the state's revenue base, the de-



**FRANCHISE TAX BOARD—Continued**

partment conducts an extensive audit program. FTB requests \$26.6 million in 1982–83 to audit 1.2 million income tax returns.

**1981 Budget Act Control Language**

The Legislature included control language in the 1981 Budget Act, which provided guidelines as to how the board should conduct its audit program. Specifically, the language directed FTB to: (1) use the effectiveness criterion of net assessments per dollar of cost in its audit selection and resource allocation processes, and (2) select audits and allocate audit resources solely on the basis of the marginal net assessments expected to be produced.

Our analysis indicates that FTB has acted to comply both with the letter and spirit of the control language. Specifically, the board has:

- Adopted the criterion of net assessment per dollar of cost—as opposed to “coverage”—in selecting audits.
- Redirected audit resources in the current year from low-return to higher-return cases.
- Applied the concept of *marginality* by quantitatively ranking all of its audit groups in order to prioritize the 1982–83 audit workload.
- Eliminated unnecessary distinctions (for example, PIT or B&C, field or desk) between audit groups.

Even with these improvements in place, however, we believe that FTB could further increase the efficiency of its audit selection program by:

- dividing many large audit groups into smaller groups.
- improving the screening process for general corporation audits.
- improving its audit information system.

FTB acknowledges that these additional actions are appropriate, and has already taken steps to implement them.

**1982–83 Audit Augmentation**

*We recommend deletion of 12.5 personnel-years and \$275,000 requested for new audit resources, because FTB can meet its stated objectives with fewer resources.*

The budget requests 62.5 personnel-years in additional audit resources, at a General Fund cost of \$1,387,000. These resources would allow the board to perform audits of all returns in groups where the benefit-cost ratio exceeds 3.0.

We believe the department’s goal of auditing all returns that exceed this ratio is appropriate. Our analysis indicates, however, that FTB can reach that goal in 1982–83 with fewer resources than it has requested.

As noted above, the board is either studying or in the process of implementing several actions that would further improve the efficiency of the audit program. The board, however, has not taken into account the potential cost savings in 1982–83 from such actions in estimating its resource requirements. These actions would “free up” resources that could then be used for more productive audits.

Our review of FTB’s audit program indicates that the audit augmentation request could be reduced by 20 percent without jeopardizing the board’s ability to reach its stated production goal. Therefore, we recommend a reduction of 12.5 personnel-years and \$275,000 in the augmentation requested by the FTB.

### III. COLLECTIONS AND FILING ENFORCEMENT

Through its filing enforcement program, FTB identifies individuals and businesses who have tax liabilities but have not filed returns. The board proposes to devote 171 personnel-years and \$5 million in 1982-83 to its PIT and B&C filing enforcement systems.

Through the collections program, the board works to collect unpaid liabilities resulting from three types of assessments: audits, filing enforcement actions and taxpayer self-assessments. The board proposes to devote 487 personnel-years and \$15.4 million to collection activities in the budget year.

#### Current Year Activities

As noted earlier, the Department of Finance has authorized the board to spend \$300,000 of its budget for the current year on a special collections project, in lieu of reducing expenditures by this amount to comply with the 2 percent reduction. The purpose of this special project is to increase current-year revenues to the General Fund.

FTB plans to use these funds primarily for clerical help to reduce existing PIT collections inventories. The board otherwise would not have the staff to process manually all of these cases. Our analysis indicates that the \$300,000 current-year expenditure on collections appears to be an efficient redirection of the board's resources.

#### Budget Year Augmentation

*We recommend a reduction of 11.5 personnel-years and \$232,000 from the board's request for additional collections staff, because these resources are not justified by workload.*

The budget proposes to add 28 personnel-years, at a cost to the General Fund of \$616,000, to FTB's collections and filing enforcement programs. About one-half of the resources would be devoted to collections, primarily for the reduction of inventories, while the other half would be used to augment the board's filing enforcement activities.

FTB's request for additional collections staff was submitted to the Department of Finance and approved *before* the department authorized the special collections project in the current year (discussed above). For the most part, the accomplishments proposed for the budget year duplicate those anticipated from the special project in the current year. For this reason, we recommend that the funds proposed for 1982-83 be eliminated. We do, however, recommend approval of two additional personnel-years to address workload growth and an inventory backlog that are not affected by the special collections project.

With regard to filing enforcement, the board has requested an augmentation to the following categories: renter's credit refund fraud (+3.0 personnel-years), investigation of illegal activities (+2.0 personnel-years), misdemeanor prosecutions (+1.6 personnel-years) and discovery activities (+4.0 personnel-years).

Our review of FTB's filing enforcement augmentation request indicates that these resources can be used effectively. Not only will these expenditures be cost beneficial; they will help to counter an alarming increase in cases involving fraudulent reporting, tax protest, and unreported income.

In summary, we recommend approval of 16.5 personnel-years and \$384,000 for augmentation to the board's filing enforcement and collections program, and we recommend the deletion of the remaining 11.5 personnel-years, for a General Fund savings of \$232,000.

**FRANCHISE TAX BOARD—Continued****IV. DATA PROCESSING****Decision on Computer Upgrade Pending**

*We withhold recommendation on \$1,056,000 budgeted for the replacement of the board's central computing system, pending approval of the replacement plan by the Department of Finance.*

The proposed budget includes \$1,056,000 to replace the board's current computing system with a more powerful computer. This upgrade is being sought on the basis of a continued increase in workload, which the current system will be unable to process. In accordance with Section 4 of the Budget Act and the State Administrative Manual, the board has submitted a feasibility study report to the Department of Finance. Approval of this report by the Department of Finance is required in order for the board to proceed with actual replacement of its computer.

The Department of Finance is also reviewing a feasibility study report submitted by the Stephen P. Teale Data Center which proposes several computer upgrades. If approved, the Teale Data Center plan could result in surplus computing equipment which may meet the board's computing requirements. In addition, the Department of Finance review of the board's plan could result in approval for only a scaled-down equipment replacement program instead of the very large capacity system which has been proposed in the feasibility study report. A scaled-down system would be less costly.

As a result, we withhold recommendation on the proposed computer upgrade, pending a decision by the Department of Finance as to the specific upgrade it will authorize. We will advise the fiscal subcommittees of our recommendation once the Department of Finance decision has been made.

**State and Consumer Services Agency  
DEPARTMENT OF GENERAL SERVICES**

Item 1760 from various funds

Budget p. SCS 108

Requested 1982-83 .....	\$267,187,000
Estimated 1981-82.....	240,476,000
Actual 1980-81 .....	203,248,000
Requested increase (excluding amount for salary increases) \$26,711,000 (+10.0 percent)	
Total recommended reduction .....	\$11,710,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
1760-001-001	Department of General Services. For direct support of department operations.	General	\$6,719,000
1760-001-003	Department of General Services. For maintaining, protecting, and administering state parking facilities	General	1,327,000
1760-001-022	Communications Division. For support of Emergency Telephone Number program.	General	239,000

1760-001-119—Office of State Architect. For direct support of specified plan checking services.	Architecture Public Building	1,649,000
1760-001-189—Department of General Services. For support of energy assessment programs.	Energy and Resources	958,000
1760-001-344—Office of Local Assistance. For support of State School Building Lease-Purchase Program.	State School Building Lease-Purchase	1,395,000
1760-001-602—Office of State Architect. For support of operations.	Architecture Revolving	10,088,000
1760-001-666—Department of General Services. For support in form of revenues from agencies receiving products or services other than printing.	Service Revolving, other activities	182,074,000
1760-001-739—Office of Local Assistance. For support of State School Building Aid Program.	State School Building Aid	724,000
1760-001-961—Office of Local Assistance. For support of State School Deferred Maintenance Program.	State School Deferred Maintenance	189,000
1760-011-001—Department of General Services. For purchase of vehicles for the Legislature.	General	932,000
1760-011-666—Department of General Services. Provides authority whereby funds appropriated for purchase of automobiles or reproduction equipment may be used to augment the Service Revolving Fund which finances General Services carpool and reproduction services	General	N/A
1760-021-666—Office of State Printing. For support in form of revenues from agencies receiving printing services.	Service Revolving, printing	\$38,468,000
1760-101-022—Communications Division. For reimbursement of local costs of implementing Emergency Telephone Number program as authorized by Chapter 443, Statutes of 1976.	General	16,959,000
—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)	1,440,000
—Department of General Services. For payment of claims resulting from the Motor Vehicle Liability Self-Insurance Program.	General (continuing appropriation)	3,821,000
—Office of State Architect. For verifying that plans of structures purchased with state funds are accessible for use <sup>1</sup> by physically handicapped.	General (continuing appropriation)	205,000
Total		\$267,187,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |  | <i>Analysis<br/>page</i> |
|--|--------------------------|
| 1. <b>Intrafund Transfers. Reduce Item 1760-001-666 by \$8,114,000.</b> Recommend elimination of double-counting of certain expenditures.  | 205                      |
| 2. <b>Loan Repayment. Reduce Item 1760-001-001 by \$74,000.</b> Recommend using parking space revenues to accelerate repayment of a General Fund loan which financed the reroofing of the state garage.      | 206                      |
| 3. <b>Building Rental Account. Reduce item 1760-001-001 by \$2,267,000.</b> Recommend transfer to the General Fund of rental receipts which are no longer needed to repay state building construction loans. | 207                      |
| 4. <b>Insurance Office. Reduce Item 1760-001-666 by \$160,000.</b> Recommend elimination of an allowance for legal fees in   | 208                      |

**DEPARTMENT OF GENERAL SERVICES—Continued**

- the automobile rate charged to the Department of Transportation, since the latter provides its own legal services.
5. **Printing Plant and Vehicle Inspection Workload. Reduce Item 1760-021-666 by \$427,000 and Item 1760-001-666 by \$68,000.** Recommend reduction in personnel because the California State University will reduce its use of the department's hand-bookbinding and vehicle inspection services. 209
  6. **Office Copier Leases.** Recommend that during budget hearings the department report on why it is approving leases of copiers when it would be more cost effective to purchase the copiers. 209
  7. **Data Communications.** Recommend that the Legislature hold hearings on state data communications policy in order to identify any needed legislation to coordinate data communications planning and operations by state agencies. 210
  8. **Energy Assessments Program.** Recommend that \$492,000 budgeted for consultant reviews of additional capital outlay projects be approved only if funds for various energy conservation projects are also approved. 213
  9. **Office of State Architect. Reduce Item 1760-001-602 by \$200,000.** Recommend five positions proposed for the Consultant Services Section be denied because they are not justified on a workload basis. 215
  10. **Office of State Architect. Reduce Item 1760-001-666 by \$400,000.** Recommend 10 positions in the Structural Safety Section be eliminated because they are not justified on a workload basis. Further recommend that the workload impact resulting from reduced transfers to the State School Building Lease-Purchase Fund be reported to the Legislature prior to budget hearings. 216
  11. **Office of State Architect.** Recommend that information on the anticipated state cost of new handicap access regulations be submitted to the Legislature for consideration at legislative hearings. 218
  12. **Office of State Architect.** Recommend that prior to budget hearings the office identify the workload impact resulting from the administration's capital outlay freeze. 219
  13. **Architecture Revolving Fund. Reduce Surplus by \$1,150,000 and transfer funds to the General Fund.** Recommend Budget Bill language be adopted to transfer \$1,150,000 in excess funds from the Architecture Revolving Fund to the General Fund. 219

**Summary of Legislative Analyst's  
Recommended Fiscal Changes**

Activity	Program Changes	Fiscal Impact	
		General Fund	Other Fund
Intrafund transfers .....	-\$8,114,000	—	-\$8,114,000
Loan repayment .....	—	-\$74,000	74,000
Building loan repayment.....	-2,267,000	-2,267,000	—
Insurance services.....	-160,000	—	-160,000
Printing and vehicle inspection services.....	-495,000	—	-495,000

Architectural services.....	-200,000	—	-200,000
Structural safety.....	-400,000	—	-400,000
Totals .....	<u>-11,636,000</u>	<u>-2,341,000</u>	<u>-13,977,000</u>

### GENERAL PROGRAM STATEMENT

The Department of General Services was established to increase the overall efficiency and economy of state government operations by (1) providing support services on a centralized basis to operating departments more economically than they can obtain individually, (2) performing management and support functions as assigned by the Governor and specified by statute, and (3) establishing and enforcing statewide standards, policies and procedures.

The department provides these services through two major programs: property management services and statewide support services.

The department has 4,063 positions in the current year, including 103.9 established administratively.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$267,287,000 from various funds for activities of the Department of General Services in 1982-83. This is \$27,711,000, or 10.0 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 1982-83.

The department is funded by direct support appropriations and revolving fund appropriations. Direct support refers to monies appropriated specifically to support General Services' operations. Revolving fund appropriations permit the department to expend specified amounts from revenues it earns by providing services and products to customer agencies. Table 1 shows that 86.3 percent of the department's costs is supported from revenues earned, while 13.7 percent is funded by direct support. Total expenditures proposed for the budget year include \$6,719,000 from the General Fund for direct support of departmental activities. This is an increase of \$242,000, or 3.8 percent, over current year expenditures. Included in direct support is \$100,000 in federal funds.

**Table 1**  
**Department of General Services**  
**Total Expenditures by Source of Funds**  
**1980-81 to 1982-83**  
**(in thousands)**

<i>Source of Funds</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Percent of Total</i>
Direct Support:				
General Fund .....	\$13,877	\$22,437	\$31,642	11.8%
Architecture Public Building Fund.....	1,208	1,608	1,649	0.6
State School Building Aid Fund.....	655	1,252	724	0.3
Deferred Compensation Plan Fund .....	180	—	—	—
State School Building Purchase Fund .....	461	844	1,395	0.5
State School Deferred Maintenance Fund .....	240	193	189	0.1
Energy and Resources Fund.....	765	1,014	958	0.4
Federal Trust Fund.....	81	100	100	—
Subtotals, Direct Support.....	<u>\$17,467</u>	<u>\$27,448</u>	<u>\$36,657</u>	<u>13.7%</u>

**DEPARTMENT OF GENERAL SERVICES—Continued**

Revolving Funds and Reimbursements:				
Service Revolving Fund, Miscellaneous.....	\$146,650	\$168,390	\$182,074	68.1%
Service Revolving Fund, Printing.....	30,095	34,893	38,468	14.4
Architecture Revolving Fund.....	9,117	9,815	10,088	3.8
Reimbursements.....	197	—	—	—
Subtotals, Revolving Funds and Reimbursements .....	\$186,059	\$213,098	\$230,630	86.3%
Total Expenditures .....	\$203,526	\$240,546	\$267,287	100.0%
Less:				
Federal Trust Fund.....	\$81	\$100	\$100	—
Reimbursements.....	197	—	—	—
Total, State Funds .....	\$203,248	\$240,446	\$267,187	—

Table 2 identifies the allocation of staff among department functions over the three-year period ending June 30, 1983. As the table indicates, 4,131.1 personnel-years are proposed for the budget year—a net increase of 104.2 personnel years (2.6 percent) over the number authorized by the 1981 Budget Act and 68 personnel-years (1.7 percent), over the current year level. Of the 103.9 positions established administratively during the current year, 33 were established in the communications division, 24 in the police division, 5 in the procurement division, and 40.4 in the buildings and grounds division to meet unexpected workload demands of client

**Table 2**  
**Department of General Services**  
**Staff by Programs**  
**1980-81 through 1982-83**

<i>Operating Unit</i>	<i>Filled Positions 1980-81</i>	<i>Authorized Positions 1981-82</i>	<i>Requested Positions 1982-83</i>	<i>Percent of Total</i>
1. Property Management Services.....	1,602.2	1,710.7	1,759.0	42.6%
a. Architectural consulting and construction.....	277.1	285.0	285.0	
b. Buildings and grounds .....	1,120.7	1,195.0	1,248.0	
c. Facilities planning and development .....	13.1	11.0	11.0	
d. Local assistance .....	42.6	72.4	67.7	
e. Real estate services .....	78.7	79.0	79.0	
f. Space management .....	70.0	68.3	68.3	
2. Statewide Support Services.....	2,019.3	2,204.0	2,223.7	53.8
a. Administrative hearings .....	64.0	74.5	74.5	
b. Communications.....	265.0	302.0	312.4	
c. Fleet administration .....	144.1	149.2	149.2	
d. Insurance services .....	24.8	19.9	19.9	
e. Legal services .....	19.5	19.2	19.2	
f. Management services office.....	278.6	273.4	273.4	
g. Office services.....	201.0	209.4	209.4	
h. Procurement .....	200.5	205.9	206.9	
i. Records management .....	29.6	38.1	38.1	
j. State Police .....	250.6	345.2	361.1	
k. State printing .....	523.8	546.8	539.2	
l. Small and minority business procurement assistance .....	17.8	20.4	20.4	
3. Administration .....	136.7	148.4	148.4	3.6
a. Executive .....	25.0	30.8	30.8	
b. Administrative support and services.....	79.3	85.7	85.7	
c. Program and compliance evaluation .....	32.4	31.9	31.9	
Totals .....	3,758.2	4,063.1	4,131.1	100.0%
Percent Change.....		8.1%	1.7%	

agencies, and 1.5 positions were established for miscellaneous workload. These positions are proposed to continue in the budget year.

The department proposes 17 new police positions in the budget year to train state employees in first aid procedures, replace police officers at dispatch stations, perform background investigations on applicants, and provide security at the new San Jose state building. It also proposes 27 new maintenance positions for the San Jose building, 40.2 new positions for contract maintenance work, 5 new and 4 redirected positions to implement a statewide data communications network, and 29 new positions to analyze applications for school lease-purchase funds. The department proposes to reduce positions assigned to the printing plant, the Capitol restoration project, and the Office of Local Assistance because of decreasing workloads.

Table 3 presents total expenditures by program elements during the three-year period ending June 30, 1983.

**Table 3**  
**Department of General Services**  
**Total Expenditures by Program**  
**1980-81 to 1982-83**

<i>Program</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
<b>1. Property Management Services</b>			
a. Architectural consulting and construction .....	\$13,250,000	\$13,971,000	\$14,342,000
b. Buildings and grounds .....	33,007,000	37,020,000	40,723,000
c. Facilities planning and development .....	505,000	513,000	527,000
d. Local assistance .....	1,394,000	2,330,000	2,351,000
e. Real estate services .....	3,340,000	3,520,000	3,566,000
f. Property acquisition account .....	1,304,000	1,670,000	1,440,000
g. Space management .....	2,929,000	3,084,000	3,175,000
h. Building rental account .....	27,039,000	35,114,000	39,859,000
i. Unsafe school investigations .....	386,000	—	—
Totals, Property Management Services .....	\$83,154,000	\$97,222,000	\$105,983,000
<b>2. Statewide Support Services</b>			
a. Administrative hearings .....	\$3,412,000	\$3,922,000	\$4,106,000
b. Communications .....	30,147,000	34,696,000	36,220,000
c. Fleet administration .....	16,870,000	19,505,000	19,287,000
d. Motor vehicle parking facilities .....	974,000	1,395,000	1,327,000
e. Insurance services .....	1,510,000	1,252,000	1,310,000
f. State motor vehicle insurance .....	2,813,000	3,924,000	3,821,000
g. Legal services .....	924,000	982,000	997,000
h. Management services .....	8,731,000	9,575,000	9,803,000
i. Office services .....	9,726,000	10,693,000	11,134,000
j. Procurement .....	26,595,000	27,103,000	28,686,000
k. Records management .....	1,488,000	1,475,000	1,528,000
l. State Police .....	9,706,000	10,706,000	11,552,000
m. State printing .....	30,095,000	34,893,000	38,468,000
n. Small and minority business procurement assistance ..	637,000	997,000	1,044,000
o. Monitoring computer—State Capitol .....	160,000	—	—
Totals, Statewide Support Services .....	\$143,788,000	\$161,118,000	\$169,283,000
<b>3. Administration</b>			
a. Executive .....	\$1,760,000	\$2,055,000	\$1,879,000
b. Administrative support and services .....	2,258,000	2,376,000	2,425,000
c. Program and compliance evaluation .....	1,318,000	1,358,000	1,371,000
Totals, Administration .....	\$5,336,000	\$5,789,000	\$5,675,000



**DEPARTMENT OF GENERAL SERVICES—Continued**

4. Emergency Telephone .....	\$1,861,000	\$7,060,000	\$16,959,000
Subtotals .....	\$234,139,000	\$271,189,000	\$297,900,000
Distribution of Intrafund transfers.....	-30,613,000	-30,613,000	-30,613,000
Totals, Net Expenditures .....	\$203,526,000	\$240,576,000	\$267,287,000
Percent Increase over previous year .....		18.2%	11.1%

Table 4 shows the changes reflected in the proposed 1982-83 budget resulting from workload adjustments, cost increases, and new programs. It shows that of proposed changes totaling \$26.7 million, 84 percent are for workload, 23 percent are for increased costs, and 1 percent is for a new program.

The proposed increase in General Fund expenditures is the net result of increases in costs, partially offset by decreases proposed to achieve the 5 percent baseline reduction required by the administration in many General Fund agencies. The decrease of 2 percent (\$132,000) in 1981-82 and 5 percent (\$354,000) in the budget year will be achieved by reducing

**Table 4**  
**Department of General Services**  
**Proposed 1982-83 General Fund Budget Changes**  
**(in thousands of dollars)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Other Funds</i>	<i>Total</i>
1981-82 Current-year Revised .....	\$23,451	\$1,608	\$100	\$215,417	\$240,576
1. Workload Changes					
a. Police & security services.....	—	—	—	1,033	1,033
b. Emergency telephone.....	9,438	—	—	—	9,438
c. School deferred maintenance .....	—	—	—	-116	-116
d. Emergency classroom .....	—	—	—	-63	-63
e. School building aid .....	—	—	—	-29	-29
f. School lease purchase.....	—	—	—	-758	-758
g. Capitol restoration .....	—	—	—	-236	-236
h. Legislative messengers .....	—	—	—	64	64
i. Management information system—Print- ing Plant.....	—	—	—	1,591	1,591
j. Certification-of-need hearings .....	—	—	—	271	271
k. Radio maintenance.....	—	—	—	1,059	1,059
l. Microwave equipment .....	—	—	—	763	763
m. Building maintenance & supplies.....	—	—	—	6,493	6,493
n. PCB equipment replacement .....	—	—	—	200	200
o. Construction services.....	—	—	—	130	130
p. EDP acquisition .....	—	—	—	226	226
q. Word processing .....	—	—	—	-23	-23
r. Transit storage .....	—	—	—	45	45
s. Legislative vehicles.....	—	—	—	902	902
Subtotals, Workload Changes.....	\$9,438	\$1,608	\$100	\$13,068	\$22,506
2. Cost Changes					
a. Merit salary adjustment.....	\$69	\$21	—	\$1,429	\$1,519
b. Staff benefits .....	—	—	—	63	63
c. Operating expenses and equipment .....	965	20	—	3,483	4,468
Subtotals, Cost Changes .....	\$1,034	\$41	—	\$4,975	\$6,050
3. Program Changes					
a. Data Communications .....	—	—	—	\$258	\$258
4. Midyear Adjustments .....	-\$1,323	—	—	-\$780	-\$2,103
1982-83 Proposed Expenditures.....	\$32,600	\$1,649	\$100	\$232,938	\$267,287

maintenance of the Capitol complex. The department's General Fund appropriation pays for maintenance and security for the Capitol complex, support of the Small and Minority Business Procurement Assistance Division, and a small portion of the local assistance program.

#### **Budget Double-Counts Certain Expenditures**

*We recommend that Item 1760-001-666 be reduced by \$8,114,000 to eliminate double-counting of certain expenditures and provide for greater legislative review over departmental expenditures.*

When each division of the department estimates its budget requirements and sets rates for the services it provides to client agencies, it includes funds for the cost of those communication, accounting, janitorial and other services provided to it by other divisions of the department. During the year each division bills the other for its services and entries are made to transfer "payments" to the billing division's accounts from its client divisions' accounts. The billing divisions include in their budgets the cost of providing these services for both external and intradepartmental clients. Thus, the intradepartmental costs are reflected *twice*—once in the budget for the client division and again in the budget for the billing division. This results in a double counting of intradepartmental costs. X

The cost of providing the intradepartmental services should be included in the departments' spending authority only once, since it is actually spent on salaries and operating expenses only once (by the division which provides the service). The intradepartmental billing process is only a means of transferring the "in-house" cost to the outside agency which uses the final service.

The department includes the cost in both the provider and client division budgets for informational purposes, and then deducts estimated intrafund transfers from requested spending authority in order to eliminate the duplicate expense. In the budget year, however, DGS has not deducted a sufficient amount to avoid double counting. The department estimates that intrafund transfers will remain at the same level as they were in 1980-81. In fact, such transfers will increase because DGS rates are higher and divisions are using more intradepartmental services. By failing to deduct the proper amount for intrafund transfers, the budget requests an appropriation in excess of what is required.

For example, the budget includes an increase of \$3,033,000 in expenditures from the Building Rental Account. This increase will fund maintenance for new state buildings which will become operational in 1982-83. It proposes that the Buildings and Grounds Division spend the same amount for the same services from the Service Revolving Fund. The rental account "expenditure" will only be a transfer of rents to the Building and Grounds Division to allow it to pay maintenance staff for the new buildings. The intrafund transfer amount should have been increased, and the appropriation decreased, to reflect that the funds actually will only be spent once. This was not done. If the Legislature were to approve the budget as proposed, it would allow the department to spend the \$3,033,000 on maintenance salaries and supplies, plus an additional \$3,033,000 on unidentified items that had not been justified or reviewed by the Legislature.

The department is, of course, constrained in its expenditure authority by its resources. The primary source of these resources is the sale of services to other departments. Unforeseen workload demands can in-

**DEPARTMENT OF GENERAL SERVICES—Continued**

crease, however, such sales substantially. For example, in the current year workload increases required the addition of over 100 positions.

In prior years, the department could spend unappropriated resources for contingency or emergency purposes without having to notify the Legislature. Last year, the Legislature extended to General Services the Budget Act provisions limiting such expenditures. The provisions, which follow Item 9840-001-988 of the 1981 Budget Act, require that the Department of Finance provide written approval of expenditures in excess of the Budget Act appropriation. Our analysis indicates, however, that the Legislature's intent in taking this action will not be met unless the amounts appropriated by the Budget Act are consistent with the expenditures program approved by the Legislature. Underbudgeting intrafund transfers creates a cushion which allows the department to make expenditures that are several million dollars in excess of the amounts justified in the budget before this requirement becomes effective.

Table 5 shows that actual intrafund transfers have averaged 13 percent of total expenditures for the last six years. We recommend that intrafund transfers be budgeted at \$38,727,000, or 13 percent of total proposed expenditures in 1982-83. This would reduce the department's spending authority appropriations by \$8,114,000, and provide for greater legislative review over expenditures not contemplated in the approved budget.

**Table 5**  
**Department of General Services**  
**Distribution of Intrafund Services**

	<i>Actual Intrafund Services</i>	<i>Actual Total Program Requirements</i>	<i>Intrafund As A Percent of Total Program</i>
1975-76.....	\$19,143,659	\$148,117,218	12.9%
1976-77.....	21,756,022	168,434,098	12.9
1977-78.....	23,139,259	174,765,271	13.2
1978-79.....	23,260,846	178,732,809	13.0
1979-80.....	26,092,890	201,569,442	12.9
1980-81.....	30,613,000	234,149,000	13.1
Average: .....			13.0%

**1. Property Management Services**

The property management services program consists of eight elements which relate to state ownership, use and regulation of real property. The elements, and their related expenditures, are listed in Table 3.

**General Fund Loan to Reroof Garage Should Be Repaid More Quickly**

*We recommend that the department use \$74,000 in parking space fees to accelerate repayment of a General Fund loan that was made to finance reroofing of the state garage, and that this repayment be accomplished by reducing the department's General Fund appropriation (Item 1760-001-001) by \$74,000.*

The 1980 Budget Act appropriated \$447,600 from the General Fund to the department to finance the cost of reroofing the state garage. The Budget Act provided that the appropriation was a loan, to be repaid from parking fees. The reroofing was completed in August 1981, but as of December 1981 the department had not repaid any of the loan.

The department plans to repay the loan over a 20-year period, which it considers to be the life of the new roof. This will amount to repayments of \$1,900 per month, or \$22,800 per year.

Parking fees collected for parking spaces in the state garages in Sacramento, Los Angeles, Fresno, Oakland, Berkeley, San Diego, and San Francisco are deposited in the Service Revolving Fund. Expenses for the garage parking operations are paid from the same fund. The expenses consist of personnel, rent, utilities, supplies, and miscellaneous costs.

Over the past two years, the department doubled parking fees. Because the department allocates state garage operating costs to the parking and miscellaneous services unit on the basis of how much *revenue* is available to offset costs, rather than on the basis of the actual *expenses* incurred by the unit in operating the garages, the increases in parking fees are not reflected in increased net income to the unit. Instead, the cost of pool vehicle units has been understated because costs properly allocable to them have been charged to parking operations.

We recommend that the increase in parking fee revenues be used to accelerate repayment of the reroofing loan, as a means of giving the Legislature more flexibility in allocating funds to meet high priority needs. Actual parking space revenues were \$263,000 in 1979-80. The receipts for the first five months of the current year indicate that 1981-82 receipts will be approximately \$416,000. Allowing for a 7 percent annual increase in the costs allocated to the unit in 1979-80, the division should be able to apply \$74,000 in parking fees toward repaying the General Fund loan in 1982-83 in addition to the \$22,800 it already plans to repay. Rather than transfer this amount to the General Fund, we recommend that the department's General Fund appropriation be reduced by this amount, and that the \$74,000 be allocated within the department to support General Fund activities.

#### **Building Rental Account**

*We recommend that the department's General Fund appropriation (Item 1760-001-001) be reduced by \$2,267,000 to effect a transfer to the General Fund of certain state building rental revenues which are no longer needed to repay loans made to finance the buildings.*

In the late 1950's and early 1960's, eight state buildings and one garage were financed by selling Public Building Construction Fund (PBCF) certificates to the Public Employees Retirement System. Proceeds from the sale of the certificates were used to construct the buildings, and rental income from the PBCF-financed buildings was to be used to repay the certificates. The proposed budget includes \$2,267,000 to make payments on the certificates issued in 1956.

Rental income from all state buildings, regardless of how they were financed originally, is deposited in the Building Rental Account. The department makes monthly payments from the pooled rental account to the Public Works Board, which in turn uses the funds to pay the principal and interest on the certificates. The remainder of the funds going to the account is used to pay for maintenance and insurance on the buildings, with any balance at the end of the year reverting to the General Fund.

As certificates for each building financed by the 1956 issue were paid off, the Department of General Services proposed and the State Public Works Board approved the use of rental payments on these buildings to provide for *early* redemption of certificates covering other 1956 issue buildings. By July 1, 1982, the rental payments will have redeemed all certificates. This

**DEPARTMENT OF GENERAL SERVICES—Continued**

means that the amount budgeted to make payments on these certificates is \$2,267,000 in excess of the amount needed. The department plans to use this money to make prepayments on other issues of PBCF certificates.

We recommend that the Legislature adopt language in the Budget Bill requiring that these funds instead be used to offset the General Fund appropriation, thereby making additional funds available to the Legislature for meeting high-priority state needs.

We recommend that the transfer be accomplished within the department by reducing the department's General Fund appropriation by \$2,267,000. The department can support all activities for which it is requesting General Fund resources from both the remaining General Fund appropriation and the \$2,267,000 in rental receipts that are no longer needed to repay certificates.

**Regulations Required by Statute Not Adopted**

Chapter 899, Statutes of 1980 (AB 2973), requires that school districts applying for school construction funds from the Leroy Greene Lease-Purchase Fund provide 10 percent of the project's cost. The statute provides, however, that the 10 percent matching requirement may be waived by the State Allocation Board in a case of hardship, and requires the board to adopt rules and regulations which identify those circumstances in which a waiver may be granted. The Code section requiring the adoption of "hardship waiver" regulations became effective September 1980. At the time this analysis was prepared, regulations had not been adopted by the board.

The staff of the board indicates that the regulations will be adopted in the near future. The department should be prepared to comment on these regulations during budget hearings.

**2. Statewide Support Services**

The statewide support services program consists of 14 program elements. Table 3 lists the elements and the expenditures for each over the three-year period ending June 30, 1983.

**Unnecessary Transfer of Funds Between Departments**

*We recommend that the department no longer include an allowance for legal fees in the automobile insurance rate charged to the Department of Transportation, since the latter provides its own legal services in connection with vehicle accident cases, for a reduction of \$160,000 in Item 1760-001-666.*

The department's Insurance Office bills all departments which own vehicles for the cost of an insurance premium, to be paid into the state's self-insurance fund. The premium charged each department varies with the department's accident experience. The rate includes a proportionate share of anticipated legal fees to be paid from the fund in connection with claims against the state.

The Attorney General and private attorneys provide legal services on most claims. The legal staff of the Department of Transportation, however, handles all claims arising from accidents involving its employees. The Insurance Office of DGS bills the Department of Transportation at the beginning of the year for the anticipated costs of such accidents, and the department subsequently bills the Insurance Office for the value of its

legal staff's work on claims.

We recommend that this unnecessary transfer procedure be eliminated to simplify record-keeping and provide a more accurate picture of state expenditures. Approval of this recommendation may also result in minor savings to the State Transportation Fund and other funds.

The projected cost of the Department of Transportation's legal services in 1982-83 is \$160,000. If our recommendation is approved, the budget for the Insurance Office, which includes the transfer back to the department, should be reduced by this amount. A conforming recommendation appears in the analysis of the Department of Transportation's budget (Item 2660).

#### **Budget Does Not Reflect Loss of State University Workload**

*We recommend deletion of \$427,000 in Item 1760-021-666 and \$68,000 in Item 1760-001-666 because the state university plans to reduce its use of hand binding and vehicle inspection services provided by the department.*

Legislation enacted last year exempts the California State University (CSU) from certain provisions of the code which require state agencies to obtain hand bookbinding, vehicle inspection and certain other services from the Department of General Services.

The university plans to take advantage of its increased flexibility and divert most hand binding work from the Office of the State Printer to private bindery shops. The CSU also anticipates that campuses will rely on their own fleet maintenance staffs to inspect vehicles and to audit commercial repair work on university vehicles, instead of relying on the Fleet Administration Division of DGS for these services.

Based on information provided by the CSU and the department, we estimate that the diversion of business away from the department will reduce workload at the printing plant by \$427,000 and 6.9 positions, and vehicle inspection work going to Fleet Administration by \$68,000 and 2 positions. We recommend that the department's budget be reduced by these amounts. The proposed CSU budget has been adjusted to reflect these changes.

#### **Leased Copiers—Cheaper to Buy than Notify**

*We recommend that during budget hearings the department report to the fiscal committees as to why it is approving office copier leases for departments when it would be more cost-effective to purchase the copiers and thereby avoid unnecessary lease costs.*

The 1981 Budget Act contains two provisions to encourage the acquisition of needed office copiers in the most cost effective manner. Section 25.10 requires the Director of General Services to give the Legislature 30 days' prior notice and justification whenever the director intends to approve a copier *lease*. He does not have to provide any notification when a copier is *purchased*.

Second, the Budget Act authorizes the Department of General Services to make loans from the Service Revolving Fund surplus to departments when their own budgets do not contain sufficient funds to finance the purchase of needed office copiers. This allows the state to avoid the unnecessary costs of leasing a copier when it is more cost-effective to purchase it.

During the current year, the Director notified the Legislature that he was approving leases for nine copiers to be used by the California Highway Patrol (CHP). These leases were anticipated to run until 1982-83, when

**DEPARTMENT OF GENERAL SERVICES—Continued**

funds would become available to purchase the copiers. This however, would have resulted in unnecessary costs to the state. If the copiers are sufficiently cost effective to purchase, interim lease payments are not justified.

We recommend that the department be prepared during budget hearings to discuss why it is not using its authority to make loans for the purchase of these machines.

**Shift Overlap Results in Excess State Police Costs**

The Sacramento region of the California State Police (CSP) Division operates on a "4-10-40" work plan. Under this plan, two teams of police officers work 10-hour shifts, four days a week.

Because there are only seven days in a week, the two teams overlap completely one day a week. On the other six days, each 10-hour shift ends two hours into the following shift, unlike the end-to-end coverage that is possible with three eight-hour shifts.

The overlaps impose unnecessary costs on both the General Fund and other state funds. This is because more police officer positions and more sergeant positions are required to staff the "4-10-40" configuration than are required to staff a five-day, eight-hour shift plan. These extra positions cost the state \$256,000 annually in salaries, staff benefits, uniforms, and equipment.

The division states that the overlap allows officers time to write reports, report to outlying beats, and provides extra coverage during commute hours. Our analysis indicates, however, that staff in the other two regions, Los Angeles and San Francisco, accomplish these tasks without shift overlap.

Because this issue is subject to collective bargaining we believe it would be more appropriate for the Legislature to address it when it considers the negotiated agreements (memorandums of understanding) submitted by the administration relative to proposed compensation increases and other terms and conditions of employment. We mention it here simply to advise the Legislature of the fiscal impact of the "4-10-40" work plan.

**Statewide Data Communications Policy and Administration Is Needed**

*We recommend that the appropriate legislative policy committees hold hearings on state communications policy and identify any legislation needed to coordinate data communication systems planning and operations by state agencies.*

Many large departments manage data communications networks which transport information from one location to another. In most cases the information flow is from outlying offices to Sacramento headquarters, or to the major data processing centers which serve various state entities, health and welfare departments, and the California State University System. Most of the networks are independent, although there is some interconnection between the systems maintained by the California Highway Patrol, the Department of Motor Vehicles, and the Department of Justice so that information on criminal activities can be shared.

The data is transmitted through a variety of media, is used for various types of transactions, and is sent and received by different brands of equipment. For instance, data could be sent from Los Angeles to Sacramento via (1) the state's own microwave system, (2) the state's ATSS-DS

system (a network dedicated to state use but managed by the telephone utilities), or (3) an independently leased telephone line. The transmission could involve interactive computing with a central time-sharing system, updating of files maintained in a central data center, or on-line inquiry to a data base which results in an immediate response to a terminal user. Finally, manufacturers produce terminal and processing equipment with different and often incompatible internal "architectures." This incompatibility can complicate the hardware and software aspects of data communication between various points of a network.

***Parallel networks exist.*** Currently, several independent networks owned by different departments transport data between the same cities, although the transmitting and receiving locations within each city may vary. Many users do not use their leased lines to full capacity, although each line is dedicated to the client's use. In an effort to minimize the number of lines leased by the state and use existing lines to fullest capacity, the Communications Division of the Department of General Services is investigating development of a statewide data communication "utility." The utility would provide clients with access to a network which would be managed by the department. A user might share a line with several other clients who require the access but not the full capacity of a dedicated leased line.

The department has already received a contractor-prepared study of existing state agency networks and user needs. It plans to proceed with a feasibility study for a statewide data communications network, and to develop one by July 1, 1983 if the study concludes that a central utility is technically and fiscally justified. Much of the work will be performed under contract.

***Systems are proliferating.*** Meanwhile, other departments are spending money on research, meetings, and communication networks which have substantial implications for state data communications expenditures in the future. The California Public Broadcasting Commission has awarded a contract to conduct three pilot demonstrations of teleconferencing applications in state government. It has also requested proposals for a contract to assess existing and planned telecommunications interconnection hardware and services throughout the state, and to ascertain user needs for interconnection services through the year 1990. Among its program proposals in the 1982-83 budget is one calling for the construction of two "uplinks" (ground to satellite transmitters), which will allow educational institutions and public broadcasting stations to share video and audio programs via a commercial satellite. These satellites also have the capability to transmit data, although this application probably would not be cost-effective in the immediate future. Similarly, the Office of Planning and Research has sponsored seminars for individuals involved in telecommunications applications in order to share existing knowledge and to outline future data communications issues, as well as to suggest an approach to these issues. The University of California and California State University systems are also developing a network which can carry both video and other data communications between campuses.

***Coordination needed for future development.*** These systems involve the potential expenditure of millions of dollars. The state's data communications volume is projected to grow more than 300 percent between 1981 and 1986, due in large part to development of the Statewide Public Assistance Network (SPAN) and other programs. The potential savings from



**DEPARTMENT OF GENERAL SERVICES—Continued**

consolidating all data communications on a single network designed to maximize transmittal media utilization and minimize duplicative lines is substantial. We recommend that the appropriate legislative policy committees hold hearings on state data communications policy with an eye toward identifying needed legislation to coordinate data communications systems planning and operation by state agencies.

**3. Administration**

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

**Report on Savings from Energy Assessments Program**

The Energy Assessments Program (EAP) unit was established in the DGS executive office in 1980 as part of the administration's policy to promote energy conservation in state government. Its purpose is to assist agencies in developing cogeneration, biomass, and geothermal resources at state facilities, and to promote low cost conservation measures such as reduced lighting and more efficient operating procedures.

The responsibility for energy conservation is divided among several agencies. According to the EAP, the Office of Appropriate Technology (OAT) is responsible for developing other renewable energy resources, such as windpower, at state facilities, and for evaluating new technologies as they affect state costs. The California Energy Commission (CEC) has broad responsibility for energy conservation analysis and demonstrations, and also assists the EAP in its applications work.

The EAP Unit proposes expenditures of \$726,000 from the Energy and Resources Fund in the budget year. These funds will support six positions and several contracts which will be used to evaluate the energy saving potential at various state facilities. If such a potential exists and can be shown to be cost effective, the department which operates the facility may request capital outlay funds to implement the consultants' proposals. The EAP unit will provide technical support during implementation.

Before the Governor issued Executive Order B87-81 imposing a freeze on nonessential capital outlay projects, the unit had estimated that the savings attributable to its activities would be \$1,109,270 in the current year, and \$1,041,598 in the budget year. The estimate for the budget year, however, has been reduced because several cogeneration projects sponsored by EAP have been affected by the freeze.

In comparison, EAP's budget is \$787,807 in 1981-82, and it is requesting \$726,000 for 1982-83. Table 7 presents the unit's estimates of these costs and savings, as well as the amount of total potential savings EAP has identified at state facilities.

The significant increase in savings which was projected for 1983-84 assumed the completion of various energy conservation structural changes at various campuses, correctional institutions, and hospitals. The 1981-82 budget included \$16.7 million for these projects, of which approximately half will be spent. Expenditures on the remaining projects were suspended. In most cases, the 1982 Budget Bill provides that the capital

**Table 7**  
**Energy Assessments Program (EAP)**  
**Cost and Savings to the State**  
**As Estimated by the Department of General Services**

	1980-81	1981-82	1982-83	1983-84
Potential state savings identified .....	—	\$62,390,117	—	—
Actual savings attributed to EAP program if capital outlay projects approved in the 1981-82 budget had been completed .....	—	1,109,270	\$1,041,598	\$4,138,109
Actual savings attributed to EAP program after suspension of certain capital outlay projects .....	—	1,109,270	420,000	1,447,000
EAP expenditures.....	\$589,732	787,807	726,000	799,000

outlay funds will revert to the fund from which they were appropriated at the end of 1981-82, and proposes that the funds be rebudgeted for the same purposes in 1982-83. Table 7 shows a revised version of the EAP's savings estimates after suspension of these projects.

The savings amount attributed to EAP does not include savings which result from miscellaneous programs which do not have quantifiable life cycle savings, as do construction projects. The EAP estimates that such savings will total \$1 million in 1982-83.

The savings shown in Table 7 were calculated by arbitrarily attributing a portion of the projected annual savings from approved capital outlay projects to the EAP. For example, DGS allocated to EAP 33 percent of the savings from capital outlay projects which were initiated by or depended heavily on EAP support, but which require legislative approval or participation by other state agencies. This would have amounted to \$469,000 in 1982-83, for projects which had received capital outlay approval. Similarly, DGS attributes 20 percent of the energy savings to EAP if many departments participated in a project, 50 percent if one other agency worked with EAP, and 100 percent if the savings were due solely to EAP's actions or recommendations.

#### **Consulting Funds Should be Contingent on 1982-83 Capital Outlay**

*We recommend that \$492,000 budgeted for consultant reviews of additional capital outlay projects as part of the Energy Assessments Program (Item 0176-001-189) be approved only if funds proposed in the 1982-83 budget for various energy conservation projects are also approved.*

The amount of savings attributed to the EAP is, necessarily, arbitrary. Our analysis indicates that the accomplishments to date of EAP staff indicate that the unit is cost effective. Nevertheless, it is possible that expenditures proposed in the budget year for consultant reviews of additional capital outlay projects may not be necessary.

If the Legislature does not rebudget capital outlay funds, as requested, the various departments involved in the energy conservation program will have a backlog of capital outlay projects in future years. Under these circumstances, the EAP would not need to fund consulting contracts to analyze additional projects in the budget year. If, on the other hand, all or most of the projects are approved, development of additional project proposals for funding in 1983-84 would be justified. We recommend that \$492,000 proposed for contracts and temporary help to develop new capital outlay projects be approved only if funding for the 1982-83 capital outlay projects are also approved.

In reviewing capital outlay proposals for energy conservation projects, we observed a lack of adequate coordination and communication between

**DEPARTMENT OF GENERAL SERVICES—Continued**

the EAP, the Department of Finance and the agency requesting the appropriation. We recommend that these entities work together more closely in the future to prepare complete and timely justification for these projects.

**4. Emergency Telephone Numbers—Local Assistance**

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

**Major Increase in Local Assistance for 911 Systems**

In 1972, the Legislature enacted an emergency telephone system plan which would allow a person to dial "911" anywhere in the state and be connected to an emergency services network of police, fire and medical organizations. Under the program, each local government sets up its own system and applies to the state for reimbursement of its expenses. The costs are funded through the State Emergency Telephone Number Account of the General Fund, from a surcharge on all intrastate telephone billings. The surcharge may range from 0.5 to 0.75 percent; it is currently set at the minimum amount. The Board of Equalization sets the surcharge rate, and the Communications Division of DCS administers the program.

During the early years of the system, a surplus built up in the account because surcharge revenues far exceeded reimbursements claimed by local governments. This is because only a few systems were in operation and eligible for reimbursement. The surplus has been allowed to grow in order to fund anticipated future installation and operating expenses. According to the budget, the balance in the account will be \$57.9 million as of June 30, 1982, and \$56.4 million as of June 30, 1983.

According to the budget, the surplus will decrease during 1982-83 because expenditures for local assistance (\$16,959,000) and state administrative expenses (\$309,000) will exceed estimated surcharge receipts (\$15,800,000). The local assistance item consists of funds to pay for initial installation and publicity expenses as well as funds for recurring telephone service and staff expenses. This is the first year in which program expenditures are projected to exceed revenues.

During our review of the proposal, we were informed that the Los Angeles basin governments, which were expected to account for \$5,880,000 of the projected local assistance expenditures, are unlikely to install the system in the budget year. In addition, the projected increase of only 0.25 percent in surcharge account receipts during the current and budget years seems too low in light of the fund's past revenue growth rate. We project that, in fact, the fund will have a balance in excess of \$64 million by the end of the budget year.

**5. Office of State Architect**

The Office of State Architect (OSA) provides two basic services. First, OSA provides architectural/engineering services and construction inspection services for all state projects, as required by law. Second, OSA provides plan checking services pursuant to (a) the Physically Handicapped Building Access Law, (b) the Field Act for school buildings (earthquake safety), and (c) hospital seismic safety.

OSA is reimbursed for architectural/engineering (A/E) and inspection services from funds deposited in the Architecture Revolving Fund. Funds

appropriated by the Legislature for specific capital outlay projects are deposited in the fund and assessments are made against these funds for services provided by OSA. Costs related to school and handicap access plan checking are reimbursed in an amount equal to a percentage of the project's estimated construction costs, while hospital plan costs are reimbursed on a direct cost plus overhead basis.

The Budget Bill includes three appropriations for the Office of State Architect—(a) \$10,088,000 from the Architecture Revolving Fund for A/E and inspection services, (b) \$1,649,000 from the Architecture Public Building Fund for plan checking and inspection of schools, and (c) \$2,400,000 from the Service Revolving Fund for hospital plan checking, handicapped access plan checking and program costs unrelated to specific capital projects. The total budget request amounts to \$14,137,000, which is \$356,000 or 2.6 percent, more than estimated current year expenditures.

In addition to providing for general price increases, the OSA budget proposes the addition of 8.5 positions and related operating expenses. This proposal includes \$200,000 for five new positions in the Consultant Services Section, and \$130,000 for 3.5 new positions in the construction inspection area. Our analysis of the OSA budget, including comments on the proposed workload adjustments, follows.

#### **Additional Consultant Services Staff Not Justified**

*We recommend that Item 1760-001-602 be reduced \$200,000 by eliminating five new positions proposed for the Consultant Services Section, because workload associated with these positions can be accomplished within existing personnel resources.*

The Office of State Architect provides architectural and engineering services through an in-house design section of architects and engineers, or if workload requirements exceed the capability of this section, OSA provides these services through contracts with private architectural and engineering firms. The office adjusts the allocation of authorized positions between the Design Section and Consultant Services Section, based on an evaluation of projected workload.

The Consultant Services Section is responsible for selecting consultants, negotiating fees and monitoring services provided by the private firms. Approximately 24 professional positions are assigned to this section.

The budget requests four professional positions and one clerical position to augment the consultant services staff. The department indicates that the proposed new positions would be assigned to meet workload requirements associated with the Polychlorinated Biphenyl (PCB) Equipment Replacement Program proposed by the Department of General Services. A discussion of the PCB Equipment Replacement Program is included in our analysis of the Department of General Services' capital outlay request under Item 1760-311-036.

**Duplicate Effort.** The proposed five positions would be placed in a new unit within OSA, and charged with the responsibility of keeping pace with the state of the art methods for removal of PCBs and providing overall program management. Our analysis indicates, however, that this unit would, for the most part, duplicate the responsibilities of the Office of Appropriate Technology (OAT). The OAT has an ongoing toxics program that is concerned with the development and use of alternative technologies for dealing with toxic wastes. This office already has the responsibility for keeping pace with state of the art developments in the PCB field. In August 1981 OAT published a report (*Alternatives to the*

**DEPARTMENT OF GENERAL SERVICES—Continued**

*Land Disposal of Hazardous Wastes: An Assignment for California)* which includes information on alternatives for PCB disposal. In addition, the office has been awarded a contract by the federal Environmental Protection Agency to assess new techniques for treating and destroying hazardous wastes.

The OSA should not duplicate the OAT's effort in this area, and instead, should rely on OAT to determine the appropriate techniques for disposing of PCBs and the use of these techniques, in providing architectural/engineering service.

**Architectural/Engineering Services Related to the PCB Program.** The architectural/engineering services related to this program (as well as those services related to all other capital outlay programs) are funded out of the monies provided for the respective capital improvement projects. The amount varies, based on the size and complexity of the project. Our review of the project estimates for the phase I, PCB program funded in the 1981 Budget Act indicates that a total of \$67,500 was included for consultant services. This amount represents approximately 2.4 percent of the estimated contract costs for the phase I work, and is equivalent to approximately 1.2 positions, based on the current hourly rate of \$38.25. The phase II portion of the project included in the Department of General Services' capital outlay proposal totals \$5.6 million. Based on the level of effort required for the phase I project, the consulting services workload for phase II would require approximately 1.5 positions.

It is not clear, however, that an augmentation for 1.5 new positions is needed to support the PCB program. As discussed above, the OSA can allocate its existing resources between the design and consultant services sections, depending on the workload assigned to each section. This flexibility is necessary so that OSA does not have to reduce or increase the total number of staff as workload fluctuates. The reallocation of 1.5 positions out of the 72 positions assigned to these sections would be consistent with OSA procedures, and should not create any problems within OSA.

For these reasons, we do not believe a staffing augmentation is justified, and recommend that the \$200,000 requested for five new positions be deleted.

**Structural Safety Section Workload Overstated**

*We recommend that 10 positions and related operating expenses in the structural safety section be eliminated from Item 1760-001-666, for a savings of \$400,000.*

*We further recommend that prior to legislative hearings on the budget, the department indicate the impact of proposed reductions in the State School Building Lease-Purchase Fund on the structural safety section workload.*

The OSA structural safety section's workload has two components. First, the section checks plans for public school and hospital construction projects for conformance to code requirements. This activity includes inspection and monitoring of the actual construction of the project to assure compliance with the approved plans. Second, this section provides services to other state agencies on a consulting basis. For example—under contract with the Office of Emergency Services—the section provides structural evaluation of buildings after major earthquakes.

**Workload Level Approved for 1981-82.** In 1981-82, the budget includ-

ed 80 positions for the structural section. The distribution of these positions and the associated workload is shown in column (1), Table 8. In our analysis of the 1981-82 budget, we indicated that (1) the projected workload related to school and hospital plan checking activities was overstated in view of historical workload trends and (2) the number of positions to be devoted to contractual services was based on a number of contracts that would most likely not continue in 1981-82. Although the Legislature did not approve our recommendation to reduce the structural safety section budget, it did adopt Budget Act language which states "if the projected safety engineering workload does not materialize, staff reductions shall be made commensurate with the workload reduction."

### Updated 1981-82 Workload

The department has provided an update of the estimated workload in the structural safety section for 1981-82. The proposed position allocation based on this update, and the change from the level authorized in the 1981 Budget Act is shown in columns (2) and (3), Table 8. This information indicates that while the value of projects to be reviewed for schools and hospitals has increased by \$12,500,000 (2 percent), the number of plan checking positions and field staff has increased by 10.5 (17.7 percent). Services to be provided through contract and other services has decreased from the original estimate of 18.5 positions to 6 positions. Because of these changes in workload, the department has reduced the total authorized level from 80 to 78 positions. This staffing level is proposed for the budget year as well.

Our analysis indicates that the department has not responded to the legislative directive that it reduce positions commensurate with any re-

**Table 8**  
**Office of State Architect**  
**Structural Safety Section**  
**Position Allocation by Type of Workload**

	(1) 1981-82 Authorized	(2) Update of 1981-82 & Proposed 1982-83	(3) Change	(4) 1982-83 Analyst's Proposal
<b>1. Plan Checking and Administration</b>				
(Value of Projects Reviewed 1981-82).....	(\$588,500,000)	(\$600,000,000)	(\$12,500,000)	(\$600,000,000)
(Value of Projects Reviewed 1982-83).....	—	(600,000,000)	—	(Pending)
Plan Checking, schools and hos- pitals.....	21.0	26.0	5.0	21.5
Field Staff, schools and hospitals	8.0	9.0	1.0	8.0
Supervising professionals .....	7.0	7.0	—	7.0
Management .....	4.0	4.0	—	4.0
Clerical support (prorated) .....	21.5	26.0	4.5	21.5
Subtotal.....	61.5	72.0	10.5	62.0
<b>2. Contract Services and Other</b>				
Professional positions.....	12.0	4.0	-8.0	4.0
Clerical support (prorated) .....	6.5	2.0	-4.5	2.0
Subtotals.....	18.5	6.0	-12.5	6.0
<b>Totals.....</b>	<b>80.0</b>	<b>78.0</b>	<b>(-2.0)</b>	<b>68.0</b>

**DEPARTMENT OF GENERAL SERVICES—Continued**

duction in workload for the structural safety section. To the contrary, despite the fact that the value of projects to be reviewed increased only slightly, the department has allocated an *additional* 10.5 positions for plan checking. Our analysis indicates that the increased workload can only justify an additional 0.5 positions over the previously authorized level for this activity. Consequently, we recommend that the authorized positions for this section be reduced by 10 positions, for a savings of \$400,000. The remaining personnel resources totaling 68 positions should be adequate to meet the projected workload requirements in 1982–83.

***Potential Reductions in School Plan Checking in the Budget Year.*** The projected 1982–83 school plan checking workload assumes that the current year workload level will continue. A portion of this workload is for school projects funded from the State School Building Lease-Purchase Fund. Under existing law, \$200 million from tidelands oil revenues is to be deposited in this fund each fiscal year. This allocation, however, was not made in the current year, and only \$100 million is proposed for these projects in the budget year. Given the reduction in resources available in the fund, the school construction workload projected by the structural safety section may be overstated. We recommend that prior to legislative hearings on the budget, the OSA prepare an analysis showing the impact of reduced revenues in this fund on the structural safety section's workload, and identify any reductions in the school plan checking activities that may be warranted.

**Physically Handicapped Plan Checking**

***We recommend that the Department of Finance and the Office of State Architect report to the Legislature on the anticipated state cost of proposed handicapped access regulations.***

The Office of State Architect is responsible for reviewing plans for new construction and alterations projects in state buildings to ensure that the buildings provide access for the physically handicapped. Under the provisions of Government Code Section 4451, all buildings, structures, sidewalks, curbs and related facilities shall conform to the American Standards Association specification for handicapped access until building standards relating to access for the physically handicapped have been adopted by the State Architect.

Proposed new regulations have been approved and distributed, and are scheduled to be implemented on July 1, 1982. The Legislature, however, has included language in the past three Budget Acts prohibiting the State Architect from implementing these regulations until the final regulations have been reviewed by the Legislature. This language was added because of the Legislature's concern that the regulations—as proposed by the State Architect—could have a detrimental effect on the accessibility program by increasing alteration costs for existing buildings to a point where alteration projects become infeasible.

The regulations to be implemented in July have only recently been published, and we have not had an opportunity to review them. We will be prepared to respond to issues related to these regulations during hearings on the OSA budget. We believe, however, that prior to these hearings, additional information should be provided to the Legislature by the administration. Specifically, the Department of Finance and the Office of State Architect should identify the estimated state cost (1) to implement

the proposed regulations for state-owned buildings and (2) to reimburse local governments for complying with the proposed regulation.

#### **Impact of Administrative Freeze on Capital Outlay Projects**

*We recommend that prior to budget hearings, the department identify the impact on the OSA's workload resulting from the administration's freeze on capital outlay projects.*

Executive Order B-87-81, issued October 9, 1981, directed the State Public Works Board to defer processing of funds for most capital outlay projects. Many of the deferred projects are assigned to the OSA. As a result of the administration's action, the OSA workload has been reduced.

The budget includes three additional positions for a construction inspection program in the OSA. The workload justification for the additional positions did not take into account the administrative freeze on capital outlay projects during the current year. Furthermore, it is not known what portion of the construction inspection workload will be deferred beyond the 1982-83 fiscal year. We recommend that prior to legislative hearings on the budget, the department provide an updated analysis of the anticipated construction services workload which reflects the impact of the administrative freeze on capital outlay projects.

#### **Transfer of Excess Funds to General Fund**

*We recommend that Budget Bill language be adopted to transfer \$1,150,000 in excess funds from the Architecture Revolving Fund to the General Fund.*

All funds for projects under the OSA's direction are deposited in the Architecture Revolving Fund (ARF). The ARF is used to pay project expenses, such as construction and OSA service charges. The OSA charges the ARF an hourly rate calculated to recover the personal services, operating and overhead costs that it incurs in administering the capital outlay projects. If the rate established by the OSA exceeds the actual cost incurred, a surplus is generated in the ARF. Conversely, if actual expenses exceed the amounts charged to the various work orders, a deficiency is created in the fund.

Our analysis of the status of the ARF indicates that the current surplus in the fund is larger than what is required for contingencies. According to the Director of General Services' report to the Legislature, dated October 29, 1981, the ARF had a surplus of \$2,058,308 on June 30, 1981. The department indicates that approximately \$900,000 of this surplus is needed as a contingency for various activities which the OSA must perform but for which funding is not readily available. In addition, the surplus provides a measure of protection against any minor variation between actual costs and the hourly rate charged for OSA activities.

A fund surplus of approximately \$900,000 is reasonable and should be adequate to meet any OSA contingent needs. The remaining \$1,150,000 however, is not needed in the ARF and should be transferred to the General Fund. This transfer will increase the Legislature's fiscal flexibility in responding to the state's needs. Consequently, we recommend that the following control section be adopted to transfer \$1,150,000 of the surplus in the ARF to the General Fund:

"SEC. 19.40 On the effective date of this act, the Controller shall transfer \$1,150,000 from the Architecture Revolving Fund to the General Fund for expenditure for any of the purposes authorized in this act or other legislative enactments which appropriate money from the General Fund."



**DEPARTMENT OF GENERAL SERVICES—Continued****DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY**

Items 1760-301 and 1760-311  
from the General Fund, Special  
Account for Capital Out-  
lay

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Requested 1982-83 .....	\$14,289,000
Recommended reduction .....	6,286,000
Recommendation pending .....	\$8,003,000

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

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|--|-----|
| 1. Transfer savings to the General Fund. Recommend that the \$6,286,000 recommended reductions be transferred from the Special Account for Capital Outlay to the General Fund to increase the Legislature's flexibility in meeting high-priority needs statewide.                              | 221 |
| 2. Franchise Tax Board Facility. Withhold recommendation on Item 1760-301-036(a), acquisition and planning funds, pending receipt of additional information.   | 222 |
| 3. Handicapped Accessibility. Withhold recommendation on Item 1760-301-036(b), pending legislative review of adopted regulations and resubmission of proposal by department.   | 223 |
| 4. <i>Fire and Life Safety Surveys. Reduce Item 1760-301-036(c) by \$116,000.</i> Recommend deletion of planning funds because adequate resources exist to do needed work.   | 224 |
| 5. <i>Purchase Option—Fresno. Reduce Item 1760-301-036(d) by \$860,000.</i> Recommend deletion of proposed funds and associated reversion in current year so that work may proceed.  | 225 |
| 6. <i>PCB-Contaminated Equipment—Program Management. Reduce Item 1760-311-036(a) by \$200,000.</i> Recommend deletion because program management can be accomplished within existing resources.  | 227 |
| 7. <i>PCB-Contaminated Equipment—Mechanical System Fan Shutdown. Reduce Item 1760-311-036(b) by \$420,000.</i> Recommend deletion because need for the program has not been established.   | 228 |
| 8. PCB-Contaminated Equipment—Sampling of Fluids. Withhold recommendation on Item 1760-311-036(c), pending receipt of additional information.  | 229 |
| 9. <i>PCB-Contaminated Equipment—Equipment Replacement. Reduce Item 1760-311-036(d) by \$4,580,000.</i> Recommend reduction because program lacks justification and funding source is inappropriate. Further, withhold recommendation on \$240,000, pending receipt of additional information. | 229 |
| 10. <i>PCB-Contaminated Equipment—Temporary Storage. Reduce Item 1760-311-036(e) by \$110,000.</i> Recommend deletion because project is not needed at the present time.   | 231 |

**ANALYSIS AND RECOMMENDATIONS****Major Capital Outlay**

The budget proposes \$14,289,000 for four major capital outlay projects and the continuation of the PCB replacement program under the Department of General Services. Table 1 summarizes the department's request and our recommendations. One of the four projects was funded in the 1981 Budget Act. The budget proposes to revert the \$860,000 appropriated for this project in the current year and rebudget the funds in 1982-83. The remaining four projects are new or continuing projects. The \$13,429,000 requested for these projects is being considered by the Legislature for the first time.

**Table 1**  
**Department of General Services**  
**Capital Outlay Projects**  
**(In thousands)**

Item	Project Title	1981-82			1982-83		
		Budget Act Appropriation <sup>a</sup>	Amount Expended/ Transferred to OSA	Amount Reverting <sup>b</sup>	Budget Bill Amount <sup>b</sup>	Analyst's Proposal	Future Cost
1760-301-036							
(a)	Franchise Tax Board Facility (FTB) .....	\$285 p	\$285	—	\$5,929 ap	Pending	\$76,000 <sup>c</sup>
(b)	Handicapped accessibility—statewide.....	—	—	—	1,584 pwc	Pending	1,988
(c)	Fire/Life Safety alterations—statewide.....	6,390 pwc	6,390	—	116 p	—	Unknown
(d)	Purchase leased facility—Fresno .....	860 a	—	\$860	860 a	—	—
	Subtotals 1760-301 .....	7,535	6,675	860	8,489	—	77,998
1760-311-036	PCB contaminated equipment—state-						
	wide .....	3,648 pwc	3,648	—	5,800 pwc	Pending	5,290 <sup>d</sup>
	Totals .....	\$11,183	\$10,232	\$860	\$14,289	Pending	\$83,278

a Phase symbols: a—acquisition; p—preliminary plans; w—working drawings; c—construction. OSA—Office of State Architect.

b Item 1760-495 reverts the unencumbered balance as of June 30, 1982.

c Estimate assumes capital outlay and is from Architects study on FTB.

d Future cost to complete phases one and two only.

**Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Items 1760-301-036 and 1760-311-036—\$6,286,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$6,286,000 in the Department of General Services capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Special Account for Capital Outlay, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So

**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

**Franchise Tax Board Facility—Sacramento**

*We withhold recommendation on Item 1760-301-036(a), acquisition and preliminary plans, Franchise Tax Board Building, pending receipt of additional information.*

The budget proposes \$5,929,000 under Item 1760-301-036(a) for land acquisition and preliminary plans. These funds would be used to develop facilities for the Franchise Tax Board (FTB) in Sacramento. The proposal is consistent with the Department of General Services' Facilities Plan for the FTB, which addressed the present and future space needs of the FTB and explored alternatives for meeting these needs. The preferred alternative identified in the study is to acquire surplus United States Air Force property and to exercise the purchase option on one of the leased buildings at the present Aerojet site. Plans would then be made to renovate the existing facilities and construct additional facilities for the FTB. The second best alternative identified by the study is to acquire property near Bradshaw Boulevard and U.S. 50 and construct totally new facilities for the board.

In the 1981-82 budget the department requested \$6,000,000 for partial acquisition of the Air Force property in anticipation that the property would be declared surplus by the federal government. The Legislature chose instead to appropriate \$285,000 in planning funds to study the alternatives available at the Aerojet site. This study concludes that to meet FTB's needs, the state would have to purchase (1) the building and property at the Aerojet site—for which the state has a purchase option and (2) additional property at Aerojet (currently owned by the Air Force). In November 1981, however, the department was notified by the Air Force that the property would be needed for Department of Defense production requirements, and thus would not be available to the state. Thus, in the department's view, a move to a new site is necessary. Based on available information concerning building size and parking requirements, we believe the department's decision is appropriate.

The department is requesting a total of \$5,929,000 in the 1982-83 budget to (1) acquire a new site along the U.S. 50 corridor (\$5,500,000) and (2) conduct preliminary planning related to the development of new facilities (\$429,000). The department has not provided an estimate of total project cost. The architect's study of alternates available at Aerojet estimated that costs would range from \$68 million to \$76 million. Development of a completely new facility for the board would probably fall at the high end of this range.

The department is in the process of evaluating alternative property sites and financing schemes (including possible lease-purchase arrangements). The budget indicates that the department will provide further information on its recommended course of action prior to hearings on the Budget Bill.

The lease for the facilities at Aerojet expires on July 8, 1986. In order to avoid interruption of tax return processing, certain FTB operations must

be moved to a new facility by late 1985. This gives the department approximately three and one-half years to bring the new FTB facility at least partially on-line, and four years to complete all of the work.

Our analysis indicates that, based on past experience with state building projects, the time needed for site acquisition, preparation of plans and building construction usually exceeds the time available to complete this project. Any proposal submitted by the department, therefore, should include a detailed schedule which addresses the timing problems. In addition, the department should provide a detailed cost analysis for each alternative considered. This cost analysis should be based on current estimates of the funds needed to complete the project, and should include architectural/engineering fees and any interest payments associated with each alternative. If a lease-purchase arrangement is recommended, the department should detail how the bid process will be undertaken, and should address the need for the state to purchase land. Pending receipt of this information, we withhold recommendation on this request.

#### **Handicapped Accessibility Alterations—Statewide**

*We withhold recommendation on Item 1760-301-036(b), handicapped accessibility alterations, pending legislative review of adopted regulations and resubmission of proposal based on adopted regulations.*

The budget proposes \$1,584,000 for alterations to improve handicapped accessibility to eight state office buildings. This is identified as the first of two phases to alter a total of 29 state-owned buildings. The estimated cost of the work to be done in the second phase is \$1,988,400.

**Adopted Regulations.** State regulations for handicapped accessibility to buildings were adopted on September 25, 1981. These regulations are subject to legislative review before they can be enforced by the State Architect. Any alterations to state buildings should be consistent with the regulations approved by the Legislature.

The department's proposal in the 1982-83 budget was developed before the state regulations were completed. This proposal is not consistent with the regulations adopted on September 25. The department should resubmit the proposal, taking into account the adopted regulations as well as any changes which may be made as a result of legislative review. Pending receipt of the department's revised proposal, we withhold recommendation on this item.

**Priority Listing.** Other agencies, such as the California State University (CSU), have developed priorities for the removal of architectural barriers to the handicapped. These priorities, which were developed in consultation with the Statewide Disabled Students Coalition and the Department of Rehabilitation, are as follows:

1. Access to the campus as a whole.
2. Access to facilities to meet the basic needs of the physically handicapped.
3. Access to main level of buildings with high student use.
4. Access to floors above and below main level.
5. Automatic doors and lower drinking fountains.
6. Other barrier projects.

Such a priority system assures that, within limited fund availability the maximum number of buildings will be altered to meet the most important access needs of the handicapped. Under the department's proposal, only eight buildings would be altered in 1982-83, leaving basic access to the 21

**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

remaining buildings to be addressed in the budget for a future year.

We recommend that the department develop a method similar to the CSU's for categorizing handicapped accessibility projects so that state office buildings (buildings in phase 1 and phase 2) are modified in a systematic manner to maximize accessibility. We further recommend that when the department resubmits its funding proposal based on the adopted regulations, it indicate which priority category each of the buildings and proposed alterations is in.

**Costs are Overstated.** The proposed amount of \$1,584,000 includes estimated construction contract costs of \$1,170,000. Architectural/engineering fees and contingencies for the project total \$414,000, or 35.3 percent of construction contract cost. For alteration projects, an amount equivalent to 20 percent of the estimated construction contract cost should be adequate to cover these expenses. The department's resubmission should limit the amount for architectural/engineering and contingencies to 20 percent.

**Fire and Life Safety Surveys—Statewide**

*We recommend deletion of Item 1760-301-036(c), planning funds for fire and life safety surveys of state-owned facilities, because adequate resources are already available to do the work, for a savings of \$116,000.*

The budget proposes \$116,000 to conduct fire and life safety surveys at 43 state-owned buildings under the jurisdiction of the department. The proposed surveys would identify the scope of work and estimated cost required to bring the buildings into compliance with applicable codes. Under the terms of the proposal, the work would be done by the department's Space Management Division (SMD).

We recommend that the funds be deleted for two reasons:

1. Methodologies and personnel needed to do the work are already available.
2. The proposal includes buildings which do not require fire and life safety surveys.

**Existing Resources.** The budget indicates that as part of the proposed work, SMD would develop a survey form for conducting fire and life safety inspections. It is not clear that this work is necessary. The *Supplemental Report of the 1977 Budget Act* recommended that the Department of Finance (DOF) retain an outside consultant to evaluate the state's fire risk. The supplemental report further recommended that DOF develop a procedure for informing the Legislature of the State Fire Marshal's findings and recommendations regarding capital outlay requirements to bring state buildings up to code. As a partial response to this language, a state office building fire-life safety evaluation form was developed by a risk management firm. This form was intended for use by building managers in conducting an initial evaluation of their buildings. The completed forms would then be used to establish a statewide priority, based on the relative risk of individual buildings.

The budget proposal also would have SMD space planners conducting inspections of the 43 buildings to identify areas of noncompliance with applicable standards. It is not clear that this would be necessary, either. The State Fire Marshal already has the statutory responsibility to develop, maintain and enforce fire safety standards for state-owned buildings. The Fire Marshal has individuals trained in fire prevention who conduct field

inspections and who can evaluate the fire risks of state buildings efficiently and thoroughly. The Fire Marshal conducts 22,000 field inspections per year. Staff resources could easily be redirected to inspect these state buildings.

We recommend that the department direct the managers of those buildings to be surveyed, to fill out the state office building standard fire-life safety evaluation form. The department can compile the information, rank the buildings on the basis of fire risk and then request the State Fire Marshal to inspect those buildings which pose the greatest risk to life and safety. We further recommend that the department report its findings to the Legislature, along with its plan for dealing with identified problems.

**Outdated Building List.** The department's request includes a list of 43 buildings to be surveyed in 1982-83. This list however contains: 13 buildings which have received funding recently for either fire and life safety alterations or major renovations (including fire and life safety); 2 buildings—1 in Sacramento and 1 in Los Angeles—which no longer exist; 2 buildings which are scheduled to be demolished this calendar year; and 3 buildings in Sacramento which have been vacated. Thus, only 23 buildings on the list may require fire and life safety alterations. The department should evaluate these structures as outlined above.

#### **Purchase of Leased Facility—Fresno**

*We recommend deletion of Item 1760-301-036(d), purchase leased facility, Fresno, because the purchase must proceed this year and funding cannot be delayed.*

The 1981 Budget Act contains \$860,000 to purchase a leased facility in Fresno. These funds are available for three years. The budget indicates that these funds will not be expended in 1981-82 because of Executive Order B-87-81. This order deferred a number of capital outlay projects in order to balance the General Fund. Item 1760-495(3) proposes the reversion of the funds for this project in the current year.

The purchase option date on this lease is July 31, 1982. The funds were appropriated in 1981-82, at the department's request, in order to allow sufficient time to process paperwork and obtain release of the funds before July 31, 1982. The terms of the option have not changed.

In order to exercise the option, the department must give the lessor 90-days' notice, and the funds must be placed in an escrow account. The Division of Real Estate Services (RES) indicates that there would not be sufficient time to accomplish these tasks if the funds do not become available until July 1, 1982.

The option price on this building is \$850,000. According to RES, the appraised value of the building is \$1,500,000. In addition, RES estimates that replacement costs are in the \$1,850,000 to \$2,000,000 range. Given the advantageous terms of this option and the time constraints involved in exercising the option the department should proceed with acquisition in the current year. Consequently, we recommend that both the reversion and the appropriation be denied.

#### **PCB Contaminated Equipment—Statewide**

The budget includes \$5,800,000 to replace hazardous electrical transformers and equipment which are leaking moderate or major quantities of polychlorinated biphenyls (PCBs). The proposal also includes activities in the related areas of storage, sampling, accident prevention and program management. According to the department, this is a continuation of the

**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

program funded initially in the 1981 Budget Act. The department's proposal is summarized in Table 2.

**Table 2**  
**Department of General Services**  
**PCB Replacement Proposal**  
**(In thousands)**

<i>Item</i> 1760-311-036	<i>Funds</i> <i>Requested</i>	<i>Project Schedule<sup>a</sup></i>	
		<i>Completion</i> <i>of Working</i> <i>Drawings</i>	<i>Construction</i> <i>Period</i>
(a) Program Management.....	\$200	—	—
(b) Mechanical System Fan Shutdown .....	420	2/83	3/82-8/83
(c) Sampling of Fluids .....	250	11/82	12/82-3/83
(d) Equipment Replacement:			
Non-food-handling areas .....	4,420	5/83	6/83-3/84
Food-handling areas .....	400	11/82	2/83-6/83
(e) Temporary Storage.....	110	2/83	3/83-6/83
Total .....	\$5,800		

<sup>a</sup> Department of General Services schedule.

PCBs are nonflammable, insulating liquids which have been used primarily in electrical transformers and capacitors as a dielectric fluid. The PCB substances have been found to be highly toxic and can seriously harm the health of human beings if certain concentrations are ingested over certain periods of time. Consequently, the use, storage and disposal of PCB substances are strictly controlled by regulations administered by the Environmental Protection Agency of the federal government. No health hazards exist when the electrical equipment encasements are tightly sealed. The problems arise from PCB substances leaking from the encasements.

**Previous Legislation Action.** During hearings on the 1981-82 budget, the Legislature was presented four alternative programs for dealing with the state's PCB problem. These alternatives were identified in a study done by a private consultant under contract to the Office of State Architect. The Legislature chose to fund the alternative which would replace all leaking (or hazardous) PCB and PCB-contaminated equipment with environmentally acceptable equipment. PCB and PCB-contaminated equipment that was in good condition would be retained in service but work would be undertaken to prevent spillage. It was estimated that this alternative would cost \$3,647,000, and this amount was appropriated in the 1981 Budget Act. Because the details of the administration's proposal, were lacking, however, the Legislature includes language in the Budget Act requiring the Director of Finance to submit an expenditure plan to the Legislature at least 30 days before the funds were expended.

**Departmental Activities.** Our analysis indicates that the Department of General Services and the Department of Finance have failed to act expeditiously in moving this program forward. On July 23, 1981, the Director of Finance advised the Legislature of her intent to authorize a partial release of funds (\$345,700) to replace PCB-contaminated equipment which, in the Department of General Services' judgment, pose a risk to food or feed products. At the request of the Director of Finance, the Chairman of the Joint Legislative Budget Committee (JLBC) waived the

prescribed 30-day review period on this portion of funds so that corrective work could begin immediately. In doing so, however, the Chairman raised several issues relating to project priorities, methods of temporary storage, and the lack of an overall expenditure plan for the funds. The Chairman requested assurances from the Director that (1) the \$345,700 provided adequate funds to finance temporary storage facilities at each location to handle all PCB-contaminated items which would ultimately have to be stored at the site, and (2) adequate funds were available in the 1981 Budget Act appropriation to replace all leaking PCB and PCB-contaminated equipment at state facilities which is at least as hazardous as the items proposed for replacement with the \$345,700.

In a letter dated November 3, 1981, the Director of Finance submitted an "expenditure plan" to the members of the Joint Legislative Budget Committee and advised the members of her intent to release preliminary planning funds for further PCB replacement. The Chairman again raised issues concerning priorities, estimated costs, lack of information regarding temporary storage facilities, and the failure of the Director to provide the assurances requested earlier. In addition, the Chairman noted that the cost of the "expenditure plan" was 9.1 percent more than the amount appropriated by the Legislature. Because the Director's notification failed to address adequately a number of issues concerning the proposed use of funds, he denied the Director's request for a waiver of the 30-day review period.

In December 1981, the Director provided the requested assurances and clarified some of the matters raised by the Chairman, and planning funds were subsequently released by the Public Works Board.

In a letter dated December 16, 1981, the JLBC requested that the Director provide at least the following information to the Legislature prior to legislative hearings on the Department of General Services' capital outlay budget for 1982-83:

- A list of the work to be accomplished under the 1981-82 program, including associated costs, identified in priority order with the most critical items listed first.
- The criteria used to determine the priorities.
- A status report on (1) projects funded with the money released in August 1981 and (2) projects funded with the balance of the 1981 appropriation.
- Updated cost estimates for each element of the program.
- Detailed descriptions of the storage facilities proposed for each site. These descriptions should include specific site locations, size, and elements of the facility, and construction cost plus any ongoing operating costs.

The same information was requested for any PCB-related projects proposed for funding in 1982-83. This data should be available to the fiscal committees prior to budget hearings.

#### **Program Management**

*We recommend deletion of Item 1760-311-036(a), program management, because program management can be accomplished using existing resources, for a savings of \$200,000.*

The budget requests \$200,000 for program development and management for the PCB replacement project. This money would be used to fund five positions in the Office of State Architect. These positions would seek



**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

to keep pace with state of the art methods for removal and disposal of PCBs and provide overall program management.

**State of the Art Monitoring.** The Office of Appropriate Technology (OAT) has an ongoing toxics program that is concerned with the development and use of alternative technologies for dealing with toxic wastes. This office already has the responsibility for keeping pace with state of the art developments in the PCB field. In August 1981, OAT published a report (*Alternatives to the Land Disposal of Hazardous Wastes: An Assessment for California*) which includes information on alternatives for PCB disposal. In addition, the office has been awarded a contract by the federal Environmental Protection Agency to assess new techniques for treating and destroying hazardous wastes.

General Services should not attempt to duplicate the OAT's efforts, and instead should rely on the office for determining appropriate disposal methods.

**Program Management.** The balance of the \$200,000 would be used for overall program management. Any program management efforts required by the PCB-replacement projects can and should be funded out of the architectural and engineering fees budgeted for each project. Thus, additional funding for program management should not be required.

In sum, our analysis does not indicate a need for additional funds, and we recommend deletion of the \$200,000.

**Mechanical System Fan Shutdown**

*We recommend deletion of Item 1760-311-036(b), mechanical system fan shutdown, because adequate justification for the project has not been provided, for a savings of \$420,000.*

The budget requests \$420,000 for the development and implementation of systems that would shut down the ventilation system in the event of a major fire. The intent of this project is to prevent the circulation of PCB-contaminated air in the event of a major fire. The study which surveyed the original seven departments identified 34 locations where PCB transformers were in mechanical rooms. These transformers are in good condition, are not leaking and pose no recognized hazard under EPA regulations. The department, however, proposes to install, at each of these locations, a PCB-detection system capable of shutting down the mechanical system power supply when triggered. The work would also include checking for electrical code deficiencies which might cause transformer overheating.

We recommend that these funds be deleted because the need for the project has not been established. Our analysis indicates that:

- *EPA regulations do not require mechanical system fan shutdowns.*
- *Current fire safety building codes require automatic shutdown of ventilation systems in the event of a fire.* This requirement is intended to prevent dissemination of smoke through the building.
- *The department's justification for the project is questionable.* The project is intended to address the possibility that (1) a major fire breaks out at one of these locations, (2) the fire involves the mechanical room, (3) the fire damages the transformer to the extent that PCBs are released into the air, and (4) contaminated air is circulated throughout the building. Such reasoning, however, ignores both the heat-resistive properties of PCBs and the probability that such a fire itself would incapacitate the mechanical system.

Furthermore, the department has not submitted adequate information to substantiate the amount requested in the budget. Thus, we cannot verify the adequacy of the requested amount to accomplish the department's proposal.

If, in the future, the EPA determines that regulations addressing the situation described above are needed, the department can then submit to the Legislature a proposal for mitigation measures that are based on EPA requirements.

#### **Sampling of Fluids**

*We withhold recommendation on Item 1760-311-036(c), pending receipt of additional information.*

The budget proposes \$250,000 to sample fluids from suspect transformers. The seven-department survey identified approximately 600 transformers containing unknown substances. Of these 600 transformers, 150 are in service and 450 are in storage. The department estimates it will cost \$500 to sample each in-service transformer and \$200 to sample each item in storage. The department has provided no data to substantiate these costs, and has not indicated how much of the requested funds would be used for contract costs, contingencies, and architectural/engineering services.

The proposed fluid sampling is necessary so that the state will have an accurate assessment of which items contain PCBs. However, we have no basis for judging the adequacy of the amount requested at this time. Consequently, we withhold recommendation on the proposal until the department provides additional information on its request and the associated costs.

#### **Equipment Replacement**

*We recommend that Item 1760-311-036(d), equipment replacement, be reduced because some of the projects have not been justified and others should be financed from other funding sources, for a savings of \$4,580,000. We withhold recommendation on the remaining \$240,000 pending receipt of additional information.*

The budget proposes \$4,820,000 for the replacement of PCB equipment with moderate and major leaks located in facilities owned by 10 departments other than those funded in 1981-82. The requested amount would finance work in non-food-handling areas (\$4,420,000) as well as in food-handling areas (\$400,000).

The need to replace leaking (or hazardous) PCB and PCB-contaminated equipment was recognized by the Legislature when it funded the initial program in the 1981 Budget Act. Our analysis indicates, however, that funds requested under this item should be reduced, for the following reasons:

1. The proposal calls for the General Fund (Special Account for Capital Outlay) to finance work for special fund departments. This work, if needed, should be funded from the respective special fund accounts.
2. The department has not submitted information to substantiate the need for that portion of the requested funds related to food-handling areas.

**Special Fund Agencies.** After receiving funding last year for replacing PCB-contaminated equipment owned by the seven departments covered

**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

by the initial survey, the Department of General Services asked other departments to supply information on their PCB problems. Contrary to the budget document, the department intends to conduct PCB-replacement work at six departments, rather than 10. Four of these departments—Fairs and Expositions, Employment Development Department, Department of Motor Vehicles, and the Department of Transportation—are special fund agencies. Of the \$4,820,000 requested, \$4,180,000 would be used for these departments.

All capital improvements for these four agencies are funded from either special funds or fair district revenues. Any capital expenditures needed to solve PCB-related problems should be funded from the same sources. For this reason, we recommend that \$4,180,000 proposed for PCB replacement under this item be deleted. If these agencies choose to proceed with the projects to be financed under this item, the funding source should be changed to the respective special fund (such as the State Transportation Fund, Fairs and Exposition Fund, etc.).

In any case, the department's work schedule indicates that the construction phase of the work for the proposed replacement would not commence until June 1983. Given the department's lack of accomplishments under the PCB program during the current year, it is unlikely that it could meet this schedule. Consequently, the request for this portion of the funds is premature.

**Food-Handling Areas.** The department's proposal includes \$400,000 for clean-up work in food-handling areas. This request is based on the department's experience during the current year with the seven departments covered by the initial survey. Of the potentially hazardous installations identified in that survey, about 10 percent were found to be near food-handling areas. The department is assuming that a similar proportion of needed work would be found near food-handling areas in the six agencies to be funded in 1982-83. It is therefore requesting \$400,000 (approximately 10 percent of \$4,420,000) to do this work. The department has no information, however, to substantiate the amount of this request.

Moreover, when General Services solicited PCB information from other departments, it requested those departments to identify the total number of PCB or suspected PCB installations. Therefore, the totals on which the department has based its request for projects in non-food-handling areas should include any equipment which may be near food-handling areas. On this basis alone, the requested funds do not appear to be needed. In addition, the assumption that 10 percent of the equipment is located near food-handling areas is not necessarily applicable to those agencies covered by this request. The original PCB survey dealt mainly with institutions and the state university. These are residential and instructional facilities which provide regular food service to their clients. It does not follow that buildings such as field offices would have a similar proportion of food-handling areas.

Based on the information available, we recommend deletion of the \$400,000.

**General Fund Agencies.** A total of \$240,000 of the \$4,820,000 requested to replace leaking PCB equipment would be used for work at the Departments of Corrections (California Men's Colony—CMC) and Health Services (Animal Facility at Fairfield). Although the Department of Corrections was included in the original seven-department survey, the

CMC facility was omitted from the list of facilities covered by the funded program. Five leaking PCB transformers have been identified at CMC and 11 suspected PCB transformers have been identified at the Fairfield facility.

The department has submitted only a rough cost estimate for dealing with these items. We withhold recommendation on the funds requested to do this work (\$240,000), pending the receipt of more detail and associated cost estimates from the department.

#### **Temporary Storage**

*We recommend deletion of \$110,000 in Item 1760-311-036(e), PCB-temporary storage, because there is nothing to store at the proposed locations.*

The budget proposes \$110,000 to fund the construction of temporary storage facilities at eight locations originally identified in the seven-department PCB survey. No PCB equipment having a major or moderate leak is present at any of these locations, so no replacement activities are scheduled to take place. Hence, the proposal to construct storage facilities at these locations is not justified at the present time.

Moreover, the department has been unable to provide information concerning the elements of the storage facilities, the construction costs, or any ongoing operational costs.

On this basis, we recommend that the funds be deleted.

Federal regulations require the periodic inspection of PCB units which are in service. In the event the status of any units at these eight locations changed, and corrective work became necessary, an appropriate course of action involving repair or replacement and disposal of the affected unit could be determined at that time.

### **DEPARTMENT OF GENERAL SERVICES—REVERSION**

Item 1760-495 to the General

Fund, Special Account for

Capital Outlay

Budget p. SCS 133

#### **SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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| 1. Statewide Elevator Modifications. Withhold recommendation on proposed reversion, pending receipt of project status information.                             | 232                      |
| 2. Red Bluff—Purchase Option. Withhold recommendation on proposed reversion, pending receipt of additional information.  | 232                      |
| 3. Fresno—Purchase Option. Recommend deletion of the proposed reversion because this project should proceed in the current year.                               | 232                      |
| 4. New State Building—San Francisco. Withhold recommendation, pending receipt of additional information regarding project status and future funding proposals. | 232                      |

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

*We recommend deletion of Item 1760-495(3) because this project will not be feasible if delayed.*

*We withhold recommendation on Items 1760-495(1), (2), and (4), pending receipt of additional information.*

*We recommend that the department provide specific information regarding funding for the new state building in San Francisco.*

The budget proposes reversion of the unencumbered balance of funds originally appropriated in the 1981 Budget Act for four projects, as follows:

1. Item 176-301-036(b), Budget Act of 1981 (\$40,500)—statewide, elevator modifications.
2. Item 176-301-036(c), Budget Act of 1981 (\$5,000)—Red Bluff, purchase option.
3. Item 176-301-036(d), Budget Act of 1981 (\$860,000)—Fresno, purchase option.
4. Item 176-301-036(h), Budget Act of 1981 (\$34,434,786)—San Francisco, construction, new state building.

**Fresno—Purchase Option.** We recommend deletion of this proposed reversion because the funds needed to purchase this building must be made available in the current year. A detailed discussion of this project appears under Item 1760-301.

We withhold recommendation on the three remaining reversions, pending receipt of additional information on the status of these three projects.

**Statewide Elevator Modifications.** The 1981 Budget Act appropriated \$85,500 for seismic safety modifications to elevators statewide. Of this amount, \$45,000 has been transferred to the Office of State Architect (OSA). The budget proposes to revert the remaining funds—\$40,500. These funds are not rebudgeted for 1982–83.

The department indicates that the work funded by this item is currently in the schematic stages and that, if the funds proposed for reversion were available, working drawings could be completed in the current year. The work funded by this item is needed to meet code requirements related to earthquake safety. Prior to budget hearings, the Departments of General Services and Finance should inform the Legislature why the code corrective work is no longer needed.

**Red Bluff—Purchase Option.** The 1981 Budget Act appropriated \$305,000 to exercise the purchase option on a state-occupied building in Red Bluff. The budget indicates that \$300,000 of this money was expended in the current year, leaving \$5,000 to be reverted. The Division of Real Estate Services however, indicates that all \$305,000 has been expended. Prior to budget hearings the Department of Finance should identify exactly what funds are available for reversion under this item.

**New State Building, San Francisco.** We recommend that the department report to the Legislature on the status of the San Francisco state office building project. The funds appropriated by the 1981 Budget Act for construction of this building are proposed for reversion under this item.

Documents provided by the Department of Finance indicate that estimated savings to the Special Account for Capital Outlay (SAFCO) from projects deferred under Executive Order B-87-81 total \$58,325,000. The Budget Bill proposes to transfer only \$50,834,000 of the estimated savings

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Item 1880

from the SAFCO to the General Fund. The remaining \$7,491,000 in savings is unaccounted for. In addition, the budget indicates that the SAFCO will have a "reserve for economic uncertainties" of \$29,220,000 in 1982-83. Thus \$36,713,000 should be available in the SAFCO in 1982-83. The Capital Outlay Fund for Public Higher Education and the Energy and Resources Fund also show 1982-83 reserves of \$1,820,000 and \$20,303,000, respectively. Therefore, a total of \$58,836,000 in tidelands oil and gas revenues has not been proposed for appropriation in the 1982-83 budget.

Generally, those projects which were deferred in the current year pursuant to the executive order have been rebudgeted in 1982-83. The San Francisco building, however, has not been rebudgeted. Given the anticipated reserves in tidelands oil funds in 1982-83, it is not clear why construction funds for the building are not proposed in the budget. The budget indicates that the project is being considered for lease-purchase under the provisions of Ch 919/81.

The Department of General Services and the Department of Finance should address this apparent inconsistency in the treatment of the San Francisco project. In addition, the department should provide the Legislature with an analysis comparing the cost of capital outlay with the cost of lease-purchase for this building.

A w/ 10/4 on 3/24/82

**State and Consumer Services Agency  
 STATE PERSONNEL BOARD**

Item 1880 from the General  
 Fund and various funds

Budget p. SCS 136

Requested 1982-83 .....	\$23,387,000
Estimated 1981-82 .....	22,981,000
Actual 1980-81 .....	23,008,000
Requested increase (excluding amount for salary increases) \$406,000 (+1.8 percent)	
Total recommended reduction .....	\$575,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
1880-001-001—Support		General	\$22,040,000
1880-001-677—Services to local governments		Cooperative Personnel Services Revolving	1,347,000
Total			\$23,387,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
 page

1. **Facilities Operations.** Reduce Item 1880-001-001 by \$53,000. Recommend deleting funds to correct overbudgeting. 237
2. **Data Processing.** Reduce Item 1880-001-001 by \$19,000. Recommend eliminating funds to correct overbudgeting. 237
3. **Consultant Services.** Reduce Item 1880-001-001 by \$16,000. Recommend deleting funds to correct overbudgeting. 238

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**STATE PERSONNEL BOARD—Continued**

4. Loan Payment. Recommend supplemental language directing the SPB to repay by June 30, 1983, the \$19,000 balance of a General Fund loan. 238
5. *COD Project Grants. Reduce Item 1880-001-001 by \$199,000.* Recommend deletion of funds requested for project grants because this component of the COD program duplicates or overlaps activities supported by other state and federal programs. 240
6. *COD Matching Funds. Reduce Item 1880-001-001 by \$188,000* and reduce reimbursements by \$188,000. Recommend reduction to reflect board's new matching policy for COD disabled trainees. 241
7. *COD Trainee Salary Funds. Reduce Item 1880-001-001 by \$100,000.* Recommend reduction to correct overbudgeting. 241

**GENERAL PROGRAM STATEMENT**

The State Personnel Board (SPB) is a constitutional body consisting of five members appointed by the Governor for 10-year terms. The board has authority under the state constitution and various statutes to adopt state civil service rules and regulations.

An executive officer, appointed by the board is responsible for administering the merit aspects of the state civil service system. (The Department of Personnel Administration (DPA), which was established effective May 1, 1981, is responsible for managing the nonmerit aspects of the state's personnel systems.) 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.

The board has 555.7 positions authorized in the current year. This is less than the number authorized last year because 77 positions were transferred from the board to the DPA effective July 1, 1981.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes total expenditures of \$27,131,000 from the General Fund, special funds, and reimbursements for support of the SPB in 1982-83. This is \$371,000, or 1.4 percent, more than estimated total expenditures for the current year.

Board expenditures, exclusive of reimbursements, are estimated at \$23,387,000, which is \$406,000, or 1.8 percent, above estimated current-year expenditures. The General Fund portion of this request is \$22,040,000, which is \$326,000, or 1.5 percent, above the current-year level. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 summarizes expenditures and personnel-years for each of the board's programs, for the three-year period ending June 30, 1983. The

table shows that the budget for the board provides for a decrease of 22 positions in total staffing during the budget year. The decrease is the net result of:

- The proposed elimination of 13.6 positions in order to achieve a 5 percent reduction in baseline General Fund support (this reduction responds to a directive from the administration calling on many General Fund agencies to reduce their baseline budgets by 5 percent).

**Table 1**  
**State Personnel Board**  
**Budget Summary**  
**(in thousands)**

Program	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
1. Merit system administration .....	\$22,063	\$22,113	\$22,527	\$414	1.9%
2. Appeals .....	1,442	1,774	1,751	-23	-1.3
3. Personnel development <sup>a</sup> .....	1,391	—	—	—	—
4. Local government services .....	2,583	2,873	2,853	-20	-0.7
5. Administrative services (distributed) .....	(3,836)	(3,520)	(3,592)	(72)	(2.0)
Total Expenditures .....	\$27,479	\$26,760	\$27,131	\$371	1.4%
Less Reimbursements .....	-4,471	-3,779	-3,744	35	-0.9
Total State Costs (Excluding Reimbursements) ..	\$23,008	\$22,981	\$23,387	\$406	1.8%
General Fund .....	22,158	21,714	22,040	326	1.5
Cooperative Personnel Services Revolving Fund	850	1,267	1,347	80	6.3
Personnel-years .....	577.1	549.7	527.7	-22.0	-4.0

<sup>a</sup> The personnel development program was transferred to the Department of Personnel Administration effective July 1, 1981.

**Table 2**  
**State Personnel Board**  
**Proposed Budget Changes**  
**(in thousands)**

	General Fund	Cooperative Personnel Services Revolving Fund	Reim- bursements	Total
1981-82 Revised Budget .....	\$21,714	\$1,267	\$3,779	\$26,760
1. Workload changes:				
a. Local government services program (Merit system services) .....	—	—	-112	-112
2. Cost changes:				
a. Personal services .....	201	15	17	233
b. Operating expenses .....	739	65	60	864
3. Other changes:				
a. Restore 2 percent General Fund re- duction in current year .....	443	—	—	443
b. Restore travel expense reduction in current year .....	102	—	—	102
c. 5 percent General Fund reduction in budget year .....	-1,159	—	—	-1,159
4. Program changes—None .....	—	—	—	—
Total Proposed Changes .....	\$326	\$80	-\$35	\$371
1982-83 Proposed Budget .....	\$22,040	\$1,347	\$3,744	\$27,131



**STATE PERSONNEL BOARD—Continued**

- The proposed deletion of 5 positions from the local government services program to reflect a decline in workload.
- The expiration of 7.9 limited term positions.
- An increase of 4.5 positions in the form of reduced salary savings, which assumes that the vacancy rates of budgeted positions will be lower.

The workload, cost, and other changes proposed for the budget year are displayed in Table 2. The table shows a workload reduction of \$112,000 for the local government services program, and reflects the proposed deletion of five positions.

**Five Percent Reduction in Budget Base**

Pursuant to the administration's directive that certain General Fund agencies reduce their baseline budgets for state operations by 5 percent, the SPB has proposed a General Fund reduction of \$1,159,000. This reduction consists of the following savings:

- \$341,000 for salaries to welfare recipients placed in public employment under the Career Opportunities Development (COD) program. (The COD program is discussed in detail later in this analysis.)
- \$100,000 for project grants awarded to state and local agencies under the COD program for employment-related activities.
- \$108,000 for 3 COD coordinators in state agencies.
- \$3,000 for office expenses in the COD unit.
- \$118,000 for 0.5 training officer and 2.5 clerical positions and related expenses in the administrative services unit.
- \$43,000 for 1 analyst position and related expenses in the appeals unit.
- \$22,000 for 0.8 hearing officer position and related expenses in the appeals unit.
- \$113,000 for 1.8 analyst positions (\$60,000) and operating expenses (\$53,000) in the evaluation and liaison unit, which reviews departments' affirmative action activities.
- \$169,000 for 3 clerical positions (\$50,000) and operating expenses (\$119,000) in the examining processing unit.
- \$136,000 for (a) 1 professional position and 1 clerical position and related expenses in the audit and control unit and (b) 2 professional positions in the unit which provides personnel services to state line agencies.
- \$6,000 for operating expenses in the personnel management and policy development unit.

According to SPB, the \$341,000 reduction for welfare recipient trainee salaries will reduce from 170 to 130 the projected number of COD training jobs with local governments and community organizations. Our review of contracts with local government, however, indicates that this reduction will have little effect on the number of local jobs actually available for COD trainees. Since 1979, the board has negotiated fewer contracts with local governments and community organizations because these local entities were relatively less successful in placing participants in permanent jobs than were state agencies. The last report submitted by the SPB to the Legislature shows that in 1980-81 there were 113 COD jobs covered by contracts with local governments. Therefore, the 130 jobs in local government projected in the budget represent an increase from the number of

COD jobs filled by local governments during the past year.

According to SPB, the \$100,000 reduction proposed for project grants would result in fewer grants being available to local governments. The effect of this reduction, however, cannot be determined since the board could not specify what projects would not be funded. The \$109,000 reduction for COD coordinators would reduce the number of coordinators from eight to five. In 1981-82, however, there are only five COD coordinators in departments and agencies. Therefore, there will be sufficient funds available in 1982-83 to continue funding the same number of coordinators that are currently supported in agencies and departments with a large number of trainees.

Our analysis suggests that most of the reductions to be absorbed by the SPB as a result of the 5 percent General Fund reduction will not significantly affect the board's operations. Some of the individual reductions, however, could have an adverse impact. This might be the case with respect to the reduction from 16 to 14.2 professional positions used for (1) providing affirmative action (AA) assistance to state agencies and (2) ensuring that state agencies demonstrate progress in meeting AA goals and objectives. We are not able to determine the *net effect* of this reduction because workload has not been quantified by the board.

As a result of staff reductions, the board *may* require more time, on the average, to (1) investigate and resolve out-of-class claims, examination appeals and discrimination complaints; (2) hear appeals involving punitive or disciplinary actions, and (3) test job applicants and place names of the successful ones on eligible lists. Personnel-years which the board allocates to providing classification and selection services to line departments will be reduced by approximately 3 percent. Our analysis indicates that such a reduction will not prevent the board from meeting the essential classification and selection requirements of the various state agencies.

#### Overbudgeting of Facilities Operations

*We recommend that the budget be reduced by \$53,000 to delete unnecessary funds budgeted for facilities operations (reduce Item 1880-001-001) for a corresponding savings to the General Fund.*

Our review of the board's budget support detail reveals that, due to budgeting errors, facilities operations costs have been overstated by \$53,000. Our recommendation to delete these funds would correct these technical errors and result in a \$53,000 savings to the General Fund.

#### Data Processing Expenses Overbudgeted

*We recommend that the budget be reduced by \$19,000 to eliminate excess funds budgeted for data processing, (reduce Item 1880-001-001) for a corresponding savings to the General Fund.*

The board's budget provides \$19,000 for a 7 percent increase in the cost of computer services purchased from the Teale Data Center. The SPB advised that the additional funds are requested to cover an anticipated increase in the data center's rates. The center, however, anticipates no general rate increase in 1982-83. Accordingly, we recommend that the funds budgeted for this purpose be deleted, for a savings of \$19,000 to the General Fund.

**STATE PERSONNEL BOARD—Continued****Consultant Services Overbudgeted**

*We recommend deletion of \$16,000 budgeted for consultant services that is not supported by detail provided by the board (reduce Item 1880-001-001), for a corresponding savings to the General Fund.*

The SPB's budget contains \$100,000 for acquiring consultant services through interagency agreements during 1982-83. Detail provided by the board in support of its budget, however, indicates that only \$84,000 is needed for this purpose. We therefore recommend that the budget be reduced accordingly, for a \$16,000 savings to the General Fund.

**General Fund Loan Should be Repaid**

*We recommend that the \$19,000 balance of a General Fund loan to the Cooperative Personnel Services Revolving Fund be repaid by June 30, 1983.*

Chapter 838, Statutes of 1973, established the SPB Cooperative Personnel Services Revolving Fund so that the board could satisfy in a more responsive manner requests from its local agency customers under its local government services program. In establishing the revolving fund, the measure transferred \$125,000 to it from the General Fund, and provided that the amount be repaid under conditions mutually agreeable to the SPB and the Department of Finance. The loan is currently being repaid at the rate of \$6,000 annually. At this rate, the outstanding balance as of June 30, 1983, will be \$19,000. Because the Governor's Budget indicates that the revolving fund will have a surplus of \$68,000 as of June 30, 1983, we believe the board can repay the remaining balance owed to the General Fund on that date, without any adverse effect on the local government services program. For this reason, we recommend that the Legislature adopt supplemental report language as follows:

"The State Personnel Board shall repay by June 30, 1983, the remaining balance owed on the General Fund loan which was made to its Cooperative Personnel Services Revolving Fund pursuant to Chapter 838, Statutes of 1973."

**MERIT SYSTEM ADMINISTRATION PROGRAM**

The merit system administration program is responsible for (1) maintaining the classification plan; (2) recruiting, selecting and placing qualified candidates in state jobs; (3) developing and adopting personnel management policy; (4) administering the state's affirmative action program; and (5) developing employment opportunities for disadvantaged persons under the Career Opportunities Development (COD) program.

The budget proposes a net reduction of 11.4 positions in this program during the budget year, which results from:

- Elimination of 8.8 positions (4.8 professional and 4 clerical) in order to achieve the 5 percent General Fund reduction discussed above.
- The expiration of 5.1 limited term positions (4.6 professional and 0.5 clerical).
- An increase of 2.5 positions in the form of reduced salary savings, based on expected lower vacancy rates for budgeted positions.

SF# 1 Reduced  
trans by 25%

FTS \$8,157  
 DDEJ 38,176  
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Item 1880

STATE AND CONSUMER SERVICES / 239

### Pilot Program to Decentralize Employee Selection

Early in 1981 the SPB initiated a pilot decentralization employee selection program in four state agencies. Under decentralized selection, the line agency (rather than the SPB) administers the entire civil service selection process. The Legislature, through the *Supplemental Report of the 1981 Budget Act*, directed the board to report on the results of its pilot program, and on its plans for continuing the program or extending it to other state agencies.

In a December 1981 report to the Legislature on the pilot project, the SPB stated that:

- The most significant finding is that "departments can administer an examination on a decentralized basis significantly faster than an equivalent examination is administered through the central system and at no increase in cost."
- It plans to expand the decentralized selection program to approximately six additional agencies during 1982-83.
- Due to the preliminary nature of the data, the board will submit to the Legislature in February 1982 a supplemental report containing an updated evaluation of the project and detailed plans for expanding the decentralized selection program to other agencies.

We will be prepared to discuss the contents of this report during hearings on the SPB's budget for 1982-83.

### Career Opportunities Development Program

The purpose of the Career Opportunities Development (COD) program is to create job opportunities in the public sector for (1) current and potential welfare recipients and (2) disabled persons. COD consists of two elements: (1) the *jobs* program for welfare recipients and the disabled and (2) *project grants* awarded to state and local agencies for employment-related activities.

The State Personnel Board (SPB) administers the program in cooperation with the Employment Development Department (EDD) and the Department of Rehabilitation (DOR). The board negotiates, administers, and monitors contracts with state agencies providing training of program participants. The board reimburses the contracting agencies for trainees' salaries (80 percent for welfare recipients and 100 percent for disabled persons). The agencies are expected to employ the participants in permanent state jobs, once their training is completed.

EDD identifies and refers welfare applicants and recipients to employment and training opportunities created by the board. It also develops, negotiates, and monitors employment and training opportunities in local governments and community based organizations. The Department of Rehabilitation identifies and refers disabled clients for training and placement in state or local jobs.

The budget proposes expenditures totaling \$9,304,000 from the General Fund and reimbursements for support of the COD program in 1982-83. This is an increase of \$381,000, or 4.3 percent, over estimated current-year expenditures. Table 3 details proposed expenditures, by program component and revenue source.

Interagency agreements with EDD and DOR increase the funds available for trainees' salaries beyond what is reflected in SPB's budget by \$1.3

**STATE PERSONNEL BOARD—Continued**

Table 3

**Career Opportunities Development Program  
Expenditures by Source of Revenue and Program Component  
1981-82 and 1982-83  
(in thousands)**

	<i>Estimated Proposed</i>		<i>Percent Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
General Fund				
Salaries for welfare recipients.....	\$4,497	\$4,705	\$208	4.6%
Match for vocational rehabilitation federal funds *.....	1,752	1,875	123	7.0
Project grants .....	253	199	-54	-21.3
Program coordinators .....	319	<u>275</u>	-44	-13.8
Subtotals General Fund .....	\$6,821	\$7,054	\$233	3.4%
Reimbursements *				
Salaries for the disabled .....	\$1,752	\$1,875	\$123	7.0%
Administration of the disabled unit at SPB.....	350	375	25	7.1
Subtotal Reimbursements .....	\$2,102	\$2,250	\$148	7.0%
Total, Revenues and Expenditures .....	\$8,923	\$9,304	\$381	4.3%

\*Through an interagency agreement, SPB transfers General Fund monies to DOR which applies this amount towards its required state match for federal vocational rehabilitation funds. DOR, in turn, provides SPB with (1) an amount equal to the amount transferred to pay salaries for the disabled trainees and (2) additional funds to administer a unit for the disabled in SPB.

million, as follows: (1) \$1 million in federal Work Incentive (WIN) program funds is included in EDD's 1982-83 budget to pay for a portion of welfare trainees' salaries, and (2) \$320,000 in federal vocational rehabilitation funds (matched by \$80,000 from COD) is included in DOR's budget for salaries for the disabled in local governments. Therefore, the total program budget for COD in 1982-83 is \$10,624,000, of which \$5,705,000 is for salaries for welfare recipients and \$2,275,000 for disabled trainees.

**COD Project Grants Duplicate Other State and Federal Programs**

*We recommend deletion of \$199,000 from Item 1880-001-001 for COD project grants because these grants would fund projects that duplicate or overlap activities supported by existing state or federal programs.*

The budget requests \$199,000 to fund COD project grants in 1982-83. The SPB does not have a list of projects it would support with these funds since grant applications are not available until the funds are appropriated and a request for proposal is issued.

Based on past grant awards summarized in the SPB's reports to the Legislature on COD activities in 1979-80 and 1980-81, grant funds have been used to support employment and training activities that could have been funded by other state or federal programs. Specifically, grants have been awarded for the purpose of:

1. Supplementing WIN- and CETA-supported services to welfare recipients in selected counties. Both WIN and CETA are major federal programs. Despite possible cutbacks, the budget includes over \$43 million for WIN and \$32 million for CETA projects in 1982-83. This does not include an estimated \$204 million in federal CETA funds that are anticipated in federal fiscal year 1982 for awards directly to local prime sponsors.

2. Promoting coordination among employment and training programs in selected counties. These projects involved CETA-funded organizations

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which are already required by federal guidelines to coordinate and improve the delivery of services in their service areas.

3. Encouraging mental health employers, including a state hospital, and local education institutions to recruit, train, and place welfare recipients in psychiatric technician jobs. Under the California Work-site Education and Training Act (CWETA), \$25 million has been available for this type of activity since 1979.

In our analysis of the Employment Development Department, (Item 5100), we list the major employment and training services supported with state and federal funds in the current and budget years. We also identify overlapping services among several programs and departments which have responsibility for these programs. This fragmentation of resources and responsibility makes it difficult for the Legislature to provide direction and monitor expenditures for employment and training programs.

To reduce this fragmentation, we recommend that the \$199,000 requested from the General Fund be deleted because support for the types of activities funded by project grants is available from other major state and federal sources. In the event that the Legislature does not wish to reduce the total amount of funds available for these activities in the budget, the \$199,000 could be used to augment other programs that provide direct services to welfare recipients.

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SPB WORKS

#### **Budget Fails to Reflect SPB's New Matching Policy**

*We recommend that General Fund and reimbursements each be reduced by \$188,000 to reflect the 10 percent matching contribution that the board requires from agencies which provide training jobs for the disabled.*

6

The budget requests \$1,875,000 from the General Fund to match federal vocational rehabilitation funds, through an interagency agreement with the Department of Rehabilitation. The DOR, in turn, awards a like amount of federal funds to the board (shown as reimbursements) to cover the cost of wages paid to disabled trainees.

Beginning with contracts negotiated after December 1981, the board is requiring that agencies which provide training jobs for the disabled contribute a 10 percent match for trainees' salaries. The budget request does not reflect the board's new policy, and thus does not reflect the reduction in its cost that will result from the new policy. To correct this over budgeting, we recommend that both General Fund support and reimbursements be reduced by \$188,000.

#### **Appropriation Over Budgeted**

SPB CONCURS

*We recommend Item 1880-001-001 be reduced by \$100,000 to correct over budgeting, for a corresponding savings to the General Fund.*

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The budget proposes \$6,580,000 for welfare recipients' salaries and the match needed to obtain federal vocational rehabilitation funds. Supporting documentation submitted by SPB shows that the correct amount should be \$100,000 less, or \$6,480,000. The lower amount properly reflects the 7 percent adjustments over current year expenditures permitted by the Department of Finance price letter, as well as the portion of the administration-required 5 percent reduction achieved through reductions in trainee salaries. On this basis, we recommend that the request be reduced by \$100,000, for a General Fund savings of this amount.

**STATE PERSONNEL BOARD—Continued**

**APPEALS PROGRAM**

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

The budget proposes a net reduction of 3.1 positions in the appeals program. This net change results from:

- Deletion of 1.8 professional positions as part of the board's proposed actions for achieving the 5 percent General Fund reduction discussed above.
- The expiration of 1.8 limited term positions (1.5 professional and 0.3 clerical).
- An increase of 0.5 positions in the form of reduced salary savings, based on expected lower vacancy rates of budgeted positions.

**LOCAL GOVERNMENT SERVICES PROGRAM**

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

The budget proposes a reduction of five positions (one professional and four clerical) to reflect a decline in workload. Our analysis indicates that the reduction is warranted.

**Cooperative Personnel Services (Item 1880-001-677)**

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 and the compilation of lists of interpreters (discussed below) are financed on a reimbursement basis by local agencies. Such reimbursements are paid into the Cooperative Personnel Services Revolving Fund.

In the budget year, \$89,000 is requested from the General Fund so that the board can continue to:

1. Develop and conduct examinations for ensuring the language proficiency of interpreters used in county superior courts, pursuant to the provisions of Chapter 158, Statutes of 1978 (AB 2400).
2. Compile and publish a list of interpreters it has determined to be proficient, for use by state agencies in conducting administrative hearings, pursuant to Chapter 1057, Statutes of 1977 (SB 420).

**ADMINISTRATIVE SERVICES PROGRAM**

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 three line programs.

The budget proposes a net reduction of 2.5 positions, which results from:

- Elimination of 3 positions (0.5 professional and 2.5 clerical) as part of the actions proposed by the board to achieve the 5 percent General Fund reduction.
- The expiration of 1 limited-term machine operator position.

- An increase of 1.5 positions, in the form of salary savings, based on expected lower vacancy rates of budgeted positions.

### PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Item 1900 from the General  
Fund and various funds

Budget p. SCS 147

Requested 1982-83 .....	\$35,872,000
Estimated 1981-82 .....	33,620,000
Actual 1980-81 .....	32,596,000
Requested increase (excluding amount for salary increases) \$2,252,000 (+6.7 percent)	
Total recommended reduction .....	\$817,323

### 1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
1900-001-001—Social Security Administration	General		\$52,000
1900-001-820—Retirement Administration	Legislators' Retirement		85,000
1900-001-830—Retirement Administration	Public Employees' Retirement		23,661,000
1900-001-950—Health Benefit Administration	Public Employees' Contingency Reserve		2,269,000
1900-001-962—Retirement Administration	Volunteer Firefighters Length of Service Award System		85,000
1900-011-001—Administration of the Judges' Retirement System	General		127,000
1900-101-001—Local Assistance (Legislative Mandates)	General		8,265,000
Reimbursements			1,328,000
Total			\$35,872,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |   |                          |
|---|--------------------------|
|   | <i>Analysis<br/>page</i> |
| 1. <b>Facilities Operations.</b> Reduce Item 1900-001-830 by \$115,000. Recommend disapproval of funds proposed for office remodeling, because it is not critical and it lacks economic justification.                          | 247                      |
| 2. <b>Mortgage Officer Position.</b> Reduce Item 1900-001-830 by \$42,323. Recommend disapproval of additional staff for Members' Home Loan Program, because it is not justified by workload.                                   | 248                      |
| 3. <b>Contributions Accounting.</b> Reduce Item 1900-001-830 by \$300,000. Recommend funding of proposed accounting system through reimbursements, because the cost of this system should be paid by those who benefit from it. | 248                      |
| 4. <b>Contract Services.</b> Reduce Item 1900-001-830 by \$360,000. Recommend deletion of funds proposed for a fixed-income securities investment adviser for lack of justification.  | 249                      |



**PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued****GENERAL PROGRAM STATEMENT**

The Public Employees' Retirement System (PERS) administers retirement, health and related benefits which will serve an estimated 823,265 active and retired public employees in 1981-82. The participants include state constitutional officers, members of the Legislature, judges, state employees, most nonteaching school employees and other California public employees whose employers elect to contract for the benefits available through the system.

The 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.

The PERS has a total authorized staff of 658.5 positions in the current year.

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

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 administers a number of alternative retirement plans through which the state and the contracting agencies provide their employees a variety of benefits. The costs of these benefits are paid from employer and employee contributions, based on specified percentages of salary. These contributions are designed to fund the long-term actuarial cost of the various benefits provided. For state employees and nonteaching local school employees, the contribution rates are determined by state law and are adjusted when any statutory change is made in the benefits. For contracting local agencies, the employer and employee rates are determined by PERS actuaries, based on the cost of the particular benefit package approved by the respective governing bodies of these agencies.

**ANALYSIS AND RECOMMENDATIONS**

For the support of PERS in 1982-83, the budget proposes total expenditures of \$35,872,000 from various funds. This is an increase of \$2,252,000, or 6.7 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or benefit increase approved for the budget year. Table 1 shows the program requirements for the PERS in the past, current and budget years.

**Budget-Year Changes**

The budget proposes the addition of 74.6 positions, at a total cost of \$1.9 million to the Public Employees' Retirement Fund and the Public Employees' Contingency Reserve Fund. These new positions are requested

**Table 1**  
**Summary of Public Employees' Retirement System Budget Requirements**  
**(dollars in millions)**

<i>Program</i>	<i>Staff-Years</i>			<i>Expenditures</i>		
	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>
Retirement .....	499.8	557.9	597.5	\$17.2	\$19.9	\$22.7
Social Security .....	16.4	17.0	16.9	0.5	0.5	0.5
Health Benefits .....	49.4	49.7	58.5	1.9	2.0	2.2
Redesign Project .....	34.0	23.0	14.5	1.6	1.5	1.5
Administration:						
Distributed to other programs .....	(185.7)	(204.9)	(231.9)	(8.9)	(10.1)	(12.3)
Undistributed .....	11.5	10.9	12.1	0.5	0.5	0.6
Legislative Mandates .....	—	—	—	10.8	9.2	8.3
Totals .....	611.1	658.5	694.5	\$32.5	\$33.6	\$35.8
Reimbursements .....	—	—	—	-1.1	-1.2	-1.3
Net Totals .....	611.1	658.5	694.5	\$31.4	\$32.4	\$34.5
Funding (by fund)						
General .....				\$11.0	\$9.3	\$8.4
Public Employees' Retirement .....				18.3	20.9	23.6
Public Employees' Contingency Reserve .....				1.9	2.0	2.3
Legislators' Retirement .....				0.1	0.1	0.1
Volunteer Firefighters' Length of Service .....				0.1	0.1	0.1
Net Total Funding .....				\$31.4	\$32.4	\$34.5

to meet projected workload and to improve service to PERS members, primarily in the Retirement and Administration programs. Partially offsetting this staff increase is a reduction of nine positions currently assigned to the Redesign Project. This project, which involves the design of an automated recordkeeping system, has been partially completed.

In addition, the budget proposes an increase of \$933,000 in outside consulting services, including (1) \$360,000 for an investment advisor, (2) \$300,000 for a contribution reporting system for contracting local agencies, and (3) \$200,000 for a new investment accounting and portfolio management system under the Redesign Project.

The budgetary impact of the proposed personnel changes, as well as the other changes proposed for 1982-83, is shown in Table 2. Our analysis of the information submitted in support of these changes indicates that, with the exception of those discussed below, the proposed changes are warranted.

#### **Five Percent Reduction in Budget Base**

The budget proposes a \$10,000 reduction in the General Fund portion of PERS expenditures, in order to comply with the administration's directive to many state agencies that they reduce their baseline budgets by 5 percent. This reduction consists of \$7,000 from administration of the Judges' Retirement System and \$3,000 from the administration of the Social Security program. These reductions would have a minor impact on these programs.

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued**

**Table 2**  
**Budget-Year Changes (by fund)**  
**(in thousands)**

	<i>General Fund</i>	<i>Expenditures</i>	
		<i>Nongovernmental Cost Funds<sup>a</sup></i>	<i>Total</i>
1981-82 Revised Net Budget .....	\$9,371	\$23,091	\$32,462
1. Workload Changes			
a. Retirement program .....	11	786	797
b. Health benefits program .....	—	128	128
c. Redesign project .....	—	-241	-241
d. Administration .....	—	1,002	1,002
2. Cost Changes			
a. Legislative mandates .....	-928	—	-928
b. Operating costs .....	—	193	193
c. Consulting services .....	—	933	933
3. Five Percent General Fund Reduction .....	-10	—	-10
4. Program Change Proposals			
a. Additional EDP staff .....	—	158	158
b. Transfer of health benefits withholding system .....	—	50	50
1982-83 Proposed Net Budget .....	\$8,444	\$26,100	\$34,544
Net Increase Over 1981-82 Revised Budget .....	-\$927	\$3,009	\$2,082

<sup>a</sup> Includes the Public Employees' Retirement Fund, the Public Employees' Contingency Reserve Fund, Legislators' Retirement Fund and the Volunteer Firefighters' Length of Service Award System Fund.

**Contribution Rates**

Table 3 shows the contribution rates paid by employers and employees, as of January 1982, for each of the various PERS membership groups.

**Table 3**  
**Contribution Rates for Public Employees' Retirement System**  
**(PERS) Retirement Benefits**

<i>PERS Membership</i>	<i>Employers<sup>a</sup></i>	<i>Employees<sup>a</sup></i>	<i>Total<sup>a</sup></i>
State Miscellaneous .....	19.56 %	6.0 % <sup>b</sup>	25.56%
State industrial .....	20.26	6.0 <sup>b</sup>	26.26
State safety .....	20.41	6.0 <sup>c</sup>	26.41
Highway patrol .....	31.99	8.0 <sup>d</sup>	39.99
Local nonteaching school employees .....	13.02 <sup>e</sup>	7.0 <sup>f</sup>	20.02
Local contracting agency employees .....	Various <sup>g</sup>	Various <sup>g</sup>	Various

<sup>a</sup> Expressed as a percent of salary.

<sup>b</sup> Percent of salary in excess of \$317 per month, if not under Social Security System. If under Social Security System, the rate is 5 percent of salary in excess of \$513 per month.

<sup>c</sup> Percent of salary in excess of \$238 per month for most safety members, except state police and forestry and fish-game wardens. Generally not eligible for Social Security System.

<sup>d</sup> Percent of salary in excess of \$238 per month. Not eligible for Social Security System.

<sup>e</sup> Rates vary from 10.8 percent for Los Angeles County Superintendent of Schools to 15.07 percent for Los Angeles City Schools. However, the rate for the overwhelming majority of the employers is 13.02 percent of employee's salary.

<sup>f</sup> Percent of salary, if not under Social Security System. If under Social Security System, the rate is 7 percent of salary in excess of \$133.33 per month.

<sup>g</sup> Varies, depending on the membership classification of the employee and provisions of the retirement contract with PERS.

### Membership and Benefit Payments

Table 4 shows the actual and projected growth in PERS membership, and the amount of benefits paid for the past, current and budget years.

**Table 4**  
**Workload Elements, Public Employees' Retirement System**

<i>Element</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Increase from 1980-81</i>	<i>Projected 1982-83</i>	<i>Increase from 1981-82</i>
Active members (thousands) .....	561.5	567.3	1.0%	576.5	1.6%
Benefit recipients (thousands) .....	238.6	255.9	7.3	272.1	6.3
Total participants (thousands) .....	800.1	823.2	2.9	848.6	3.1
Total benefits paid (millions) .....	\$937.4	\$1,029.1	9.8	\$1,137.4	10.5

Table 4 shows that the number of PERS benefit recipients is growing at a much faster rate than the number of active members. This is the result of two factors: (1) a trend toward earlier retirement by a maturing public work force, and (2) a slowdown in the rate at which public employment is growing. An increase in the number of benefit recipients creates a proportionately greater increase in PERS workload than an increase in the active membership of the system.

### Local Assistance—Legislative Mandates Underfunded

The 1982-83 budget proposes a General Fund appropriation of \$8,265,000 (Item 1900-101-001) to reimburse local agencies for the costs they incur in complying with various legislative mandates. This is \$928,000, or 10.1 percent, less the revised estimate of current-year expenditures.

The apparent reduction of \$928,000 in 1982-83 is misleading, and is unlikely to occur. The budget estimate is based on *actuarial estimates*, while the revised estimate of current-year costs is based on *claims filed* for reimbursements. Historically, claims filed have exceeded the actuarial estimates. For example, the claims bill (Ch 1090/81) augmented the amount appropriated for the current year by \$896,000. Based on this experience, it is reasonable to assume that the actuarial estimate for 1982-83 underfunds these mandates by a similar amount. The projected 1982-83 costs of these mandates will be adjusted in December 1982, when a more accurate cost estimate is developed based on actual claims filed.

The 1982-83 appropriation is based on the estimated amortized costs of four mandates, as follows:

1. Chapter 799, Statutes of 1980 (SB 162)—Increase in death benefit payments to survivors of PERS school members.....	\$245,000
2. Chapter 1036, Statutes of 1979 (SB 629)—Cost-of-living increases for retired school members of PERS. ....	1,620,000
3. Chapter 1170, Statutes of 1978 (AB 2545)—Pension increase for certain retired school members of PERS. ....	5,100,000
4. Chapter 1398, Statutes of 1974 (AB 2926)—Retirement credit for unused sick leave for PERS school members.....	1,300,000
Total .....	\$8,265,000

### Office Remodeling Unwarranted

*We recommend deletion of funds proposed for office remodeling for a savings of \$115,000 to the Public Employees' Retirement Fund, because the project is not critical and lacks economic justification (Item 1900-001-830).*

The budget for PERS proposes an expenditure of \$115,000 to remodel

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Continued**

about 10,000 square feet of office space in the Water Resources Building. The PERS is scheduled to acquire this space for its Legal and Executive Divisions during 1982-83.

The existing configuration of this office space is similar to the proposed configuration, but it does not precisely meet the floor plan desired by PERS. Therefore, the system proposes to spend \$115,000 for minor alterations in the existing floor plan, as well as for relocating telephones and electrical wiring.

Our analysis indicates that the proposed expenditure should not be approved, for the following reasons:

1. *Office alterations costing \$10,000 or more generally must be budgeted as a capital outlay.* Section 6.1 of the Budget Bill specifically prohibits the use of more than \$10,000 operating funds for alteration of a state building, unless the Director of Finance determines that the proposed alteration is critical. Further, where an alteration project is found to be "critical", the project must be reported to the Joint Legislative Budget Committee at least 30 days before bids on the project are requested. According to the Department of Finance, this proposed remodeling project is not considered critical.

2. The PERS is in the process of constructing a new headquarters building, which is scheduled for completion and occupancy in 1985. We believe there is no economic or utilitarian justification for PERS to spend \$115,000 for minor alterations of office space which will be occupied only for a period of 2 to 3 years.

For these reasons, we recommend that the \$115,000 proposed for office remodeling be deleted from Item 1900-001-830.

**Staffing Premature for Members' Home Loan Program**

*We recommend that a proposed mortgage investment specialist II position be deleted, for a \$42,323 savings to the Public Employees' Retirement Fund because it is not justified by workload (Item 1900-001-830).*

The budget proposes funds for a new mortgage investment specialist II position in the Investment Division to handle workload which might arise under the recently enacted Members' Home Loan Program (Chapter 410, Statutes of 1980—AB 1342). As implemented by the PERS Board, this program offers conventional-type loans to PERS members at market rates for the purchase of owner-occupied, single-family homes.

Although this program has been in effect since January 1981, it has generated little interest among PERS members. This is because the loans offered under the program carry interest rates at the top of the range prevailing in the market. Moreover, the terms of these loans are more restrictive than those of other home loans, because secondary financing is prohibited. For these reasons, significant workload has not developed under this program to date.

The system acknowledges that, unless interest rates drop significantly during 1982, the workload in the budget year will not be sufficient to justify a new position. Even if rates do drop, it is unclear how much demand there will be for these loans, relative to conventional loans. Consequently, we are unable to establish a workload basis for the requested position, and recommend that it not be approved.

**Costs Mandated by Local Agencies on PERS Should be Reimbursed**

*We recommend that the cost of developing a specified contribution reporting system be reimbursed by those local contracting agencies that would benefit from the system, for a \$300,000 savings to the Public Employees' Retirement Fund (Reduce Item 1900-001-830 by \$300,000 and increase reimbursements by \$300,000).*

The budget proposes an expenditure of \$300,000 from the Public Employees' Retirement Fund to develop a computerized contribution-reporting and accounting system, using the services of an outside consultant.

Currently, contracting local agencies may elect to pay all, or a portion of their employees' PERS retirement contributions. These contributions may be credited, at the employer's option, to the employee's account. Recently, PERS discovered that some of these local agencies have been paying all or a portion of their employees' retirement contributions without reporting it as such, and without maintaining separate accounting for these contributions.

A separate accounting is required for these contributions because, under federal and state tax law, they constitute taxable income when the employees, whose accounts are credited with these contributions, retire or obtain a refund of contributions.

Our analysis indicates that the cost of developing this separate reporting system should be borne by members of the affected local contracting agencies, and not by *all* members of the PERS. The need for a separate accounting system arises out of discretionary actions taken by the local contracting agencies, and development of the system would benefit only those agencies and their employees. Therefore, it would be inappropriate to finance this project from the Public Employees' Retirement Fund, which is the depository for all PERS members, not just those from local contracting agencies.

Consequently, we recommend that \$300,000 be deleted from the appropriation and the cost of this reporting system be paid through increased reimbursements from contracting agencies. To accomplish this, we recommend that Item 1900-001-830 be reduced by \$300,000 and that reimbursements be increased by \$300,000.

**Proposed Contract for Investment Adviser Unjustified**

*We recommend disapproval of funds proposed for an investment adviser for a savings of \$360,000 to the Public Employees' Retirement Fund, because it has not been justified (Item 1900-001-830).*

The budget proposes an increase of \$360,000 in the amount available for outside consultant and professional services. The initial justification submitted in support of this increase indicated that the \$360,000 was to be used to contract with a real estate investment adviser to assist the PERS in purchasing real estate. Subsequently, PERS advised us that, in response to a request of the Investment Committee of the PERS Board, it proposed to expend \$100,000 for a fixed-income securities (e.g., bonds) adviser and \$260,000 for a real estate investment adviser.

Recently, we learned that PERS has negotiated a contract with a real estate investment adviser which provides that the real estate adviser will be compensated through commissions from the transactions that he arranges. Consequently, no additional funds will be needed for this purpose.

The PERS now informs us that it intends to use the entire \$360,000 for contracting with a fixed-income securities investment adviser. No justification for the revised proposal, however, has been submitted. In fact, at

the time this analysis was prepared, the PERS did not have a proposal for using the funds to present to the board for review and approval.

Lacking information justifying the need for these funds, we recommend that the \$360,000 be deleted. If the board decides that an investment advisor is needed, it should submit a new request for these funds so that the Legislature can review it as part of the normal budgetary process.

### STATE TEACHERS' RETIREMENT SYSTEM

Item 1920 from the State Teachers' Retirement Fund and the Teacher Tax-Sheltered Annuity Fund

Budget p. SCS 156

Requested 1982-83 .....	\$11,180,000
Estimated 1981-82 .....	10,449,000
Actual 1980-81 .....	9,718,000
Requested increase (excluding amount for salary increases) \$731,000 (+7.0 percent)	
Total recommended reduction .....	\$57,643

#### 1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
1920-001-835—Retirement Administration		State Teachers' Retirement	\$11,101,000
1920-001-963—Annuity Administration		Teachers' Tax-Sheltered Annuity	79,000
Total			\$11,180,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Information Officer Position.** *Reduce Item 1920-001-835 by \$36,308.* Recommend deletion of proposed information officer position that is not justified on a workload basis. 253
2. **Contracted Services.** *Reduce Item 1920-001-835 by \$21,335.* Recommend deletion of overbudgeted funds for investment services. 253

#### 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.

In addition to having overall management responsibility for STRS, the board reviews applications for benefits provided by the system.

Funding for the benefits provided by the system is discussed under "Contributions to the Teachers' Retirement Fund" (Item 6300).

Administrative expenditures of the STRS are funded out of interest income from the system's investments, and are classified as "nongovernmental cost funds." Therefore, proposed expenditures for administrative support of the system are excluded from the budget totals.

The STRS has a total authorized staff of 258.2 positions in the current year.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes total net expenditures of \$11,180,000 from the Teachers' Retirement Fund for support of the STRS in 1982-83. This is \$731,000, or 7 percent, more than the estimated 1981-82 expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year.

Staffing, expenditures and funding sources are shown in Table 1 for the past, current, and budget years.

**Table 1**  
**State Teachers' Retirement System**  
**Summary of Budget Requirements and Funding**  
**(dollars in millions)**

	<i>Staff-Years</i>			<i>Expenditures</i>		
	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Projected 1982-83</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Projected 1982-83</i>
Administration .....	14.8	18.7	21.7	\$0.8	\$1.0	\$1.3
Member records .....	101.0	77.0	65.0	3.0	2.7	2.8
Member services .....	81.5	67.0	56.0	2.6	2.6	2.5
Accounting .....	34.7	31.0	32.0	1.3	1.2	1.4
Data processing .....	36.6	42.5	42.5	1.5	2.1	2.3
Management services .....	22.8	22.0	22.0	0.9	1.0	1.1
Totals .....	291.4	258.2	239.2	\$10.1	\$10.6	\$11.4
Reimbursements .....	—	—	—	-0.4	-0.2	-0.2
Net Totals .....	291.4	258.2	239.2	\$9.7	\$10.4	\$11.2
Funding						
Teachers' Retirement Fund .....				\$9.6	\$10.3	\$11.1
Teacher Tax-Sheltered Annuity Fund .....				0.1	0.1	0.1
Net Total Funding .....				\$9.7	\$10.4	\$11.2

### Budget-Year Changes

The budget proposes an increase of five permanent positions for 1982-83. Two of these proposed positions would provide additional legal staff for handling cases brought before the Office of Administrative Hearings. Two positions are being converted from limited term to permanent, in order to establish the Tax-Sheltered Annuity Program on a permanent basis. One new position is requested for an information officer.

These new positions would be more than offset by the proposed deletion of 69 positions from the authorized STRS staff. The budget proposes to use savings from the termination of these positions to fund the annual cost of a computerized, on-line information system. This is to be accomplished by transferring the savings in personal services to the operating expenses category, in order to fund the second year development costs of this system. The transfer would require the approval of the Department of Finance.

Table 2 shows the fiscal effects of these staff, as well as other proposed changes in 1982-83.



**STATE TEACHERS' RETIREMENT SYSTEM—Continued**

**Table 2**  
**Summary of Changes Proposed for 1982-83**

	<i>Expenditures<sup>a</sup></i> (thousands)
1981-82 Revised Budget .....	\$10,449
1. Workload Changes:	
Continued tax-sheltered annuity program .....	-21
2. Program Change Proposals:	
a. Information officer .....	36
b. Additional legal staff .....	87
c. Reduced Attorney General services .....	-87
d. On-line information system .....	877
e. Deletion of positions to fund information system .....	-877
3. Cost Changes:	
a. Investment services .....	59
b. Central administrative services (pro rata charges) .....	353
c. Other cost changes .....	304
1982-83 Proposed Net Budget .....	\$11,180
Net Total Increases .....	\$731

<sup>a</sup> Includes expenditures from the State Teachers' Retirement Fund and from the Teacher Tax-Sheltered Annuity Fund.

We have analyzed the information submitted by STRS in support of these changes and recommend that, with the exception of the proposed information officer position and the funds budgeted for increased investment services, the changes be approved.

Table 3 shows the actual and projected changes in STRS membership and benefits paid for the past, current and budget years.

**Table 3**  
**State Teachers' Retirement System**  
**Workload Information**

	<i>Actual</i>	<i>Estimated</i>	<i>Change</i>	<i>Projected</i>	<i>Change</i>
	<i>1980-81</i>	<i>1981-82</i>	<i>1980-81</i>	<i>1982-83</i>	<i>1981-82</i>
Active and inactive members (thousands) .....	310.9	311.0	—	311.0	—
Benefit recipients (thousands) .....	85.2	89.4	4.9%	93.9	5.0%
Total members and beneficiaries (thousands) .....	395.1	400.4	1.1	404.9	1.1
Total benefits paid (millions) .....	\$629.9	\$677.0	7.5	\$734.5	8.5

Table 3 shows that active STRS membership has leveled off, but the number of benefit recipients (i.e., retired members and survivors) is continuing to increase at a steady rate.

These trends are indicative of recent demographic data which shows the working population stabilizing due to the declining birthrate, and the retired population growing, as a result of early retirements and longer life span.

These trends are particularly distressing in the case of unfunded retirement systems such as the STRS, where benefits are not funded on an actuarial basis and the annual receipts of the trust funds must be used to pay the annual benefit costs. As the number of active members levels off, so will the growth in contribution receipts. While this is happening, benefit costs are expected to grow.

We discuss the long-term actuarial condition of this fund in more detail under Item 6300 in this *Analysis*.

**No Need for Information Officer**

*We recommend deletion of funds for a new information officer position because it is not justified by workload and less-costly alternatives exist for meeting STRS' objective, for a \$36,308 savings to the State Teachers' Retirement Fund (Item 1920-001-835).*

The STRS budget proposes \$36,308 for a new information officer position in 1982-83. This position is requested for the purpose of improving the quality of program information distributed by the STRS. The request is not workload-related. According to the information submitted in support of this request, the current STRS staff does not have the writing and editing capabilities needed to present the program information in an effective, easily understandable manner.

Our analysis indicates that other large California retirement systems, such as the Public Employees' Retirement System (PERS), do not have information officers. The PERS meets its information development and dissemination responsibilities by providing in-house training in communication skills to key personnel.

There is no reason STRS could not improve the quality and delivery of its information in the same manner as PERS. The system may use budgeted training funds to improve communication skills of its key staff. Alternatively, community colleges in the Sacramento area offer daytime and evening courses in effective communication skills, at no cost to California residents. We believe that either of these methods would be a more cost-effective way for the STRS to solve its communication problem than adding a new information officer position. On this basis, we recommend that the request for this position be denied.

**Contracting Funds for Investment Services Overbudgeted**

*We recommend deletion of excess funds budgeted for contracted investment services, for a \$21,335 savings to the State Teachers' Retirement Fund. (Item 1920-001-835).*

The Public Employees' Retirement System (PERS), which provides all of the STRS investment services, proposes to increase its investment staff by three positions in order to meet the anticipated growth in the investment programs of the two systems. An increase of \$59,000 is requested in the STRS budget to reimburse the PERS for the STRS share of the cost of the proposed staff increase. STRS' share is based on the projected volume of additional STRS-related investment workload.

The PERS budget, however, includes only \$37,665 in anticipated reimbursements from STRS for this purpose, or \$21,335 less than the \$59,000 budgeted by STRS. Consequently, the STRS request is overbudgeted by \$21,335, and this amount should be deleted.

**On-Line Information System Budgeted**

The proposed budget for STRS includes funding for the development of a computerized information system. Conceived as a four-year project to computerize the STRS records, development of this system commenced in 1981. The Governor's 1981-82 Budget proposed to finance the annual development costs from unscheduled savings in personal services and operating expenses. Upon full implementation of the system, the unscheduled savings were to be deleted from the STRS budget.

Last year, our *Analysis* indicated that this project was justified because of the expected cost-savings and service improvements that it promises.

**STATE TEACHERS' RETIREMENT SYSTEM—Continued**

We suggested, however, that the practice of budgeting from unscheduled savings, without documentation, is misleading and weakens legislative control over the use of state funds. We recommended that the proposed expenditures and funding sources for this project be displayed in the annual STRS budget. The Governor's 1982-83 Budget provides this information, which is summarized in Table 4.

**Table 4**  
**Budget Summary for On-Line Information System**  
**(dollars in thousands)**

	<u>1981-82</u>		<u>1982-83</u>	
	<i>Positions (Staff-Years)</i>	<i>Expenditures</i>	<i>Positions (Staff-Years)</i>	<i>Expenditures</i>
Proposed Expenditures				
Equipment and operating expenses .....	—	\$358	—	\$741
Reorganization cost .....	—	172	—	136
In-house data processing .....	—	34	—	—
Totals, Proposed Expenditures .....		\$564		\$877
Proposed Funding				
Savings from personal services .....	54.4	\$716	31.1	\$1,024
Scheduled salary savings .....	-8.4	-152	-8.1	-147
Totals, Proposed Funding .....	46.0	\$564	23.0	\$877

Table 4 shows that the current-year development costs of the project will be funded from salary savings realized by keeping 46 authorized positions unfilled. In 1982-83, an additional 23 positions will be kept vacant (for a total of 69 positions) in order to fund the proposed \$877,000 development costs.

With Department of Finance approval, the savings generated in personal services will be transferred every six months to the operating expenses category of the STRS budget, where these funds may be used to finance project costs. Concurrently, the positions associated with the transfers will be abolished by the Department of Finance. When the system is fully implemented, the accumulated savings not needed for maintenance of the system will be deleted from the budget.

**State and Consumer Services Agency  
DEPARTMENT OF VETERANS AFFAIRS  
AND VETERANS' HOME OF CALIFORNIA**

Items 1960 -1970 from the Gen-  
eral Fund

Budget p. SCS 161

Requested 1982-83 .....	\$33,059,000
Estimated 1981-82.....	32,207,000
Actual 1980-81 .....	32,670,000
Requested increase (excluding amount for salary increases) \$852,000 (+2.7 percent)	
Total recommended reduction .....	\$522,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
1960-001-001—Administration/Educational Grants	General		\$2,202,000
1960-001-592—Administration	Cal-Vet Farm and Home Building		764,000
—Continuing Appropriation—Administration	Cal-Vet Farm and Home Building		11,514,000
—Continuing Appropriation—Administration	Cal-Guard Farm and Home Building		317,000
1970-011-001—Veterans' Home	General		17,842,000
1960-101-001—Local Assistance	General		420,000
Total			\$33,059,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |  |                          |
|--|--------------------------|
|  | <i>Analysis<br/>page</i> |
| 1. Word Processing. Reduce continuing appropriation by \$36,000. Recommend reduction to reflect expected productivity increases.   | 258                      |
| 2. Employment Preference. Recommend legislation to eliminate the department's role in administering the veterans employment preference because a more cost-effective alternative is available (potential annual General Fund savings of \$93,000). | 259                      |
| 3. Educational Assistance. Recommend department report prior to budget hearings on the impact on student participation of funding cuts in the educational assistance program.  | 261                      |
| 4. <b>Personnel Audit. Reduce Item 1970-011-001 by \$20,000.</b> Reduce continuing appropriation by \$19,000. Recommend deletion of 2 proposed positions and limiting 3 positions to June 30, 1983, to correspond with actual workload.            | 262                      |
| 5. <b>Reimbursements Underbudgeted. Reduce Item 1970-011-011 by \$53,000.</b> Recommend increase in projected Medicare reimbursements, and corresponding decrease in General Fund expenditures, consistent with department's estimates.            | 263                      |
| 6. <b>Salary Savings. Reduce Item 1970-011-001 by \$271,000.</b> Recommend increase in salary savings, to reflect historical experience.   | 263                      |
| 7. <b>Automation Project. Reduce Item 1970-011-001 by</b>  | 264                      |

## DEPARTMENT OF VETERANS AFFAIRS AND VETERANS' HOME OF CALIFORNIA—Continued

**\$82,000.** Recommend deletion of three positions not justified on workload basis.

8. Clerical Workload Reduction. Recommend that department limit positions totaling \$391,000 to June 30, 1983, to correspond with projected workload reductions. 265
9. *Operating Expenses Overbudgeted. Reduce Item 1970-011-001 by \$96,000.* Recommend reduction in operating expenses to eliminate overbudgeting. 265

### GENERAL PROGRAM STATEMENT

The Department of Veterans Affairs provides services to qualified California veterans and their dependents through four major programs. A fifth program provides home loan services to members of the California National Guard.

#### Farm and Home Loans—Veterans

The Farm and Home Loans to Veterans program, also known as the Cal-Vet loan program, provides low-interest farm, home, and mobilehome loans to qualified veterans. These loans are financed through the sale of general obligation and revenue bonds.

#### 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 these benefits.

#### Care of Sick and Disabled

The Care of Sick and Disabled Veterans program operates the Veterans' Home in Yountville. The home provides approximately 1,400 war veterans who are California residents, with several levels of medical care, rehabilitation services, and residential services.

#### Administration

General Administration provides for administrative implementation of policies established by the California Veterans Board and the department director.

#### Farm and Home Loans—National Guard Members

The department also administers a farm and home loan program (Cal-Guard) for National Guard members. This program, which is similar to the Cal-Vet loan program, provides low-interest loans to part-time National Guard members.

Current-year staffing for the department as a whole is 1,271.2 personnel-years.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$33,059,000 from various state funds for support of the department in 1982-83. This is an increase of \$852,000, or 2.7 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.

As shown in Table 1, expenditures from all funding sources, including

federal funds and reimbursements, plus the cost of loans, debt service, and taxes for the Cal-Vet and Cal-Guard loan programs, are projected at \$948,127,000 in the budget year.

**Table 1**  
**Department of Veterans Affairs**  
**Funding Summary**  
**(In thousands)**

	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund:				
Item 1960-001-001 (Administrative support/ Educational Grants) .....	\$2,219	\$2,202	-\$17	-0.8%
Item 1970-011-001 (Veterans' Home) .....	17,276	17,842	566	3.3
Item 1960-101-001 (Veterans Service Offices) .....	420	420	—	—
Totals, General Fund .....	\$19,915	\$20,464	\$549	2.8%
Special Fund (Cal-Vet):				
Item 1960-001-592 (Department Administra- tion) .....	\$619	\$764	\$145	23.4%
Continuing Appropriation (Loan Program Ad- ministration) .....	11,372	11,514	142	1.3
Loans, debt service, taxes .....	829,350	881,000	51,650	6.2
Totals, Cal-Vet Special Fund .....	\$841,341	\$893,278	\$51,937	6.2%
Special Fund (Cal-Guard):				
Continuing appropriation (Loan Program Ad- ministration) .....	\$301	\$317	\$16	5.3%
Loans, debt service, taxes .....	19,504	21,395	1,891	9.7
Totals, Cal-Guard Special Fund .....	\$19,805	\$21,712	\$1,907	9.6%
Federal Funds (direct) .....	\$8,634	\$8,693	\$59	0.7
Reimbursements .....	3,967	3,980	13	0.3
Grand Totals .....	\$893,662	\$948,127	\$54,465	6.1%

Table 2 summarizes the department's costs, by program, during the current and budget years.

**Table 2**  
**Department of Veterans Affairs**  
**Program Cost Summary**  
**(dollars in thousands)**

<i>Program</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Farm and Home Loan-Veterans .....	\$841,341	\$893,278	\$51,937	6.2%
Personnel-years .....	294	296	2	0.7
Veterans' claims and rights .....	2,431	2,097	-334	-13.7
Personnel-years .....	47.2	41.2	-6	-12.7
Home and hospital .....	30,085	31,040	955	3.2
Personnel-years .....	923.2	952.2	29	3.1
Farm and Home Loans-Guard .....	19,805	21,712	1,907	9.6
Personnel-years .....	6.8	6.8	—	—
Administration .....	(1,350)	(1,469)	(119)	(8.8)
Personnel-years .....	(36.6)	(38.6)	(2)	(5.5)
Totals .....	\$893,662	\$948,127	\$54,465	6.1%
Personnel-years .....	1,271.2	1,296.2	25	2.0

**DEPARTMENT OF VETERANS AFFAIRS  
AND VETERANS' HOME OF CALIFORNIA—Continued**

The budget proposes expenditures of \$20,464,000 from the General Fund for support of administrative services, educational grants, the Veterans' Home, and county veterans service offices in 1982-83. The special fund expenditures for the two loan programs will provide for (1) general departmental administrative costs, (2) loan program administrative costs, and (3) the cost of property, interest, and taxes. The "direct" federal funding shown in Table 1 consists of medical and billet payments on behalf of residents of the Veterans' Home. The reimbursements include federal "aid and attendance" payments made to disabled veterans who require special assistance, and fees paid directly by the veterans.

**Five Percent Reduction**

The 5 percent reduction required of many General Fund agencies by the administration was applied against the department's 1982-83 support budget only. The Veterans' Home and all other 24-hour state institutions were exempted from the reduction.

In order to achieve the 5 percent savings, the department is proposing to reduce the funds available for educational grants to students in 1982-83 by \$89,000, from \$548,000 to \$459,000. The impact of the reduction on this program is discussed later in this analysis.

**CAL-VET FARM AND HOME PROGRAM**

The budget proposes \$893,278,000 for the Cal-Vet Farm and Home Loan program in 1982-83. This is an increase of \$51,937,000, or 6.2 percent, over estimated current-year expenditures, due largely to increased debt service costs.

The budget year appropriation for the Cal-Vet program is expected to finance approximately 8,000 new loans, for a total expenditure of \$420,000,000. Because the department is the legal owner of the property financed by Cal-Vet funds, it is responsible for paying property taxes and insurance on this property. These costs are expected to total \$90,400,000 in 1982-83. The budget also includes \$12,278,000 for loan processing and servicing activities. Interest payments, redemption of bonds, and costs associated with selling new bonds are projected to total \$370,600,000.

**New Positions For Which We Recommend Approval**

The department is requesting a total of four new positions, at a cost of \$115,000, to meet workload increases in the insurance, accounting, and personnel sections, as well as in the mailroom. Based on our review of the workload information supplied by the department, these requests are justified, and we recommend approval.

**Word Processing**

*We recommend a \$36,000 staff reduction in the Cal-Vet loan program to offset productivity gains resulting from word processing installation.*

The department is requesting \$32,000 to establish a centralized word processing unit, primarily for the Farm and Home Loan program. Our review indicates that the unit would enable the department to issue standard letters in considerably less time, and would reduce supervisory requirements for handling correspondence and answering inquiries. In support of its request, the department states that the unit would reduce its clerical and supervisory workload, for an annual savings of \$36,000, as well as provide better service for veterans.

Our analysis indicates that the proposed unit is justified. The department, however, has not reflected the savings in its budget. Therefore, we recommend a \$36,000 reduction in personal services in the Farm and Home Loan continuing appropriation to offset the expected productivity increases.

#### **Employment Preference Program Needs Streamlining**

*We recommend enactment of legislation to eliminate the department's role in verifying the eligibility of veterans for employment preference points (potential General Fund savings of \$93,000 annually).*

Veterans (or their widows) who served during wartime, or who served at least 180 days in the regular armed forces and were not dishonorably discharged, are eligible to receive an additional 10 points on most state civil service, entry level examinations. Qualified veterans with a service-connected disability may receive 15 preference points. The department currently employs 2.5 personnel-years and allocates 0.6 personnel-years of administrative overhead to operate this program.

Under the Government Code, veterans seeking preference points must submit proof of their eligibility to the department. This proof generally consists of a copy of the veteran's discharge form. When an examination is given for which preference points are accepted, the State Personnel Board provides the department with a list of the names of all applicants who have passed the written part of the examination. The department checks the list against its list of veterans who have been approved for preference points, and notifies the board of those applicants who have been verified as eligible.

In response to a State Personnel Board initiative, the department will soon begin verifying only the names of those applicants who indicate on the board's revised examination form that they are veterans.

Our analysis indicates that the efficiency of the system could be further improved by eliminating the department's role in the process entirely. If each veteran attached a copy of his or her discharge form or disability verification to the employment application, the State Personnel Board or the department conducting the examination, could verify the veteran's eligibility for preference points. Accordingly, we recommend that legislation be enacted to require civil service applicants seeking veterans preference points to submit proof of eligibility by attaching a discharge form or similar documentary evidence when applying for employment. This would result in annual General Fund savings of approximately \$93,000.

#### **Review of the Department's Educational Assistance Program**

The educational assistance element provides direct and indirect financial assistance to qualifying dependents of veterans who were killed or disabled as a result of active military service, or who are prisoners of war or missing in action. Three kinds of assistance are provided under this element—general expenses, tuition subsidy, and fee waiver. In 1982-83, the budget requests \$512,000 for this program, consisting of \$459,000 in assistance, and \$53,000 in administrative support. Current year expenditures total \$669,000. The Legislature, however, appropriated \$995,000 for this program in the current year. The department has chosen to redirect \$314,000 to the veterans claims and rights program.

1. **General Expenses.** Full-time college students qualifying for benefits under the program receive \$50 per month, and high school students receive \$20 per month, during the school year for general living expenses.



**DEPARTMENT OF VETERANS AFFAIRS  
AND VETERANS' HOME OF CALIFORNIA—Continued**

These amounts have not been changed since 1945 for high school students and since 1961 for college students. The number of *students* in the program is unknown because the department only counts *enrollments*. The enrollment figure is between two and three times higher than the actual number of students served because students enroll each quarter or semester (two or three times per year). The department estimates that there will be 3,874 enrollments in the current year. Based on this figure, there are between 1,300 and 1,900 students benefiting from the program. The department indicates it will begin collecting data on the number of participating students in the budget year. Grants for the current year will total approximately \$400,000.

2. **Tuition.** Partial payment of tuition averaging approximately \$2,000 annually is provided to qualifying college students who demonstrate to the department that their particular degree objective cannot be obtained at California public universities or colleges. In the current year, approximately \$200,000 will be spent for tuition subsidy. Only one new student has been admitted to the program in 1981-82, and none is expected in 1982-83.

3. **Fee Waiver.** Approximately 2,000 students at the California State Universities and the University of California have their education and registration fees waived. This program costs the state approximately \$795,000 annually in lost revenues to the two university systems. All veterans' dependents receiving payments for general living expenses, or who have a family income under \$5,000, are eligible for waiver of their fees under this program.

**Educational Assistance Program Not Unique.** Since 1935, when the department's educational assistance program was enacted, many alternative forms of student aid have been established by various federal, state, and private agencies. For example, the state offers guaranteed student loans, grants based on scholarship and need (Cal-Grants), and other assistance. The federal Department of Education offers basic educational (Pell) grants, direct loans, insured loans, college work study, and a variety of other programs for students in need of financial aid. The Veterans Administration offers assistance to dependents of deceased or totally and permanently disabled veterans.

Although the department requires applicants to declare that they are not receiving duplicate assistance, it does not require them to indicate whether they have applied, and deemed ineligible, for other assistance. Consequently, we cannot determine how many students could be served by these other programs if the department's program did not exist. Our analysis indicates, however, that the state's guaranteed student loan program provides assistance to any college students whose family income is under \$30,000, without requiring any contribution from the family to support the student in college. Approximately 96 percent of all college students receiving benefits under the department's program are from families with incomes less than \$30,000. The remaining 4 percent of program participants are eligible to receive loans, although in these cases, a nominal contribution from the family is required. Similarly, college students receiving department educational assistance are eligible in varying degrees for the other aid programs cited above.

Thus, the department's assistance program is not unique provider of aid. Indeed, the program is only a small element in a large network of educa-

tion assistance programs funded from state, federal, and private sources.

### **Reduction in Program Funding May Limit Student Assistance**

*We recommend that the department report to the fiscal committees, prior to budget hearings, on the impact of funding cuts in this program on student participation.*

The department proposes to redirect \$383,000 from this program to the claims representation program in the budget year. (This redirection is discussed later in this analysis.) The department's 5 percent budget reduction will cut educational grants by an additional \$89,000. As a result, the department indicates that it may be necessary to restrict educational assistance benefits by limiting the number of new students admitted to the program, or by an across-the-board reduction in the grant amounts provided to all participating students.

Last year, the Legislature established income ceilings on participants in the program to insure that the department's educational assistance would be provided to those most in need. The Governor's Budget states that the acceptance of new applicants was "restricted in 1981-82 because of income eligibility limitations added by the Legislature." Our analysis indicates that this misrepresents the effect of the Legislature's action. In fact, according to department data only about one-fourth of the participating students who were excluded from the program were excluded by the legislatively-established eligibility limitations. It appears that the reduction in the number of students served during the current and budget years is primarily due to funding shifts *initiated by the department* rather than to legislative action designed to target the program on those with the greatest need. From 1980-81 to 1982-83, funding has been reduced by 36 percent, and the number of students has dropped 24 percent.

Within the restricted budget, the amount available for general living expense grants may not be sufficient to fund the expected number of applicants in 1982-83. Part of this shortfall may be offset because the level of funding in other parts of the program is overbudgeted, particularly tuition payments for private college students. As a result, based on data supplied by the department, we estimate that the program may be underbudgeted by \$70,000 in 1982-83.

We recommend that the department report to the fiscal committees prior to budget hearings, on the impact that funding cuts in this program will have on student participation.

### **Educational Assistance Funds Shifted to Provide Claims Representatives**

In enacting the 1981-82 budget, the Legislature reduced funding for the Veterans Claims and Rights program by \$432,000 and for the county subvention for veterans services by \$420,000, relative to the amounts originally proposed. The Budget Act, however, allowed the department to reallocate funds *between these two items* in order to give the department flexibility if it determined that either program had a higher priority. The department instead redirected \$314,000 from the educational assistance program to reestablish most of the claims and rights positions removed by legislative action.

The shifting of these funds in effect reduced the number of students given financial aid by the educational assistance program in order to expand the claims representation program beyond what the Legislature funded. Thus, the department took funds from a program that the Legislature did not reduce in order to increase one that the Legislature had reduced.

**DEPARTMENT OF VETERANS AFFAIRS  
AND VETERANS' HOME OF CALIFORNIA—Continued**

In the budget year, the department proposes to continue the funding allocations established administratively in 1981-82. Specifically, it proposes to (1) again redirect \$314,000 from the education assistance program to the ongoing claims and rights program, and (2) redirect an additional \$69,000 from the educational assistance program to fund claims representatives in the discharge review program previously supported with federal grants that have been terminated. As noted earlier, our analysis indicates that the proposed funding shifts from the department's educational assistance program may result in insufficient funding to serve all applicants who meet the income limits established by the Legislature last year.

**Personnel Audit Positions Overbudgeted**

*We recommend deletion of two personnel-years requested to comply with a State Personnel Board audit because the positions are not justified on a workload basis, for a General Fund savings of \$20,000 (Item 1970-011-001) and a \$19,000 reduction in the Cal-Vet continuing appropriation. We further recommend that the remaining two personnel-years be limited to June 30, 1983.*

The budget proposes that two analysts and two clerical positions, which were established administratively in the current year, be continued in the budget year, at a cost of \$98,000. These positions are being used to correct personnel misclassifications identified by a State Personnel Board audit. The audit revealed nine major job categories requiring correction, and the board gave the department up to two years to resolve these problems.

Our analysis indicates that the department will require staff, in addition to those authorized for ongoing personnel workload, to perform these tasks. Workload information developed by the department, however, indicates that the work can be completed by June 30, 1983, using one full-time and one half-time analyst, assisted by one-half time clerical employee. This would require only \$59,000 in 1982-83, rather than the \$98,000 requested. On this basis, we recommend a General Fund reduction of \$20,000 and a \$19,000 reduction in the Cal-Vet continuing appropriation. We also recommend that the new positions be limited to June 30, 1983.

**VETERANS' HOME**

The budget proposes appropriations totaling \$31,040,000 from various funds for support of the Veterans' Home in 1982-83. This is \$955,000, or 3.2 percent, above estimated current-year expenditures. General Fund expenditures, including the allocation of headquarters administrative costs, are proposed at \$18,367,000, and expenditures from federal funds are expected to be \$8,693,000. Reimbursements are estimated at \$3,980,000, with \$3,745,000 of that amount coming from fees paid by members.

**New Positions for Which We Recommend Approval**

*Home Health Care Program.* The budget proposes 15 nursing and therapist positions, at a cost of \$243,000, to establish a full-service "home health care agency" within the Veterans' Home. Currently, the home provides these services (largely social work and therapy) to a limited degree, but it has been prohibited from billing Medicare for them because it lacks formal licensing and certification as a home health agency.

The addition of these positions would make these services available to home members in residential care on a full-time basis and, following licensure, would permit the state to be reimbursed for the cost of the positions by the Medicare program. The department indicates that it will not fill these positions until the program is licensed.

**Clinic Services.** The budget proposes six positions, at a cost of \$118,000 (funded totally by increases in Medicare reimbursements), to provide various clinic services to home members. Two of the positions would provide services currently contracted out, and three are needed to comply with service and staffing standards of the U.S. Veterans Administration and Department of Health and Human Services. The sixth position is requested to handle workload increases.

**Plant Operation.** The budget requests three positions, at a cost of \$63,000, to establish a preventative maintenance program at the home, as required by regulations of the U.S. Veterans Administration. A corresponding amount is reduced in the contract services category of the budget.

**Intensive Care Nurses.** The budget requests five additional nurses in the intensive care unit to comply with Joint Committee on Accreditation of Hospitals standards, and federal law. Funding for these positions, totaling \$97,000, would be provided through reimbursements by Medicare.

#### **Acute Care**

*We recommend a \$53,000 reduction in General Fund expenditures (Item 1970-011-001) and a corresponding increase in Medicare reimbursements to correct an error in the budget.*

The budget requests two nursing positions in the home's skilled nursing facility at a cost of \$47,000, to comply with federal staffing requirements. The department indicates that these two positions would increase Medicare reimbursements by \$100,000, by enabling the home to transfer patients to their appropriate level of care on a more timely basis. However, only \$47,000 of the additional \$100,000 in reimbursements is reflected in the budget. We, therefore, recommend that the Medicare reimbursements be increased by \$53,000 and that the General Fund appropriation be reduced by the same amount.

#### **Salary Savings Underbudgeted**

*We recommend that the funds budgeted for salary savings be increased to reflect historical experience, for a General Fund savings of \$271,000.*

Experience indicates that costs for staff and benefits generally do not require full-year funding because some money will be saved due to staff turnover and delays in refilling positions. Therefore, to prevent overbudgeting, an estimate of salary savings, as a percentage reduction in the gross salary and wage amount, is reflected in the budgets of all agencies.

Table 4 displays the actual and budgeted salary savings rates for the Veterans' Home in recent years.

As Table 4 indicates, from 1977-78 to 1980-81, the Veterans' Home has had an average salary savings rate of 3.9 percent. During this period, however, the home budgeted salary savings at an average rate of 2.2 percent. The rate proposed for 1982-83 is 2.5 percent (\$444,000). We recommend that salary savings be budgeted to reflect historical experience, for a General Fund savings of \$271,000 in salaries and benefits.

**DEPARTMENT OF VETERANS AFFAIRS  
AND VETERANS' HOME OF CALIFORNIA—Continued**

**Table 4**  
**Comparison of Actual and Budgeted Salary Savings**  
**Veterans' Home**  
**(dollars in thousands)**

<i>Salary Savings</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Average Rate</i>
Actual.....	\$355 (3.5%)	\$680 (6.1%)	\$426 (3.3%)	\$522 (2.9%)	3.9%
Budgeted.....	\$200 (2.0%)	\$256 <sup>a</sup> (2.3%)	\$256 <sup>b</sup> (2.0%)	\$376 (2.6%)	2.2
Difference.....	\$155	\$424	\$170	\$146	

<sup>a</sup> The home was not required to comply with sections 27.1 and 27.2 of the 1978 Budget Act, which effectively forced many agencies to achieve additional salary savings.

<sup>b</sup> Excludes \$88,000 in salary savings resulting from Section 27.2 of 1979 Budget Act.

**Automation Project Overstaffed**

*We recommend the deletion of three positions in the data processing unit because they are not justified on a workload basis, for a General Fund savings of \$82,000 (Item 1970-011-001).*

The 1981 Budget Act authorized the department to begin developing an automated financial management and patient tracking information system for the Veterans' Home, subject to the approval of the department's feasibility study report by the State Office of Information Technology (SOIT). The home was authorized nine positions (seven technical and two clerical) to augment its existing data processing staff of three (two technical and one clerical) bringing the total number of positions to implement the automated system, to 12.

Our analysis indicates that this automated system will allow the Veterans' Home to improve its inventory, patient tracking, and financial information systems, and result in a net savings to the General Fund. Our review also indicates, however, that three positions (one programmer, one programmer/analyst, and one senior computer operator) are not justified on a workload basis.

The budget provides a staff of two programmers and two programmer/analysts. Previously, however, the department had indicated that only one additional programmer would be needed to modify, test, and implement the system, working in conjunction with the programmer/analyst assigned to the manual accounting system. Based on the relatively complete system the department proposes to purchase, a staff of one programmer and one programmer/analyst (in addition to three other technical positions) should be sufficient to handle the necessary workload, both during implementation and on an ongoing basis. The department has provided no justification to indicate that the two additional positions are needed for the type of system under consideration. Our analysis of the operation of similar systems suggests that these positions generally are not necessary. We, therefore, recommend deletion of one programmer and one programmer/analyst position.

The need for the senior computer operator also has not been demonstrated. The equipment being considered for the home is the same type of equipment currently being operated by the Department of Developmental Services at Fairview State Hospital. This department does not

require an operator position. Given the Department of Developmental Services' experience, the operator position should not be required.

For these reasons, we recommend the deletion of three data processing positions, for a General Fund savings of \$82,000.

#### **Automation Savings Not Reflected**

*We recommend that staffing equivalent to the savings resulting from the automation project be limited to June 30, 1983, to correspond with workload reductions.*

The department's feasibility study report indicates that implementation of the automated management system would reduce the home's overall clerical workload by a minimum of 2 percent. Actual savings could be considerably higher, based on the experience of private hospitals that have implemented similar systems. The average savings rate in these hospitals has ranged from 6 to 10 percent. The 2 percent reduction is a major element in making the automation project cost-effective, because the savings in personnel costs made possible by the reduction in workload will offset part of the project's cost. The department and its consultants, however, have concluded that the savings cannot be translated into staff reductions. Instead, they maintain that the savings will merely offset the need for future staff increases.

We believe this conclusion is not supportable, for two reasons. First, the department has not been able to demonstrate why paperwork requirements would increase in absence of the automation project. Second, because the home is currently budgeted at maximum population, paperwork expansion due to population increases cannot be expected. If factors other than population increases will produce increases in paperwork, the department should specifically request additional personnel to respond to these increases.

Based on the department's current timetable, implementation of that phase of the project which generates the paperwork savings will be complete before the end of 1982-83. Therefore, we recommend that positions, costing a minimum of \$391,000 on an annual basis, be limited to June 30, 1983, as result of clerical workload reductions.

#### **Operating Expenses Overbudgeted**

*We recommend a reduction in overbudgeted operating expenses, for a General Fund savings of \$96,000 (Item 1970-011-001).*

Analyses of the department's Supplementary Schedule of Operating Expenses reveals several instances of overbudgeting.

**Computer Hardware.** The budget proposes \$60,000 for the purchase of hardware for later phases of the automated management system discussed above. However, the SOIT has not approved these phases, and the department has indicated that it will not proceed with them until each phase has been analyzed as to its cost-effectiveness. Therefore, the request for funds to purchase additional computer hardware for these later phases is premature and the funds should be deleted, for a General Fund savings of \$60,000.

**Consultant Services.** The department has budgeted \$20,000 for data processing consultant fees. The department indicates however, that a consultant will only be needed until the new data processing manager has been selected and trained. Because this will occur before the end of the current year, the funds for consultant services in 1982-83, are unnecessary

# **DEPARTMENT OF VETERANS AFFAIRS AND VETERANS' HOME OF CALIFORNIA—Continued**

and we recommend their deletion, for a General Fund savings of \$20,000.

**Architectural Designer.** The budget requests an assistant architectural designer, at a cost of \$26,000 annually, to help the home's senior architect prepare plans and specifications for minor capital outlay projects and special repairs. The department indicates that this position will enable the home to submit complete construction plans and specifications to bidders on small projects. This is expected to save \$42,000 annually. The department, however, has reduced the special repairs budget by only \$26,000. We recommend a reduction in this item to correspond with department's estimate of savings, for a General Fund savings of \$16,000.

## **DEPARTMENT OF VETERANS AFFAIRS—CAPITAL OUTLAY**

Item 1970-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. SCS 174

Requested 1982-83 .....	\$7,580,000
Recommended approval .....	1,125,000
Recommended reduction .....	5,576,000
Recommendation pending .....	\$879,000

## **SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Transfer Savings to General Fund. Recommend that total recommended reductions of \$5,576,000 to Item 1970-301-036 be transferred from the Special Account for Capital Outlay to the General Fund to increase the Legislature's flexibility in meeting high-priority needs. 267
2. Availability of Federal Funds. Recommend that Budget Bill language be adopted prohibiting the Public Works Board from releasing working drawing funds related to the master plan until written commitment is obtained from the Veterans Administration to fund 65 percent of the project cost. 268
3. Hospital Addition. Withhold recommendation on Item 1970-301-036(b) working drawing funds, pending receipt of architect's alternatives study. 269
4. *Sections A and C (Domiciliaries). Reduce Items 1970-301-036(c) and (e) by \$1,891,000 and \$2,353,000, respectively.* Recommend deletion of proposed construction funds because requests are premature given current status of projects. 269
5. *Sections B (Intermediate) and E (Domiciliary). Reduce Items 1970-301-036(d) and (g) by \$163,000 and \$140,000, respectively.* Recommend deletion of proposed funds for preliminary plans and working drawings because requests are premature given status of projects. 270
6. Section D (Domiciliary). Withhold recommendation on 271

- Item 1970-301-036(f) funds for preliminary plans and working drawings, pending receipt of additional information.
7. **Cooling Plant. Reduce Item 1970-301-036(k) by \$145,000.** Recommend deletion of funds for preliminary plans and working drawings, based on previous legislative action and inadequate justification. 271
  8. **Increase Primary Electric Service. Reduce Item 1970-301-036(1) by \$840,000.** Recommend deletion of construction funds and overbudgeted funds. 272
  9. **Replacement of Boiler Burners.** Withhold recommendation on Item 1970-301-036(i), pending receipt of information on possible cogeneration development at the Home. 273
  10. **Reinsulate Steam Mains. Reduce Item 1970-301-036(j) by \$4,000.** Recommend deletion of previously transferred funds. 273
  11. **Minor Projects. Reduce Item 1970-301-036(a) by \$40,000.** Recommend reductions in two minor projects to remove barriers to the physically handicapped. 274

### ANALYSIS AND RECOMMENDATIONS

The budget proposes \$7,580,000 from the General Fund, Special Account for Capital Outlay, for 11 major capital outlay projects and 7 minor capital outlay projects at the Veterans' Home in Yountville. Table 1 summarizes the department's proposal and our recommendations.

**Table 1**  
**Department of Veterans Affairs**  
**1982-83 Capital Outlay Projects**  
**Item 1970-301-036**  
**(in thousands)**

<i>Project Title</i>	<i>Budget Bill Amount<sup>a</sup></i>	<i>Analyst's Proposal</i>	<i>Future Cost<sup>b</sup></i>
Hospital Addition (acute care) .....	\$417 <sup>w</sup>	pending	\$8,206
Section A (domiciliary) .....	1,891 <sup>c</sup>	—	—
Section B (intermediate) .....	163 <sup>pw</sup>	—	2,337
Section C (domiciliary) .....	2,353 <sup>c</sup>	—	—
Section D (domiciliary) .....	135 <sup>pw</sup>	pending	1,890
Section E (domiciliary) .....	140 <sup>pw</sup>	—	2,010
Upgrade Street Lighting System .....	278 <sup>pw</sup>	\$278	—
Replace Boiler Burners .....	327 <sup>pw</sup>	pending	—
Reinsulate Steam Mains .....	323 <sup>pw</sup>	319	—
Cooling Plant .....	145 <sup>pw</sup>	—	1,596
Increase Primary Electric Service .....	875 <sup>pw</sup>	35	—
Minor Projects .....	533 <sup>pw</sup>	493	—
Totals .....	\$7,580	pending	\$16,039

<sup>a</sup> Phase symbols indicate: c—construction, p—preliminary plans, and w—working drawings.

<sup>b</sup> Estimated future cost provided by department.

### Transfer to General Fund

*We recommend that the savings resulting from our recommendations on Item 1970-301-036—\$5,576,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*



**DEPARTMENT OF VETERANS AFFAIRS—CAPITAL OUTLAY—Continued**

We recommend reductions amounting to \$5,576,000 in the Department of Veterans' Affairs capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Special Account for Capital Outlay, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

**A. Projects Related to Master Plan**

*We recommend that control language be adopted in the Budget Bill prohibiting the Public Works Board from releasing working drawing funds related to the Master Plan until written commitment is obtained from the Veterans Administration to fund 65 percent of the project cost.*

The major portion of the department's request (\$6,119,000) represents second year funding for a proposed five-year major capital outlay program to correct identified code and certification violations and to renovate facilities at the Veterans' Home. The estimated total cost of this program is in excess of \$45 million. The work proposed under the master plan includes the following:

- Hospital—Construction of a 56-bed acute care hospital addition to provide space for medical, surgical, and intensive care/coronary care (ICU/CCU) levels of care; Remodeling of existing hospital to correct privacy and space violations and make various other improvements.
- Annexes I and II and Section B—Remodeling to meet Veterans Administration privacy and space requirements. A total of 302 intermediate care beds will be provided in these three buildings.
- Domiciliary buildings, Sections A, C, D, E, F, G, H, J, K, and L—Correction of fire and life safety violations and remodeling to meet privacy and space needs.
- Additional miscellaneous major improvements to the laundry building, boiler plant, main kitchen and dining room, maintenance shops, central warehouse, firehouse, members' workshops, recreation and theater building, and the administration building.

**Availability of Federal Funds.** The department assumes that the Veterans Administration will provide 65 percent of the total project cost of the master plan, and that the state's share will be 35 percent. However, the availability of funding from the Veterans Administration is uncertain at this time.

Control language in the 1981 Budget Act specified that none of the funds appropriated for working drawing covering the department's major capital outlay projects can be released until 30 days after written notification is provided to the Chairman of the Joint Legislative Budget Committee. This notification, moreover, must certify that the Veterans Administration has given written assurances to the department that the funded projects qualify for 65 percent federal matching grant funds. At the time this analysis was prepared, the department had not provided this notification to the chairman.

Failure to obtain a federal matching grant for the proposed work would

require the state to fund the entire cost of the program—\$45 million. We recommend that language, similar to what was adopted last year, be included under Item 1970-301-036, specifying that the Public Works Board may not release funds for working drawings until a letter committing the Veterans Administration to provide 65 percent of the total project cost has been obtained.

#### **Hospital Addition (Acute Care Facility)**

*We withhold recommendation on Item 1970-301-036(b), pending receipt of architect's alternatives study.*

The budget proposes \$417,000 for working drawings for an addition to Holderman Hospital at the Veterans Home in Yountville. The proposed addition would provide space for 56 acute care beds to replace 66 acute care beds in the existing hospital. Space would also be provided for surgery, pharmacy, medical records, and a portion of the clinic services. The total cost of the project is estimated at \$8,623,000.

The 1981-82 budget requested \$700,000 for preliminary plans and working drawings for this project. The Legislature appropriated \$314,150 for preliminary plans and partial working drawings. In addition, it adopted control language requiring the department to retain a private consultant to reduce the scope and cost of the proposed addition. The consultant was directed to develop schematic drawings and cost estimates for renovating Holderman Hospital in order to meet all licensing requirements as an alternative to constructing an addition. The adopted language also required that plans and estimates for both alternatives be submitted to the Joint Legislative Budget Committee, along with a detailed justification for the alternative selected by the department.

The department has indicated that the consultant's work was to be completed in January 1982. At the time this analysis was prepared, however, this information had not been received. Therefore, we have no basis for determining whether there is a need for the hospital addition, or the amount of funds requested. The project submitted for funding in the 1982-83 budget is identical to last year's proposal and does not reflect the control language in the 1981 Budget Act.

For these reasons, we withhold recommendation, pending the receipt of the alternatives study and detailed cost estimates. The revised plans should be available before budget hearings and we will comment on them at that time.

#### **Sections A and C (Domiciliaries)**

*We recommend that Item 1970-301-036(c), construction, Section A and Item 1970-301-036(e) construction, Section C, be deleted because adequate information on the projects has not been provided and the request for construction funds is premature, for a reduction of \$4,244,000.*

The budget proposes \$1,891,000 in construction funds to remodel the Section A building and \$2,353,000 in construction funds for a similar project for the Section C building. The existing dormitory rooms in both buildings will be remodeled into one, two, and three bedrooms to meet privacy regulations promulgated by the Veterans Administration.

The 1981 Budget Act appropriated \$134,635 for preliminary plans and working drawings for Section A. When remodeled, the building will provide space for 134 members. Likewise, \$162,635 was appropriated in 1981-82 for preliminary plans and working drawings to remodel Section C to provide 166 beds.

**DEPARTMENT OF VETERANS AFFAIRS—CAPITAL OUTLAY—Continued**

**Construction Fund Request Premature.** At the time this analysis was prepared, none of the appropriated funds had been released by the Public Works Board, and preliminary plans had not been started. The Office of State Architect (OSA) has indicated that preliminary plans for both of these projects will not be completed before July 1, 1982. The OSA project schedule indicates that it will take at least one year from the beginning of preliminary plans to the completion of working drawings for Sections A and C. Hence, working drawings for both projects will not be completed until March 1983 at the earliest. Under this schedule, deletion of the requested construction funds could delay the start of construction on the projects by four months. Given the project delays commonly experienced with state building projects, however, this is an optimistic schedule and a four month delay may not be experienced. Consequently, adequate information is not available to substantiate the amount of requested construction funds. Given the current status of both projects we recommend deletion of the proposed construction funds, a total reduction of \$4,244,000.

**Section B (Intermediate) and Section E (Domiciliary)**

*We recommend deletion of Items 1970-301-036(d) and (g), preliminary plans and working drawings for Section B and Section E, respectively, because on a timing basis the funding request is premature, for a reduction of \$303,000.*

The budget requests \$303,000 for preliminary plans and working drawings, to remodel two existing domiciliary buildings at the Veterans Home.

**Section B.** Item 1970-301-036(d) proposes \$163,000 to develop plans for remodeling the existing Section B domiciliary building into an intermediate care facility. The estimated future cost of this project is \$2,337,000. This project will provide space for 104 intermediate care patients, whereas the existing capacity of the facility with dormitory-style quarters is 190. The remodeling of the hospital and Annexes I and II will reduce the number of intermediate-care beds in those facilities. This project is intended to restore some of that loss. The department cites the close proximity of this building to other intermediate care facilities as justification for the choice of this structure.

**Section E.** Funds proposed under Item 1970-301-036(g) would be used for preliminary plans and working drawings to remodel the Section E domiciliary. A total of \$140,000 is requested for the budget year, with an estimated future construction cost of \$2,010,000. The existing dormitory rooms would be remodeled into one, two, and three bedrooms. The toilets and baths will be remodeled, the entrances will be modified to meet handicapped requirements, and all fire code violations will be corrected. Privacy and space requirements will reduce the capacity of this building from 218 to 170 beds.

**Funding Request is Premature.** The preparation of preliminary plans and working drawings for each of these facilities should take approximately one year. The schedule in the Master Plan for the Veterans Home indicates that construction work on Sections B and E will not begin until members can be moved from these buildings to completed space in Sections A and C. As we noted in our discussion of Sections A and C, these projects will not be ready for construction until 1983-84. Furthermore, the department estimates that Sections A and C will not be ready for occupancy until approximately two years after construction funds are appropriat-

ed. Consequently, funds for planning and working drawings covering Sections B and E will not be required until 1983-84 at the earliest. On this basis, the funding request is premature and we recommend that the funds for both projects (\$303,000) be deleted.

#### **Section D (Domiciliary)**

*We withhold recommendation on Item 1970-301-036(f), preliminary plans and working drawings, Section D, pending receipt of additional information.*

The budget includes \$135,000 for preparation of preliminary plans and working drawings to remodel the Section D domiciliary building. To meet the privacy regulations issued by the Veterans Administration, the existing dormitory rooms will be remodeled into one, two, and three bedrooms. The toilet and bath facilities will be renovated and all fire code violations will be corrected. The resulting capacity of the building will be 157, a reduction of 37 from the original design capacity.

The Section D building is presently occupied by the California Conservation Corps. The corps is aware that it will have to vacate Section D sometime in the near future, and indicates that it could move out with only six months' notice. Construction on Section D would not begin until 1983-84 at the earliest, in order to allow the CCC adequate time to vacate the facility. Because no members live in this space, the timing of the Section D project is not dependent upon the completion of other domiciliaries.

The estimate, on which this request is based, was determined assuming a construction cost of \$38 per square foot to remodel. The department has indicated that this project's scope will be modified to include comfort conditioning similar to that which is to be provided in Sections A and C.

We have not received any budget documents relating to the project from the Office of State Architect (OSA). The OSA has indicated that these documents will be available for review prior to budget hearings. Consequently, we withhold recommendation on the request pending receipt of this information.

#### **Cooling Plant**

*We recommend deletion of Item 1970-301-036(k), preliminary plans and working drawings, cooling plant, based on previous legislative action and because adequate justification for the project has not been provided, for a savings of \$145,000.*

The budget includes \$145,000 for preliminary plans and working drawings for a cooling plant and associated piping at the Veterans Home in Yountville. The plant would provide chilled water for the cooling of the hospital, the proposed hospital addition, Annexes I and II, Section B, and the Recreation and Theater Building. The work also includes demolition of two vacant buildings which occupy the proposed site.

Titles 22 and 24 of the California Administrative Code require sufficient cooling to maintain prescribed ambient temperatures in surgery, recovery and intensive care areas of hospitals. The department is also proposing cooling for the skilled nursing facilities and intermediate care facilities to be housed in the existing hospital, Annexes I and II, and Section B, based on the medical problems of long-term geriatric patients. Given the state's recent experience at Napa State Hospital, licensing requirements for these facilities can be met by comfort conditioning, and do not require central air conditioning. No justification has been provided for the cooling of the

**DEPARTMENT OF VETERANS AFFAIRS—CAPITAL OUTLAY—Continued**

Recreation and Theater Building.

This same project was proposed in the 1981-82 budget. In acting on the budget, the Legislature deleted funding for the project and instead adopted Budget Act language addressing the issue. The language requires that preliminary plans for the acute hospital addition provide for sufficient refrigerated air conditioning cooling capacity to maintain an average ambient temperature of 72 degrees in the addition. The language also required that preliminary plans for Sections A and C include sufficient comfort conditioning to maintain an average ambient temperature of 78 degrees in these facilities.

The language adopted by the Legislature last year should assure that existing ambient temperature standards are met in the absence of the proposed cooling plant. The department has provided no new information which would justify the need for the cooling plant. Consequently, we recommend that the proposed \$145,000 be deleted.

**Increase Primary Electric Service**

*We recommend that Item 1970-301-036(1) be reduced by \$840,000 because the request for construction funds is premature and the project has been overbudgeted.*

The budget proposes \$875,000 under Item 1970-301-036(1) to increase the primary electric service at the Veterans Home. The cooling which is to be provided in the acute areas of the hospital, and the comfort conditioning which is to be provided in the other areas of the Home will substantially increase the electrical load demand at the Home. At the present time, the maximum electrical load (1,430 KVA) nearly exhausts the capacity of the system (1,500 KVA). The capacity must be upgraded if renovations proceed as planned.

The project includes the installation of new switchgear, cables, underground ducts, oil switch, and chainlink fence. A new concrete pad will be constructed for the switchgear. Budget documents from the Office of State Architect show an estimated total project cost of \$686,000, of which \$45,000 is for preliminary plans and working drawings and \$641,000 is for construction. A total of \$11,000 in planning funds for the project has already been transferred to OSA, leaving a balance of \$675,000 to be funded.

The budget requests \$875,000 for the project. Thus, under any circumstance, the extra \$199,000 should be deleted since OSA's data show that this amount is not needed to complete the project.

The extra capacity to be provided by this project will not be needed until the first renovated structures are complete. As we noted in our discussion of the budget requests for Sections A and C (the first projects to be renovated), these buildings will not be ready for construction until 1983-84 and construction is scheduled to be completed two years later. Consequently, construction funds to increase the primary electric service (\$641,000) should not be required until 1983-84 at the earliest.

OSA should not finalize design on this project until the design on Sections A and C is developed sufficiently to provide an adequate basis for judging the total increased electrical needs of the Home. This delay should not adversely affect the project since the amount of time needed to upgrade the electrical capacity should be substantially less than the two years needed to construct Sections A and C.

**B. Energy Conservation Projects**

The budget requests \$650,000 for two energy conservation projects at the Veterans Home. The projects were developed based on an energy audit conducted at the Home.

**Replacement of Boiler Burners**

*We withhold recommendation on Item 1970-301-036(i), preliminary plans, working drawings and construction, replacement of boiler burners, pending receipt of information concerning possible cogeneration development at the Home.*

Item 1970-301-036(i) proposes \$327,000 to replace the burners in two boilers at the Home. The existing leaky, natural draft burners will be replaced with forced draft air atomizing combination gas-oil burners. An air compressor and oil heater will be provided for each boiler to allow the incorporation of this fuel source into the system. The project, when combined with the project proposed under Item 1970-301-036(j), is estimated to save \$80,000 annually, for a discounted payback period of just over four years. Based on this analysis we would recommend approval of the funds. It is our understanding, however, that a cogeneration plant is being considered for the Veterans' Home. If such a system is installed, the boiler plant would no longer be used and this project would not be needed. We recommend that prior to budget hearing, the department provide information on the possible development of cogeneration facilities at the Home.

Pending receipt of this information, we withhold recommendation on this request.

**Reinsulate Steam Mains**

*We recommend that Item 1970-301-036(j), preliminary plans, working drawings, and construction, reinsulate steam mains, be reduced by \$4,000 to correct for overbudgeting.*

The budget proposes \$323,000 for preliminary plans, working drawings and construction to reinsulate the steam mains at the Veterans' Home. Insulation on all underground steam mains will be removed and replaced with more efficient insulation. Those steam mains which are in or under buildings will not be included in the work.

Reinsulation is estimated to save \$150,000 annually in energy costs, at today's prices, giving the project a discounted payback period of less than two years. On this basis, the project is justified. The OSA indicates, however, that \$4,000 in funds have already been transferred to the project. Thus, only \$319,000 is needed to complete the project. Consequently, we recommend approval in the reduced amount of \$319,000.

**C. Miscellaneous Projects****Upgrade Street Lighting**

*We recommend approval of Item 1970-301-036(h), preliminary plans, working drawings, and construction to upgrade the existing street lighting system at the Veterans' Home.*

The budget proposes \$278,000 to upgrade the street lighting system at the Veterans' Home. The project includes replacement of existing incandescent lights with high-pressure sodium luminaries. New switches, transformers, circuit breakers and wiring would be installed.

**DEPARTMENT OF VETERANS AFFAIRS—CAPITAL OUTLAY—Continued**

According to the department, suppliers are phasing-out the type of system presently installed at the home and replacement parts cannot be obtained. Given these problems, an overhaul of the system is necessary and we recommend approval of the project.

**Minor Capital Outlay**

*We recommend that Item 1970-301-036(a), minor projects, be reduced by \$40,000 to reflect changes in two projects to remove barriers to the physically handicapped.*

The budget proposes \$533,000 for seven minor capital outlay projects (\$150,000 or less per project) for the Department of Veterans Affairs. The projects are summarized in Table 2.

**Table 2**  
**Department of Veterans Affairs**  
**1982-83 Minor Capital Outlay**  
**(in thousands)**

<i>Project</i>	<i>Budget Amount</i>
1. Handicapped access, recreation center .....	\$48
2. Handicapped access, covered ramp .....	73
3. Gasoline storage tanks and pumps .....	67
4. Drainage improvements, north area .....	88
5. Drainage improvements, Holderman Hospital .....	45
6. Standardize dock heights .....	66
7. Remodel Workshop .....	146
Total .....	\$533

**Handicapped Accessibility.** The budget includes funding for two minor capital outlay projects to remove barriers to handicapped individuals. The first would provide four sets of automatic doors in the recreation building (\$48,000). Our analysis indicates that a less costly alternative to the proposed project is available. The existing double-doors could be retrofitted with automatic door openers, at a cost of \$5,000 each. This equipment provides a comparable level of accessibility and would save \$28,000.

The second project would provide a covered rampway between Annexes I and II. A handicapped individual going from Annex II to Annex I and points beyond, must now travel via a 520-foot circuitous route. This project would provide a more direct route by reducing the path of travel to 120 feet, and on this basis is justified. The project however, also includes a cover for the rampway, at a cost of \$12,000. Given the extensive system of uncovered walkways at the Home, it is not apparent why a cover is needed at this location. On this basis, we recommend that the project be reduced by \$12,000.

**Projects by Descriptive Category**

In the A-pages of our Analysis we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do not involve life threatening conditions.

3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.

4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.

5. Improve program efficiency or cost effectiveness—includes new office buildings alterations, etc.

6. Energy conservation projects—includes projects with a payback period of less than five years.

7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 3 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

**Table 3**  
**Major Projects by Descriptive Category**  
**Department of Veterans Affairs**  
**Item 1970-301-036**

<i>Category</i>	<i>Item Number/Project Title</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
1. None			
2. None			
3. (h)	Upgrade street lighting .....	\$278,000	—
	(1) Increase primary electric service .....	35,000	\$641,000
	Subtotals .....	(\$313,000)	(\$641,000)
4. None			
5. None			
6. (j)	Reinsulate steam mains .....	\$319,000	—
	Subtotals .....	(\$319,000)	(—)
7. None			
	Totals .....	\$632,000	\$641,000

**Business, Transportation and Housing Agency**  
**SOLARCAL OFFICE**

Item 2060 from the General

Fund

Budget p. BTH 1

Requested 1982-83 .....	\$261,000
Estimated 1981-82 .....	(94,000) <sup>a</sup>
Actual 1980-81 .....	(109,000) <sup>a</sup>
Requested increase (excluding amount for salary increases) \$167,000 (+178 percent)	
Total recommended reduction .....	None

<sup>a</sup> Reflected in budget of the Secretary of Business, Transportation and Housing