

**OFFICE OF CRIMINAL JUSTICE PLANNING**

Item 8100 from the General  
Fund and various funds

Budget p. GG 1

Requested 1985-86 .....	\$32,128,000
Estimated 1984-85.....	27,419,000
Actual 1983-84 .....	25,619,000
Requested increase (excluding amount for salary increases) \$4,709,000 (+17.2 percent)	
Total recommended reduction .....	\$4,151,000

**1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8100-001-001—Support	General	\$3,239,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	70,000
8100-001-425—Support	Victim/Witness Assistance	936,000
8100-001-890—Support	Federal Trust	(392,000)
Chapter 1424/84—Support	General	25,000
8100-011-890—State Operations	Federal Trust	(1,500,000)
8100-101-001—Local assistance	General	15,546,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	680,000
8100-101-425—Local assistance	Victim/Witness Assistance	10,570,000
8100-101-890—Local assistance	Federal Trust	(4,380,000)
Chapter 1424/84—Local assistance	General	712,000
Chapter 1664/84—Local assistance	General	350,000
Reimbursements		(59,000)
Totals		\$32,128,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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1. **Auditing Workload. Reduce Item 8100-001-001 by \$101,000.** 1448  
Recommend the addition of one auditor position and the reduction of funds budgeted for consulting services, because audits can be performed at a lower cost by state staff than by consultants.
2. **Reporting Requirements. Recommend that the Office of Criminal Justice Planning report on why six statutorily-required reports have not been submitted to the Legislature.** 1449
3. **Alternate Funding Source. Increase Item 8100-001-425 by \$37,000 and Item 8100-101-425 by \$700,000. Reduce Item 8100-001-001 by \$37,000, Item 8100-101-001 by \$350,000 and expenditures from Chapter 1664/84 by \$350,000.** 1450  
Recommend that Child Sexual Abuse Training Centers be financed from the Victim/Witness Assistance Fund rather than from the General Fund.
4. **Child Sexual Assault Prosecution Program. Reduce Item 8100-001-001 by \$114,000 and Item 8100-101-001 by \$1,358,000.** 1452  
Recommend deletion of funds requested for Child Sexual Assault Prosecution program because the program

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- has not been authorized by statute.
5. *Public Prosecutors and Public Defenders Training. Reduce Item 8100-001-241 by \$35,000 and Item 8100-101-241 by \$340,000.* Recommend deletion of six-months' funding because statutory authority for the program terminates on January 1, 1986. 1453
  6. *Community Crime Resistance Program. Reduce Item 8100-001-001 by \$310,000 and Item 8100-101-001 by \$576,000.* Recommend deletion of six-months' funding because statutory authority for the program terminates on January 1, 1986. 1454
  7. *Career Criminal Apprehension Program. Reduce Item 8100-001-001 by \$67,000 and Item 8100-101-001 by \$1,250,000.* Recommend deletion of six-months' funding because statutory authority for the program terminates on January 1, 1986. 1455
  8. *Domestic Violence Program.* Recommend that prior to the budget hearings, the Office of Criminal Justice Planning, submit program and administrative guidelines and procedures. 1457

**GENERAL PROGRAM STATEMENT**

The Office of Criminal Justice Planning (OCJP) was created by Ch 1047/73 as the staff arm of the California Council on Criminal Justice (CCCJ). The office is administered by an executive director appointed by the Governor. The council, which acts as the supervisory board to OCJP, consists of 37 members: the Attorney General, the Administrative Director of the Courts, 19 members appointed by the Governor, and 16 members appointed by the Legislature.

The OCJP is divided into four program areas—(1) planning and operations, which provides staff support to various federal and state grant programs, (2) administration, (3) state and private agency awards, which allocates federal grants to state and private agencies, and (4) local project awards, which allocates state and federal grants to local governments. In the current year, OCJP has an authorized staff of 67 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The total proposed expenditure program for the Office of Criminal Justice Planning in 1985-86 is \$38,459,000, consisting of \$19,872,000 from the General Fund, \$11,506,000 from the Victim/Witness Assistance Fund, \$750,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$6,272,000 in federal funds, and \$59,000 in reimbursements.

Table 1 summarizes OCJP expenditure levels for the prior, current, and budget years. The table shows that General Fund expenditures are proposed to increase by \$4,718,000, or 31 percent, over estimated General Fund expenditures in 1984-85. The proposed increase in expenditures from all funds is \$4,725,000, or 14 percent, over 1984-85 expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

**Table 1**  
**Office of Criminal Justice Planning**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
1. Planning and Operations.....	\$1,560	\$3,004	\$2,891	-\$113	-3.8%
2. Administration .....	1,176	1,660	1,880	220	13.3
3. State and Private Agency Awards.....	1,500	1,500	1,500	—	—
4. Local Projects Awards .....	27,831	27,570	32,238	4,668	16.9
5. Unallocated General Fund Reduction ....	—	—	-50	-50	NMF
Totals .....	\$32,067	\$33,734	\$38,459	\$4,725	14.0%
Personnel-Years.....	56.7	66.9	71	4.1	6.1%
<b>Funding Sources</b>					
1. General Fund .....	\$16,918	\$15,154	\$19,872	\$4,718	31.1%
2. Restitution Fund (Indemnity) .....	7,406	—	—	—	—
3. Victim/Witness Assistance Fund .....	800	11,515	11,506	-9	-0.1
4. Assessment Fund .....	495	—	—	—	—
5. Local Public Prosecutors and Public De- fenders Training Fund.....	—	750	750	—	—
6. Reimbursements .....	236	61	59	-2	-3.3
7. Federal Trust Fund.....	6,212	6,254	6,272	18	0.3

NMF: Not a meaningful figure.

Table 2 identifies (by funding source) the changes in expenditure levels proposed for 1985-86.

**Table 2**  
**Office of Criminal Justice Planning**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	General Fund	Local Public Prosecutors and Public Defenders Training Fund	Victim/ Witness Assistance Fund	Federal Funds and Reim- bursements	Total
1984-85 Expenditures (Revised) .....	\$15,154	\$750	\$11,515	\$6,315	\$33,734
<b>Proposed Changes</b>					
<b>A. Workload Changes</b>					
1. Grant Audits.....	150	—	—	—	150
2. Executive Secretary .....	38	—	—	—	38
3. Business Management .....	37	—	—	—	37
4. Increased Efficiencies .....	-29	—	—	—	-29
<b>B. Cost Adjustments</b>					
1. One-Time Costs.....	-909	-1	-34	—	-944
2. Inflation Adjustments.....	—	3	25	18	46
3. Employee Compensation and Merit Salary Adjustment.....	13	—	8	—	21
4. Increased Rent.....	72	—	—	—	72
5. Other .....	18	-2	-8	-2	6
<b>C. Program Adjustments</b>					
1. Domestic Violence Grants.....	1,638	—	—	—	1,638
2. Gang Violence Suppression <sup>a</sup> .....	801	—	—	—	801
3. Major Narcotics Vendors Prosecution	740	—	—	—	740

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4. Child Sexual Abuse Training Centers	87	—	—	—	87
5. Treatment of Sex Offenders .....	503	—	—	—	503
6. Child Sexual Assault Prosecution .....	1,472	—	—	—	1,472
7. California Council on Criminal Justice	87	—	—	—	87
1985-86 Expenditures (Proposed) .....	\$19,872	\$750	\$11,506	\$6,331	\$38,459
Change from 1984-85					
Amount .....	4,718	—	-9	16	4,725
Percent .....	31.1%	—	-0.1%	0.3%	14%

<sup>a</sup> The OCJP advises that it also intends to allocate \$267,000 from its federal Juvenile Justice and Delinquency Prevention funds to this program, in order to meet the 25 percent federal contribution requirements contained in the Budget Bill, Items 8100-001-001 and 8100-101-001.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the following significant program changes, which are not discussed elsewhere on this analysis:*

- An increase of \$740,000 from the General Fund to provide for the full-year cost of implementing the Major Narcotics Vendors Prosecution program, as authorized by Chapter 1424/84.
- An increase of \$503,000 from the General Fund for one program analyst position and grant funds to implement a Sex Offender Treatment Pilot Program, as authorized by Chapter 1660/84.
- An increase of \$801,000 from the General Fund to expand the Gang Violence Suppression Grant program, as authorized by Chapter 1093/82.

**Auditing Local Assistance Grants**

*We recommend a reduction in funds budgeted for consulting services and the addition of one auditor position, for a net General Fund savings of \$101,000, because audits can be performed at a lower cost by state staff than by consultants. (Reduce Item 8100-001-001 by \$101,000.)*

In the current year, the OCJP is authorized three auditor positions and 0.5 clerical positions, at a cost of about \$140,000, to oversee approximately \$28 million in state-funded local assistance grants and \$4 million in federal-funded grants. In the current year, OCJP indicates that existing staff will be able to audit only about one-half of the grants that it believes should be audited.

The budget proposes to address OCJP's audit workload by (1) shifting the responsibility for auditing larger grants to local agencies which would contract with private auditors, (2) contracting directly with private auditors for audits of smaller grants, and (3) using the existing state staff to monitor the audits of state and federal grants. OCJP estimates that it would need a \$150,000 augmentation from the General Fund to implement this proposal.

Specifically, the proposal would extend to those state-funded grants which exceed \$50,000, an audit practice required by the federal government for federal grants. Currently, recipients of OCJP's federal-funded grants are required to budget one percent of their grant funds to fund contracts with independent auditors for audits of how the federal money is used. The OCJP monitors these federal audits for compliance and performs follow-up audits in certain cases. The OCJP proposes that the audit responsibility for about 240 large grants be transferred from OCJP staff to



local governments. These recipients would be required to budget 1 percent of their grant funds for contracts with independent auditors.

In addition, OCJP requests an augmentation of \$150,000 from the General Fund for consulting services. These funds would be used to contract with an audit firm to perform audits for an estimated 160 grants which are less than \$50,000. Thus, under the proposal all grantees would be audited by private audit firms; the existing state staff would monitor audit compliance and perform audits of state and federal grants only on a limited basis.

Our analysis indicates that OCJP's audit workload can be handled in a less-costly manner. If the auditing responsibility for all state-funded grants in excess of \$50,000 were shifted to local governments, as the budget proposes, existing state staff could perform audits for small grants, making it unnecessary to contract with private audit firms for this work. Our review of the workload information submitted by the OCJP indicates that three auditors would be required to audit the small grants and monitor the audits of federal grants.

One additional auditor position would be needed to monitor the audits performed on large grants for compliance with state guidelines and to perform any special audits that may be required. The new position would cost approximately \$49,000 from the General Fund.

In summary, our analysis indicates that with the proposed change in policy for auditing large grants, OCJP itself could handle the remaining workload with four auditors, at a cost that is \$101,000 less than what the budget requests for this function (\$150,000 less \$49,000 for one new auditor position). Accordingly, we recommend the addition of one auditor position, at a cost of \$49,000, and the deletion of \$150,000 requested for consulting services, for a net General Fund savings of \$101,000.

#### **Poor Response to Legislative Reporting Requirements**

*We recommend that, prior to budget hearings, the Office of Criminal Justice Planning report to the fiscal committees why six overdue statutorily-required reports have not been submitted to the Legislature.*

The Office of Criminal Justice Planning administers a number of local assistance grant programs that have been specifically established by the Legislature. The legislation authorizing the programs typically specifies program guidelines, establishes criteria for entities receiving grants and generally requires that OCJP submit periodic performance evaluation reports to the Legislature. These guidelines, criteria, and reporting requirements assist the Legislature to review and control the use of state funds.

The statutes require annual reports for six programs. These programs are: (1) Career Criminal Prosecution, (2) Career Criminal Apprehension, (3) Community Crime Resistance, (4) Suppression of Drugs in Schools, (5) Gang Violence Suppression, and (6) Local Prosecutors and Public Defenders Training. For each of these programs, the OCJP is required to describe in detail the operation of the statewide program and the results obtained. In addition, a one-time evaluation report is required for the Victim/Witness Assistance program on January 1, 1985.

The information in these reports is needed by the Legislature to make program and budgetary decisions relating to the expansion, continuation, or termination of individual programs. For instance, the statutory authorization for three programs (Career Criminal Apprehension, Community Crime Resistance, and Local Prosecutors and Public Defenders Training) is scheduled to sunset on January 1, 1986. The Legislature will have to

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

enact legislation during 1985 if it wishes to continue these programs without interruption. In addition, the Governor's budget proposes a significant expansion of the Gang Violence Suppression program in the budget year. If it does not have the information called for by the existing statutory reporting requirements on a timely basis, the Legislature cannot make informed decisions about the future of these programs.

The OCJP, however, has not been submitting the required reports to the Legislature in a timely manner. Table 3 displays the statutory due dates for the various evaluation reports and shows that these reports have not been submitted on a timely basis. For example, we found that reports for the Career Criminal Prosecution program and the Community Crime Resistance program are more than two years overdue. Further, the OCJP has never submitted a report on the Local Prosecutors and Public Defenders Training program, although the statutes require *annual* reports to be submitted commencing January 1, 1982.

The OCJP advises that these reports currently are in preparation and will be released early in 1985.

Because the information in these reports is needed to assist the Legislature in making informed decisions on budget proposals and legislation in 1985, we recommend that prior to budget hearings, the OCJP advise the Legislature why these reports have not been submitted on time and what corrective action it is taking to assure timely completion of legislatively-mandated reports in the future.

**Table 3**  
**Office of Criminal Justice Planning**  
**Legislative Reporting Requirements**

<i>Program</i>	<i>Statutory Due Dates for Evaluation Reports</i>	<i>Date of Most Recent Report</i>
Career Criminal Prosecution .....	Annually, by April 1	December 1982
Career Criminal Apprehension .....	Annually, by October 1	May 1983
Community Crime Resistance .....	Annually, by November 1	December 1982
Suppression of Drugs in Schools .....	Annually, commencing July 1, 1984, or first full year after program be- gins <sup>a</sup>	None
Gang Violence Suppression.....	Annually, commencing November 1, 1984	None
Local Prosecutors and Public Defenders Training .....	Annually, commencing January 1, 1982	None
Victim/Witness Assistance Centers.....	January 1, 1985	None

<sup>a</sup> OCJP advises the first full year of the program will be completed in May 1985.

**Alternate Funding for Child Sexual Abuse Prevention**

*We recommend that Child Sexual Abuse Training centers be financed from the Victim/Witness Assistance Fund, rather than from the General Fund, for a General Fund savings of \$737,000 (Increase Item 8100-001-425 by \$37,000 and Item 8100-101-425 by \$700,000. Reduce Item 8100-001-001 by \$37,000, Item 8100-101-001 by \$350,000 and funding from the appropriation made in Chapter 1664, statutes of 1984 by \$350,000.)*

Chapter 1664, Statutes of 1984, appropriated \$1 million from the General Fund to the Office of Criminal Justice Planning for two separate purposes.

First, \$700,000 was appropriated to establish in 1984-85 two child sexual abuse prevention *training* centers to provide training to publicly and privately employed counselors, teachers, and social workers in techniques for assisting victims of sexual abuse and their families. The measure expressed legislative intent that funding for the training programs be maintained at a minimum of \$700,000 in future years.

Second, Chapter 1664 provided \$300,000 for grants-in-aid to existing community-based nonprofit child sexual abuse *treatment* centers to assist them in meeting the needs of their clients during 1984-85. The amount of each grant is limited to \$25,000. Chapter 1664 indicated that this appropriation was intended to provide for a temporary infusion of funds for these centers in order to give them time to generate sufficient funds from other sources. In order to administer the ongoing program, OCJP indicates it will spend \$50,000 from the General Fund in the current year for one office assistant II position and \$22,000 for consulting services. For the budget year, the OCJP proposes to continue the office assistant position, at a cost of \$37,000 from the General Fund.

To provide local assistance in the current year, OCJP estimates it will spend \$600,000 from the \$1 million appropriation contained in Chapter 1664, consisting of \$300,000 for the two training centers and \$300,000 for grants to treatment centers. For 1985-86, the budget requests \$700,000 for local assistance in order to continue support for the training centers. This amount consists of a \$350,000 Budget Bill appropriation from the General Fund, and \$350,000 in unexpended balances remaining from the appropriation in Chapter 1664.

We have several concerns with the budget proposal. First, our review indicates that the appropriation in Chapter 1664 was specifically limited to the 1984-85 fiscal year. As a result, on June 30, 1985, any unexpended balances in the appropriation will revert to the General Fund and will not be available for expenditure in 1985-86. This leaves the spending plan proposed in the budget for 1985-86 underfunded by \$350,000.

Second, our analysis indicates that the Victim/Witness Assistance Fund rather than the general Fund could be used to fully support the program at the proposed funding level in 1985-86.

The Victim/Witness Assistance Fund was established by Ch 1312/83. It receives monthly allocations from the Assessment fund equal to 10 percent of the revenues collected by the courts from penalty assessments levied on criminal and traffic fines. Balances in the Victim/Witness Assistance Fund are available for appropriation by the Legislature to the OCJP for grants to support local Victim/Witness Assistance programs and various sexual assault victim services and prevention programs.

Our review indicates that there are substantial unused balances available in the Victim/Witness Assistance Fund. The budget shows there will be a surplus in the fund of \$2,181,000 on June 30, 1986.

Use of the Victim/Witness Assistance Fund to support the Child Sexual Abuse Training Center would be consistent with the existing purposes for which this fund is used, such as grants for the Child Sexual Abuse and Exploitation program. This program has the same objective as the Child Sexual Abuse Training Centers program—to improve services available to child sexual abuse victims by providing training to local workers.

Accordingly, we recommend that the amount proposed in 1985-86 from the General Fund for the Child Sexual Abuse Training Center be replaced with an appropriation from the Victim/Witness Assistance Fund, for a savings of \$737,000 from the General Fund. Our recommendation would

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provide sufficient funding to support the level of program activity proposed in the budget. It merely makes additional General Fund monies available to the Legislature for reallocation to other high-priority programs.

The statutes specify that money appropriated from the Victim/Witness Assistance Fund to the OCJP shall be used exclusively for the support of the Victim/Witness Assistance Centers, and various assault victim services and prevention programs authorized in the Penal Code. Because the Child Sexual Abuse Training Centers program is authorized under the Welfare and Institutions Code, it technically may not qualify for funding from the Victim/Witness Assistance Fund. Therefore, if our recommendation is adopted, the following language should be added to the Budget Bill:

Item 8100-001-425:

“Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$37,000 is for the purposes of Chapter 4.5 of Part 6 of Division 9 of the Welfare and Institutions Code, Child Sexual Abuse Prevention Training Centers.”

Item 8100-101-425:

“Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$700,000 is for the purposes of Chapter 4.5 of Part 6 of Division 9 of the Welfare and Institutions Code, Child Sexual Abuse Prevention Training Centers.”

**Child Sexual Assault Prosecution Program**

*We recommend deletion of funds requested for the proposed Child Sexual Assault Prosecution Program because the program has not been explicitly authorized by statute, for a General Fund savings of \$1,472,000. (Reduce Item 8100-001-001 by \$114,000 and Item 8100-101-001 by \$1,358,000.)*

The budget requests \$1,472,000 from the General Fund to establish a Child Sexual Assault Prosecution program. The budget indicates that this program is designed to reduce the number of repeat child sexual abuse offenders by enhancing the prosecution efforts of special prosecution units in district attorneys' offices and by providing technical assistance to law enforcement agencies. The budget proposes expenditures of \$114,000 for one clerical position and two consultants for administration of the program, and \$1,358,000 for grants to 10 local district attorneys' offices.

The OCJP advises that this program will be patterned after the existing Career Criminal Prosecution program and the new Major Narcotics Vendors Prosecution program, which provide for “vertical prosecution,” whereby one prosecutor follows a particular case to its conclusion.

There can be no question that child sexual assault is a serious problem and that prosecution of offenders is an important activity. It may be that the proposed new program would be effective in combating this problem, although very little information on the program is available. At the present time, however, the OCJP lacks explicit statutory authority to implement the proposed program.

All of the other state-supported OCJP programs which the Legislature is financing in the current year, including the two programs which are the models for the Child Sexual Assault Program, have been specifically established and delegated to the OCJP by the Legislature. The authorizing legislation generally specifies program guidelines, establishes criteria for

entities receiving grants, and frequently requires periodic reports to the Legislature. This allows the Legislature to effectively review and control the use of state funds.

In the case of the proposed Child Sexual Assault Prosecution program, however, there are no guidelines or program requirements which the Legislature could use in overseeing the expenditure of state funds.

Because this program does not fall within OCJP's statutory responsibilities, and no legislative guidelines for the program have been established, we cannot recommend approval of the request at this time. Accordingly, without prejudice to the proposed program, we recommend that funds for the Child Sexual Assault Prosecution program be deleted from the Budget Bill, for a General Fund savings of \$1,472,000 (\$114,000 in Item 8100-001-001 and \$1,358,000 in Item 8100-101-001). If the Legislature wishes to establish this program, funds for the budget year could be included in the authorizing legislation.

#### **Local Public Prosecutors and Public Defenders Training**

*We recommend a reduction of \$375,000 from the Local Public Prosecutors and Public Defenders Training Fund, in order to limit funding for the program to the six-month period (July 1, 1985, through December 31, 1985) for which funding is authorized under current law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1985, an appropriation to support the program be included in that legislation. (Reduce Item 8100-001-241 by \$35,000 and Item 8100-101-241 by \$340,000.)*

The Local Public Prosecutors and Public Defenders Training Program was established by Ch 116/82 to improve the administration of criminal justice through statewide programs of education, training, and research for local public prosecutors and public defenders. The statutes require the OCJP, commencing January 1, 1982, to submit to the Legislature annual reports describing the operation and accomplishments of the program. The program is scheduled to terminate on January 1, 1986.

The budget requests \$750,000 from the Local Public Prosecutors and Public Defenders Training Fund for support of the program in 1985-86. This is the same amount that OCJP expects to spend in the current year. Of this amount, \$70,000 is proposed for administrative costs and \$680,000 is requested for two local assistance grants to secure the training. The budget indicates that the training would be provided by the California District Attorney's Association (\$408,000) and the California Public Defenders Association (\$272,000).

Our analysis indicates that the Legislature does not have sufficient information to determine whether this program has increased the effectiveness of prosecution and defense attorneys. Although current law requires the OCJP to evaluate the program and report its findings to the Legislature annually, it has never done so. The OCJP advises, however, that a study currently is in progress and that a report will be submitted to the Legislature during 1985.

Preliminary information from the OCJP indicates that each year the training program provides direct training services to approximately 20 percent of California's 2,400 deputy district attorneys and 50 percent of California's 1,500 deputy public defenders. Training project staff believe that this training has helped reduce criminal procedure errors, but the OCJP advises that there is no evidence at this time to substantiate this belief.

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

Without some evidence documenting program effectiveness, we are unable to advise the Legislature whether this program has been successful in accomplishing the Legislature's objectives. Since the Legislature will have to decide whether the program should be continued or terminated during the current session, it is critical that the OCJP submit its evaluation as soon as possible. If the report is submitted prior to the budget hearings, we will review the report and prepare comments and recommendations for the Legislature as appropriate.

Although the statute authorizing the program includes a sunset clause which terminates the program on January 1, 1986, the budget includes funding for the program through June 30, 1986. The Legislature generally has followed the policy that appropriations in the budget should be based on *existing* statutory authority, and that any costs attributable to new legislation should be funded in the legislation itself. Accordingly, and without prejudice to the program, we recommend that funding requested for the period January 1 through June 30, 1986 be deleted from the Budget Bill. This would leave adequate funds to support the program until its statutory authorization expires. We further recommend that if the Legislature enacts a bill to continue the program beyond the statutory termination date, funds for the remaining six months of 1985-86 be included in the proposed legislation.

**Community Crime Resistance Program**

*We recommend an \$886,000 General Fund reduction in order to limit funding for the Crime Resistance Program to the six-month period (July 1, 1985, through December 31, 1985) for which funding is authorized under current law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1985, an appropriation to support the program be included in the legislation. (Reduce Item 8100-001-001 by \$310,000 and Item 8100-101-001 by \$576,000.)*

The Community Crime Resistance Program was established by Ch 578/78 and reestablished by Ch 1291/82 to provide educational, technical, and financial assistance to local agencies and organizations to implement effective crime prevention programs. The statutes require that the OCJP submit to the Legislature an annual report describing in detail the operation of the program and the results obtained by it. Statutory authority for the program will sunset on January 1, 1986.

The budget proposes \$1,153,000 from the General Fund for local assistance grants in 1985-86. This is the same funding level provided for the current year. The OCJP was unable to provide us with an estimate of the amount included in its budget for program administration in 1985-86. We estimate this amount to be approximately \$620,000 (General Fund).

There is no analytical evidence available that would allow the Legislature to determine whether the program is effective in reducing crime. Although the statutes require the OCJP to submit annual reports to the Legislature on program accomplishments, no report has been submitted since December 1982. The OCJP advises, however, that a study currently is in process, and that a report will be submitted to the Legislature during 1985.

In the December 1982 annual report, the OCJP reviewed the eight projects that were funded by the program during 1980 and 1981. Because one of the primary goals of this program is to reduce the incidence of

crime in California, the OCJP attempted to evaluate the effects of the "neighborhood watch" crime prevention efforts on the number of residential burglaries reported in the project areas relative to trends in the number of residential burglaries statewide. The results of that comparison varied widely between projects. For the program as a whole, however, the number of reported residential burglaries increased in the project areas at a *faster* rate than the number reported statewide.

We also reviewed project reports submitted by 21 projects funded during 1982 and 1983. Again, we found wide variances between projects. During this period, there was a 16 percent reduction in reported burglaries statewide. Because of inconsistencies in the way the data was reported for individual projects, we were unable to calculate accurate totals for all projects taken together. Nonetheless, we found that areas in which six projects were located showed substantially larger percentage reductions in the number of reported burglaries, while seven project areas showed *increases* in reported burglaries.

It is difficult to develop any consistent method for evaluating the effectiveness of this program because projects are continually changing. For instance, projects normally are funded for no longer than two years, at which time funding becomes available for new projects. These new projects are located in different communities, administered by different people, and quite often have different emphases. Hence, under existing funding policies, there is no guarantee that any new project would be more or less effective in reducing crime than was a previous project.

The OCJP believes the Community Crime Resistance program has been successful and maintains that the pending evaluation report will so indicate. The OCJP should submit its evaluation of the program as early as possible, since the Legislature must decide during this session whether to continue or terminate the program. If the report is submitted prior to the budget hearings, we will review the report and prepare comments and recommendations for the Legislature as appropriate.

Although the statute authorizing the program includes a sunset clause which terminates the program on January 1, 1986, the budget includes funding for the program through June 30, 1986. The Legislature generally has followed the policy that appropriations in the budget should be based on *existing* statutory authority, and that any costs attributable to new legislation should be funded in the legislation itself. Accordingly, and without prejudice to the program, we recommend that funding for the period January 1 through June 30, 1986 be deleted from the Budget Bill. This would leave adequate funds to support the program until its statutory authorization expires. We further recommend that if the Legislature enacts a bill to continue the program beyond the statutory termination date, funds for the remaining six months of 1985-86 be included in the proposed legislation.

#### **Career Criminal Apprehension Program**

*We recommend a \$1,317,000 General Fund reduction in order to limit funding for the program to the six-month period (July 1, 1985, through December 31, 1985) for which funding is authorized under current law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1985, an appropriation to support the program be included in that legislation. (Reduce Item 8100-001-001 by \$67,000 and Item 8100-101-001 by \$1,250,000.)*

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

The Career Criminal Apprehension Program was established by Ch 1167/78 and reestablished by Ch 1292/82 in order to provide financial and technical assistance to participating local law enforcement agencies to help them develop projects which concentrate management efforts and resources on apprehending serious repeat offenders. The OCJP is required to submit to the Legislature by October 1 an annual report describing in detail the operation of the program and its accomplishments. The program is scheduled to terminate on January 1, 1986.

The budget requests \$2,500,000 from the General Fund for local assistance grants in 1985-86. This is the same amount appropriated in the current year. In addition, the operating budget includes money from the General Fund for administration of the program, but the OCJP could not provide us with an estimate of that amount. We estimate that approximately \$135,000 is proposed for that purpose.

Our analysis indicates that the Legislature does not have sufficient data to determine whether the program has been successful in apprehending career criminals. Although the OCJP is required to evaluate this program and report its findings annually, no report has been submitted since May 1983. The OCJP advises that a study currently is in progress, and that a report will be submitted to the Legislature during 1985.

The 1983 report provided an evaluation of the initial eight three-year pilot projects funded under the program. The report concluded that crime analysis capabilities successfully were established in all eight local agencies, and that the adoption of patrol management techniques led to better utilization of personnel. Arrest data for the three-year period, however, is inconclusive. The report notes that the number of career criminals arrested increased from 193 in the first year to 271 in the last year. This is an increase of 78 arrests, or more than 40 percent. Conclusions drawn from this data could be misleading because one project, the West Covina Police Department, reported an *increase* of 115 arrests over that period, or 37 more than the total increase for *all* projects. Two other projects showed increases in career criminal arrests, three showed reductions, and two did not report data for all three years. The report concluded that "career criminal apprehension was not a high impact element of the program." In our review of the report, we found that only 3 percent of those arrested in the project areas were identified as career criminals.

The OCJP believes that this program has been successful and that its report will so indicate. The OCJP should submit its evaluation of the program as early as possible because the Legislature must decide during the current session whether to continue or terminate the program. If the report is submitted prior to the budget hearings, we will review the report and prepare comments and recommendations for the Legislature as appropriate.

Although the statute that authorizes the program sunsets on January 1, 1986, the budget includes funding for the program through June 30, 1986. The Legislature generally has followed the policy that appropriations in the budget should be based on existing statutory authority, and that any costs attributable to legislation should be funded in the legislation itself. Accordingly, and without prejudice to the program, we recommend that funding for the period January 1 through June 30, 1986, be deleted from the Budget Bill. We further recommend that if the legislature enacts a bill to continue the program beyond the statutory termination date, funds for the remaining six months of 1985-86 be included in the proposed legislation.



**Domestic Violence Program**

*We recommend that, prior to the budget hearings, the Office of Criminal Justice Planning prepare and submit to the Legislature written program and administrative guidelines and procedures for the Domestic Violence Program.*

The budget proposes the expenditure of \$1,638,000 from the General Fund in 1985-86 to implement a new Domestic Violence program. The program would provide training, technical assistance and direct grants to local domestic violence programs. Specifically, \$1,500,000 is requested for grants and \$138,000 is requested for program administration. The OCJP proposes to establish one new program analyst position and use \$36,000 of the requested funds to hire outside consultants to help implement the program.

The OCJP indicates that currently there are 93 domestic violence centers providing victim services and shelter in California. Funding for these programs is provided from revenues collected by the counties from a surcharge on marriage license fees and from contributions from the private sector. The OCJP intends to provide grants to from 9 to 12 of these existing programs and to 6 new centers.

Our concern with this budget proposal is that there are no specific guidelines or program requirements that would enable the Legislature to oversee the expenditure of state funds for this purpose. The Legislature authorized the OCJP to spend funds for local domestic violence programs in Chapter 412, Statutes of 1984. The measure, however, did not specify any guidelines for administering the program. Specifically, Chapter 412 added a new section to the Penal Code that reads "The office may expend funds for local domestic violence programs, subject to the availability of funds therefor."

Generally, when the Legislature has established other grant programs in the OCJP, it has specified program guidelines, established criteria for entities receiving grants and required periodic reports to the Legislature. Often, the legislation authorizing the program directs the OCJP to develop written program and administrative guidelines and procedures consistent with the statutory guidelines and submit them to the Legislature for review prior to their release.

Because there are no statutory guidelines for the Domestic Violence program, the OCJP may develop the program details and expend over \$1.6 million from the General Fund without legislative input. For these reasons, we recommend that prior to the budget hearings, the OCJP prepare and submit to the Legislature written program and administrative guidelines and procedures for the Domestic Violence program, so that the Legislature can ensure that the expenditure of state funds is in accordance with its intent.

## COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace Officers' Training Fund

Budget p. GG 10

Requested 1985-86 .....	\$43,292,000
Estimated 1984-85 .....	33,723,000
Actual 1983-84 .....	26,223,000
Requested increase (excluding amount for salary increases) \$9,569,000 (+28.4 percent)	
Total recommended reduction .....	67,000

### 1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$6,269,000
8120-011-268—Support—Contractual Services	Peace Officers' Training	1,908,000
8120-101-268—Local assistance	Peace Officers' Training	35,115,000
Total		\$43,292,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. *Proficiency Study Contract. Reduce Item 8120-001-268 by \$67,000.* Recommend reduction because study can be accomplished at lower cost through the use of state employees. 1460

### GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the level of professional competence of local law enforcement agencies. It does so by establishing minimum recruitment and training standards, and by providing management counseling. Through a local assistance program, the commission reimburses agencies for costs incurred as a consequence of participating in the training courses.

The commission has 90.9 authorized positions in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$43,292,000 from the Peace Officers' Training Fund (POTF) for support of the commission and assistance to local law enforcement agencies in 1985-86. This amount is \$9,569,000, or 28.4 percent, more than estimated current-year expenditures from the POTF. This increase will grow by the cost of any salary or staff benefit increases approved for the budget year.

Table 1 provides a summary of the commission's *total* expenditures and staffing levels, by program, for the past, current, and budget years. As shown in the table, total proposed expenditures for the budget year are \$9,466,000, or 28 percent, greater than the level estimated for the current year.

**Table 1**  
**Commission on Peace Officer Standards and Training**  
**Program Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Proposed</i> 1985-86	<i>Change from</i> <i>1984-85 to 1985-86</i>	
				<i>Amount</i>	<i>Percent</i>
<b>Expenditures</b>					
Standards .....	\$2,143	\$2,021	\$2,318	\$297	14.7%
Training .....	2,933	3,614	5,186	1,572	43.5
Peace Officer Training Reimburse- ment .....	21,216	28,191	35,788	7,597	26.9
Administration (distributed) .....	(1,915)	(2,225)	(2,532)	(307)	(13.8)
Totals .....	\$26,292	\$33,826	\$43,292	\$9,466	28.0%
<b>Funding Sources</b>					
Peace Officers' Training Fund .....	\$26,223	\$33,723	\$43,292	\$9,569	28.4%
Reimbursements .....	69	103	—	-103	-100.0
<b>Personnel-Years</b>					
Standards .....	25.5	26.2	23.0	-3.2	-12.2%
Training .....	23.5	22.7	23.6	0.9	4.0
Administration .....	34.8	35.2	36.2	1.0	2.8
Totals .....	83.8	84.1	82.8	-1.3	-1.5%

The commission's changes in both state operations and local assistance proposed in the budget for 1985-86 are displayed in Table 2. *Cost adjustments* to the commission's budget result in a net increase of \$96,000 for 1985-86. In addition, the commission proposes various *program changes* for the budget year which total \$9,370,000.

**Table 2**  
**Commission on Peace Officer Standards and Training**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>State</i> <i>Operations</i>	<i>Local</i> <i>Assistance</i>	<i>Total</i>
1984-85 Expenditures (Revised) .....	\$6,288	\$27,538	\$33,826
<b>Proposed Changes</b>			
<b>A. Cost Adjustments:</b>			
1. Employee compensation adjustments .....	19	—	19
2. Merit salary adjustment .....	49	—	49
3. Inflation adjustments .....	138	—	138
4. One-time costs .....	-195	—	-195
5. Miscellaneous adjustments .....	184	-99	85
<b>B. Program Changes:</b>			
1. Academy proficiency test study .....	172	—	172
2. Training reimbursement .....	—	7,676	7,676
3. Specialized training .....	1,300	—	1,300
4. Medical and legal services .....	45	—	45
5. Item banking/test generation .....	77	—	77
6. Management information study .....	50	—	50
7. Psychological screening consultant .....	50	—	50
1985-86 Expenditures (Proposed) .....	\$8,177	\$35,115	\$43,292
<b>Change from 1984-85</b>			
Amount .....	\$1,889	\$7,577	\$9,466
Percent .....	30.0%	27.5%	28.0%

**COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued****ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following program changes which are not discussed elsewhere in this analysis:

- The development and provision of specialized training in the areas of firearms use, domestic violence, and vehicle operations, at a cost of \$1.3 million in the budget year (ongoing cost: about \$800,000 annually).
- An increase of \$45,000 to contract for medical and legal advice on establishing and updating selection standards for law enforcement officers.
- An additional \$77,000 to continue implementation of a previously approved system for generating academy tests for peace officers from a centralized bank of test items.
- A study contract in the amount of \$50,000 to examine the management information needs of the commission.
- An increase of \$50,000 to contract with a clinical psychologist to provide advice to local agencies on the newly adopted emotional stability standards for peace officers.

**Training Reimbursements Increase Significantly**

The budget requests an augmentation of \$7.7 million to reimburse local governments for peace officer training costs, including per diem, travel, tuition, and participants' salaries. This augmentation would bring to \$35.8 million the amount available for this purpose. In the current year, POST estimates that it will reimburse approximately 68 percent of participants' salaries and 100 percent of other allowable costs. The budget indicates that the proposed augmentation should enable POST to provide 100 percent reimbursement to local agencies for all costs involving approximately 40,000 trainees.

Discussions with POST staff, however, indicate that, based on its latest estimates, the amount of funds proposed in the budget probably will not cover 100 percent of reimbursable costs. The major reason for this discrepancy is that the proposed amount does not take into account two changes approved by the commission at its January 1985 meeting. At that meeting, the commission approved a 30 percent increase in the number of reimbursable hours for the basic course, as well as changes in training requirements for advanced officers. Taking these changes into account, POST now estimates that the level of funding proposed in the budget would be sufficient to reimburse about 85 percent of salaries and 100 percent of other allowable costs in 1985-86. The actual percentage of salary reimbursement in the budget year would depend on the actual number of trainees and the mix of courses which the peace officers attend.

**Contracted Study Proposal is More Expensive**

*We recommend a reduction of \$67,000 from the Peace Officers' Training Fund because a proposed academy proficiency test study can be accomplished at a lower cost through the use of state employees (Item 8120-001-268).*

Chapter 43, Statutes of 1984, requires the commission to study the relationship between the proficiency test scores of academy graduates and their subsequent performance as peace officers, and to report its findings

to the Legislature by July 1, 1987. The commission advises that this evaluation effort will involve developing and validating methods of measuring peace officer performance, collecting data on academy test scores and on-the-job performance, and analyzing the data to determine the correlation between test scores and job performance.

The commission proposes to accomplish this study over a two-year period by contracting with a private entity, at a total cost of \$344,000. First-year funding of \$172,000 is included in the commission's budget to pay for the work which will be done during 1985-86.

In response to our inquiries, the commission indicated that the study also could be conducted over the two-year period by hiring two state employees at a cost of \$105,000 per year, for a total cost of \$210,000. The commission further indicates that it would not be difficult to find state employees who possess the expertise necessary to conduct a study of equal quality to the one which would be accomplished under contract.

We question the wisdom of spending \$344,000 to perform the required study when state employees could perform the same task for \$210,000. Consequently, we recommend that the Legislature delete \$172,000 requested for consulting services and instead provide \$105,000 to establish two limited-term research positions for use in conducting the study. Approval of our recommendation would result in savings of \$67,000 in the budget year, and \$134,000 over the two-year period of the study.

STATE PUBLIC DEFENDER

Item 8140 from the General Fund		Budget p. GG 14
<hr/>		
Requested 1985-86 .....	\$5,419,000	
Estimated 1984-85.....	5,334,000	
Actual 1983-84 .....	5,357,000	
Requested increase (excluding amount for salary increases) \$85,000 (+1.6 percent)		
Total recommended reduction .....		None
<hr/>		

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. Staffing Resources. Recommend that the State Public Defender (SPD) report prior to budget hearings on its ability to handle projected caseload with available staff resources.	1462
2. Automated Case Tracking. Recommend that the SPD report to the legislative fiscal committees prior to budget hearings on its progress toward developing a system for obtaining workload data requested by the Legislature.	1463

GENERAL PROGRAM STATEMENT

The office of State Public Defender (SPD) was created in 1976. Its primary responsibility is to provide legal representation for indigents before the Supreme Court and courts of appeal, either upon appointment by the court or at the request of an indigent defendant. These same services also may be provided by private attorneys appointed by the court. The SPD also operates a brief bank (a library of appellate briefs involving

**STATE PUBLIC DEFENDER—Continued**

various issues the office has raised in the past), and responds to requests for assistance from private counsel, to the extent that resources are available. The SPD has offices in Los Angeles, Sacramento, and San Francisco. The SPD has an estimated 82.7 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$5,419,000 from the General Fund for the support of the State Public Defender (SPD) in 1985-86. This is \$85,000, or about 2 percent, above estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase that may be approved for the budget year.

Expenditures from all fund sources are proposed at \$5,541,000 in the budget year. This is an increase of \$111,000, or 2 percent, over estimated current-year expenditures.

The proposed increase in total expenditures primarily reflects (1) \$85,000 for increased operating expenses, largely for the purchase of new equipment, and (2) \$26,000 in reimbursements from the Fair Employment and Housing Commission which subleases office space from the SPD in San Francisco.

The budget does not include any funds for the estimated cost of General Fund merit salary increases (\$37,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$44,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 1 shows the office's expenditures and staffing levels in the past, current, and budget years.

**Table 1**  
**State Public Defender**  
**Summary of Budget Changes**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change from 1984-85	
				Amount	Percent
Expenditures.....	\$5,357	\$5,334	\$5,419	\$85	1.6%
Personnel-Years .....	98.2	82.7	82.7	—	—

**ANALYSIS AND RECOMMENDATIONS****Staffing Resources Uncertain**

*We recommend that the State Public Defender report to the legislative fiscal committees prior to budget hearings on its ability to meet its caseload targets with the staffing resources that have been budgeted for the office.*

The Governor's Budget proposes no change in the total number of positions (86) authorized for the SPD for 1985-86. In addition, the budget projects that the SPD will handle a caseload of 600—the same caseload proposed for the current year.

Our review of the staffing resources currently available to the SPD and the difficulty that the SPD is experiencing in meeting its caseload targets during the current year, indicates that the projected caseload target probably is not realistic.

In the current year, the SPD has a total of 48 authorized attorney positions. The SPD advises that if all positions were filled, it would be able

to handle approximately 543 appeals.

At the time this analysis was written, however, only 38 of the authorized attorney positions were filled. Further, during the first six months of the current year, the SPD took on the responsibility for only 148 cases, including 10 death penalty cases. If the SPD continues to take on cases at this rate, it will handle only about 300 cases in the current year, or half of its targeted caseload.

The SPD indicates that due to the staffing and budget uncertainties of the past two years, it has experienced difficulties in filling its attorney positions. The SPD advises that it currently is recruiting attorneys and expects to fill all vacant positions by the end of the fiscal year. To the extent that the SPD continues to experience difficulty in filling positions, however, its ability to handle a significant portion of indigent appeals will be undermined.

We are concerned about the continued inability of the SPD to handle more than a small number of cases. This concern recognizes the potential impact that this could have on (1) the availability of legal defense services for indigent criminal appellants and (2) the budgetary needs of both the SPD and Judicial Council. Accordingly, we recommend that the SPD report to the legislative fiscal committees prior to budget hearings on its progress toward filling vacant positions, and its ability to handle the caseload projected in the budget for 1984-85 and 1985-86, given the funding and staffing levels budgeted for the office.

#### **Automated System Should Get on Track**

*We recommend that the State Public Defender report to the fiscal committees prior to budget hearings on its progress toward establishing an automated system for tracking cases and monitoring workload as requested by the Legislature.*

The Supplemental Report of the 1983 Budget Act required the SPD to develop workload data that would permit the Legislature to compare its cases with those handled by court-appointed private counsel in terms of the complexity, cost and time required to complete.

In response to this requirement, the SPD submitted a report which contained a list of all attorneys (68) on the SPD staff and the number of new cases (72) the SPD had taken in the first half of 1983-84. The report did not contain any comparative information about cost, complexity, or length of time spent per case. The SPD advised that it was not able to comply with the Legislature's request because (1) it lacked historical caseload data and only recently instituted a manual system for maintaining attorney time records, and (2) it experienced difficulties in identifying its role following a significant reduction in its staff. As a result, the Legislature received no useful information which would permit it to compare the costs and type of appeals handled by the SPD and by private counsel.

**Automated System Planning Underway.** In an effort to improve its case-tracking capability and develop the information required by the Legislature, the SPD requested and received \$100,000 from the General Fund in the current year to contract with the Department of General Services (DGS) for the development of an automated case-tracking system. At the time this analysis was prepared, however, the SPD had not completed an agreement with the DGS or spent any funds for the purposes of establishing the system. The 1985-86 budget contains no funds for this purpose.

The SPD advises that it will try to improve its manual time sheet system

**STATE PUBLIC DEFENDER—Continued**

and initiate some agreement with DGS in the current year. It is unclear, however, whether the SPD will be able to initiate the system in the current year or complete it in the budget year.

We believe that the development of information regarding SPD caseload is essential if the Legislature is to identify the staff resources needed by the SPD and compare the costs of the indigent defense system administered by the SPD with the costs of private counsel appointments. Accordingly, we recommend that the SPD report to the fiscal committees prior to budget hearings on its progress toward developing an automated case tracking system.

**Role of the State Public Defender Still Unclear**

In response to concerns regarding cutbacks in staffing for the SPD in 1983–84, and the impact that these reductions would have on the availability, quality, and cost of legal services provided to indigent criminal appellants, the Legislature adopted language in the *Supplemental Report of the 1984 Budget Act* which requires the Judicial Council and the SPD to provide the following information:

1. The number of indigent appeals that will be handled by the SPD and private appointed counsel in 1984–85 and 1985–86.
2. Any difficulties the Judicial Council is experiencing or anticipates in obtaining qualified individuals or organizations to provide appointed counsel oversight services.
3. The role of the SPD in the statewide system of indigent defense proposed by the Judicial Council.
4. The potential for using the SPD to perform the appointed counsel oversight responsibilities, and the costs and benefits of such a proposal.

In response to this requirement, the Judicial Council and the SPD submitted separate reports in December 1984.

**The Judicial Council's Report.** Our analysis of the budget for the Judicial Council contains a summary of the council's response to this reporting requirement (please see page 13). In its report, the Judicial Council projected a total caseload for indigent appeals of 6,140. This includes approximately 140 cases before the Supreme Court, including up to 40 death penalty appeals, and approximately 6,000 cases before the courts of appeal. Of these, the Judicial Council expects to appoint private counsel in approximately 5,500 cases, or 90 percent of the total. Thus, the council assumes that the SPD will handle 10 percent of the cases—14 cases before the Supreme Court and an additional 600 before the courts of appeal.

The Judicial Council currently is establishing a system of contracting with various organizations for administrative oversight of appointed private counsel in indigent appeals. The responsibilities of the contractors include (1) recruiting and selecting private counsel, (2) assigning counsel to cases, based on the difficulty of the case and the experience of the attorney, (3) providing assistance during the preparation of the appeal, and (4) reviewing charges submitted to the court for payment. To date, the council has established oversight services only for the Supreme Court and the First and Fourth Districts of the courts of appeal. As a result, four districts remain unserved. In our analysis of the Judicial Council's budget we recommend that the council report to the Legislature prior to budget hearings on its progress toward establishing contracts in the remaining districts.

**The SPD's Report.** Based on the information contained in the



SPD's December 1984 report, it is difficult to determine how much progress the SPD has made in defining (1) its caseload capabilities, (2) its role in the statewide system of indigent defense, and (3) its potential for oversight responsibility in indigent appeal services.

**Caseload Capabilities.** The report indicates that the SPD will be able to handle up to 10 percent of all appeals, including approximately 10 to 15 cases before the Supreme Court, and 500 to 600 cases before the courts of appeal. Subsequent to the release of the report, however, the SPD revised its caseload estimates for both years. The SPD now indicates that it may handle as few as 450 appellate cases, or 7.5 percent, of the total. To the extent that the SPD handles fewer cases, additional cases must be assigned to private attorneys by the court.

**Potential For Oversight Responsibilities Unclear.** A major purpose of the supplemental report requirement was to provide a basis for identifying the appropriate role for the SPD in a statewide system of indigent defense. One possible role for the SPD might be to oversee the appointment of private counsel. Our review of the reports submitted by the two agencies indicates that there is substantial disagreement over the appropriate role for the SPD.

In its report, the Judicial Council indicates that due to its policy of contracting with *private* administrators, there is no necessary or appropriate role for the SPD in the oversight of private counsel. In addition, the council indicates that such a role would "contravene" stated public policy. The SPD report, however, indicates that there is no stated public policy which would make the use of the SPD as a contractor inappropriate. Our review suggests that the SPD is correct.

Based on our review of the legislation which established the SPD, we conclude that it would not be inappropriate for the SPD to perform an oversight role in the appointment of private counsel, as well as to provide legal services directly to indigent criminal appellants. The statutory provisions which created the SPD require the agency to directly represent indigents in criminal appeals. In addition, the law requires the SPD to formulate plans for the representation of indigents before the Supreme Court and courts of appeal. It also authorizes the SPD to contract with county public defenders, private attorneys, or nonprofit corporations to provide for indigent defense services. Thus, the law grants the SPD broad authority to carry out its responsibilities. Furthermore, such a role may be needed if the Judicial Council is unable to secure indigent defense oversight services through private administrators in all appellate court districts.

In its report, the SPD indicated that it may be able to provide oversight services in a *more* cost-effective way than the system proposed by the Judicial Council. Further, the report suggested that the Legislature had in mind a broader view of the office's role when it delineated the responsibilities of the office in statute. The SPD, however, did not advocate an expansion of the office's functions, staffing, or budget and did not provide any indication as to what resources it would need to provide expanded services for indigent defense.

We see no basis for excluding the SPD from consideration as a source of oversight for the appointment of private counsel. Nevertheless, it is unlikely that the SPD would be able to undertake such responsibilities effectively without additional resources. Furthermore, given the difficulties the SPD has had in filling its authorized staff positions, meeting its present workload targets, and developing an automated case tracking

**STATE PUBLIC DEFENDER—Continued**

system to provide basic caseload data requested by the Legislature, an expansion of the SPD's responsibilities, in our judgment, would be premature at this time.

**ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS**

Item 8160 from the General  
Fund

Budget p. GG 15

Requested 1985-86 .....	\$4,000,000
Estimated 1984-85 .....	4,486,000
Actual 1983-84 .....	3,800,000
Requested decrease \$486,000 (-10.8 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Reimbursement Rates. Recommend that language be included in the Budget Act directing the State Controller to reimburse counties for attorneys, investigators, expert witnesses, and other personal services according to specified guidelines. Further recommend that legislation be enacted permanently establishing the Controller's authority to enforce these guidelines.

1467

**OVERVIEW OF THE BUDGET REQUEST**

Under Ch 1048/77, the state reimburses counties for the costs they incur in paying investigators, expert witnesses, and other individuals whom trial judges determine are necessary to prepare the defense of indigents in capital cases. The budget proposes an appropriation of \$4,000,000 from the General Fund for assistance to counties for the defense of indigents in 1985-86. This is \$486,000, or about 11 percent, *below* estimated current-year expenditures for this program.

**ANALYSIS AND RECOMMENDATIONS****Proposed Funding May Not Be Adequate**

Our review of the expenditure trends for this program indicates that the \$4 million requested in the budget for 1985-86 may be inadequate.

A deficiency allocation has been needed in each of the last several years to fund program costs. In 1982-83, for example, the Controller received a \$1.2 million deficiency allocation to pay outstanding claims. The Controller also received deficiency amounts of \$2.8 million in 1983-84 and \$486,000 in 1984-85. A further deficiency allocation may be needed to pay all claims in the current year. These deficiencies show that the annual Budget Act appropriation has consistently understated program costs.

Both the Department of Finance and the Controller anticipate the need for a deficiency allocation in the budget year. Because program costs in prior years have fluctuated, and given the unpredictability of county costs in the future, however, we have no basis for recommending an adjustment to the budgeted amount at this time.

**Permanent Reimbursement Rate Regulations Needed**

*We recommend that the Legislature adopt Budget Act language directing the Controller to use specified reimbursement rate guidelines in paying fees for various personal services, because the authority to use the existing regulations has expired. We further recommend that legislation be enacted to establish permanently the Controller's authority to enforce these guidelines.*

The 1983 Budget Act required the Controller's office to develop regulations limiting state reimbursements to counties for the costs of attorneys, investigators, expert witnesses, and other personal services needed for the defense of indigents in capital cases. The Controller's office completed the regulations pursuant to the Budget Act requirement, and these regulations were approved by the Office of Administrative Law in February 1985. The regulations provide that:

- Attorney fees for defense costs are not reimbursable. Attorneys performing the services of investigators shall be paid at the investigator rate.
- Investigator fees shall not exceed the prevailing rate paid investigators performing similar services in capital cases.
- Expert witness and consultant fees shall be reimbursed if they are "reasonable." Reasonableness is determined by the rate paid other experts for similar services or the customary fees approved by the court for similar services.

Although the regulations adopted by the Controller did not establish specific fees for these services, the regulations provide guidance for judges and the Controller in determining what fee levels are reimbursable. The Controller advises, however, that because the authority to adopt the regulations was contained in the 1983 Budget Act, the regulations apply only to claims attributable to fiscal year 1983-84. The Controller continues to use these guidelines for reimbursement but indicates that, technically, it lacks authority to do so.

Accordingly, so that the Controller can continue to use existing reimbursement rate guidelines to limit state costs for various personal services, we recommend that the following language be included in the Budget Act:

Item 8160-111-001. "Payments made pursuant to this item shall be made in accordance with regulations adopted pursuant to Item 8160-111-001, Provision 2 of the 1983 Budget Act (Chapter 324, Statutes of 1983), concerning compensation of attorneys, investigators, expert witnesses, and other expenses."

We further recommend that legislation be enacted permanently establishing the Controller's authority to enforce these regulations.

**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS**Item 8180 from the General  
Fund

Budget p. GG 16

Requested 1985-86 .....	\$1,000,000
Estimated 1984-85.....	1,000,000
Actual 1983-84 .....	782,000
Requested increase: None	
Total recommended reduction .....	None

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

1. Reimbursement Rate Regulations. Recommend that the Controller's office report to the legislative fiscal committees prior to budget hearings on its progress toward adopting reimbursement rate guidelines as required by the *Supplemental Report of the 1984 Budget Act*.

1469

**GENERAL PROGRAM STATEMENT**

The state reimburses counties for 80 percent-to-100 percent of the costs for each homicide trial which exceed the amount of revenue derived from specified property tax revenues. The program provides state assistance to ensure that counties are able to conduct trials and carry out the prosecution of homicide cases without seriously impairing their finances. The State Controller administers the program. In 1983-84, the last year for which the State Controller has data, the state paid claims submitted by two counties for three homicide trials.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$1 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is the same as the amount budgeted in the current year for this program.

Table 1

**Reimbursements to Counties for Costs of Homicide Trials  
1973-74 through 1985-86**

<i>Fiscal Year</i>	<i>Expense</i>
1973-74.....	\$164,824
1974-75.....	55,000
1975-76.....	199,727
1976-77.....	1,182
1977-78.....	—
1978-79.....	424,842
1979-80.....	1,208,724
1980-81.....	1,121,000
1981-82.....	1,325,000
1982-83.....	1,325,000
1983-84.....	782,000
1984-85 (estimated) .....	1,000,000
1985-86 (proposed) .....	1,000,000

The budget projects that *total* expenditures for the specified homicide trials will be \$1.1 million in 1985-86. This is an increase of \$100,000, or 10 percent, over current-year estimated expenditures. The increase reflects the estimated amount counties will pay for the trials pursuant to a new law which changes the state reimbursement standard and requires a county share beginning January 1, 1985. (The details of the legislation are discussed below.) Table 1 displays state reimbursement for homicide trial expenses from 1973-74 to 1985-86.

There is no way to forecast the number and dollar value of future claims for reimbursement of homicide trial costs. Consequently, we have no basis for recommending any change in the budgeted amount.

#### **Reimbursement Rate Modified**

Chapter 1469, Statutes of 1984 (AB 1813), modified the standards for providing state reimbursement to counties for homicide trial expenses. Specifically, the measure reduces by one-half the amount that counties must spend on a homicide trial in order to receive state reimbursement for costs associated with that trial. Specifically, the threshold rate was reduced from .0125 of 1 percent to .00625 of 1 percent of the full value of property assessed for purposes of taxation within the county.

In addition, the measure establishes different reimbursement rates for large and small counties. Once trial expenses exceed the threshold level, large counties (those having more than 300,000 residents at the 1980 decennial census) receive for 80 percent of the additional costs up to the point where trial expenses reach a second threshold. From this point on, large counties receive state reimbursement for 100 percent of the costs. Small counties receive reimbursement from the state for 90 percent of all expenses in excess of the first threshold amount.

Under prior law, counties qualified for state reimbursement of all trial costs in excess of an amount equal to .0125 of 1 percent of the specified property tax revenues.

Chapter 1469 is expected to increase General Fund costs for homicide trial expenses because an increased number of trials will qualify for reimbursement. The precise fiscal impact of the change in law cannot be estimated, however, because it is not possible to project the number, location, or cost of future homicide trials.

**Evaluation of Law Change Authorized.** Chapter 1469 also required the Office of Planning and Research (OPR) to complete by July 1, 1987 an evaluation of the impact that the change in reimbursement rates has had on counties. Pursuant to this requirement, the OPR requests \$60,000 in 1985-86 to hire a consultant and establish a task force composed of representatives of various state and local legal agencies. The OPR indicates that it will study various aspects of the reimbursement rate change, including the ability of local governments to control trial court costs.

#### **Controller Fails to Comply with Supplemental Report Requirements**

*We recommend that prior to budget hearings, the Controller's office report to the fiscal committees on its progress toward adopting guidelines concerning reimbursement rates for attorneys, investigators, and other personal services as it is required to do by the Supplemental Report of the 1984 Budget Act.*

The *Supplemental Report of the 1984 Budget Act* directs the State Controller to adopt guidelines for reimbursing counties for the costs of attorneys, investigators, and other personal services needed in homicide trials. The Legislature imposed this requirement in order to (1) provide

**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued**

specific guidance to judges in determining appropriate fees for such services and (2) clarify the Controller's practices for evaluating claims.

The guidelines were to supplement regulations concerning other homicide trial costs that were adopted by the Controller in April 1983. The 1983 regulations provide that:

- certain costs are not reimbursable (for example, books and magazine subscriptions),
- counties should seek written approval from the presiding judge for out-of-state or foreign travel,
- written contracts and adequate timekeeping records are required to support claims for the reimbursement of personal services,
- adequate records of costs must be kept,
- travel costs cannot exceed the rates at which the state reimburses state employees for their travel, and
- the fee paid to attorneys, investigators, and experts must be determined by the trial judge.

At the time this analysis was prepared, the Controller had not established guidelines specifically for fees paid to attorneys, investigators, and others, as it was directed to do by the Legislature. The Controller's office indicates that the reason why it has not complied with the directive is that the requirement is "inconsistent" with the requirements of the statute governing the homicide trial program (Government Code Section 15202). The Controller's office maintains that the statute authorizes reimbursement for costs above a threshold level.

Our analysis indicates that while current law and regulations do provide for reimbursement of homicide trial expenses above a threshold level, the law also authorizes the Controller's office to establish rules and regulations to carry out the provisions of the program. As a result, the Legislature's directive to prepare guidelines concerning attorney, investigator, and other personal services fees appears to clarify and be entirely consistent with existing law. Accordingly, we recommend that the Controller report to the fiscal committees prior to budget hearings on its progress toward adopting guidelines governing reimbursements for such services, as it is required to do by the *Supplemental Report of the 1984 Budget Act*.

## ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General  
Fund

Budget p. GG 16

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Requested 1985-86 .....	\$600,000
Estimated 1984-85.....	600,000
Actual 1983-84 .....	1,258,000
Requested increase: None	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

Under existing law, the Board of Control is the primary agency responsible for management of tort claims against the state. The board processes all such claims by referring them to the appropriate agency for comment, and then conducting an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred to that agency for investigation and litigation. The Department of Justice investigates all other claims to determine their validity, and provides legal services to the board.

Funds are appropriated in this item to pay claims of up to \$70,000 each against all General Fund agencies except the University of California (claims against the University are funded under Item 6440). The Department of Justice administers the funds and, with the approval of the Board of Control, directly settles any claim up to \$35,000. Approval of the Department of Finance must be obtained for the payment of any claim between \$35,000 and \$70,000. Claims above \$70,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$600,000 from the General Fund for payment of tort liability claims in 1985-86. This is the same amount that is estimated to be expended in 1984-85.

Our review of the budget indicates that the administration's policy for approving the payment of these claims has been revised. First, the Department of Finance has delegated approval authority to the Attorney General for claims below \$35,000. Previously, this authority was limited to claims below \$25,000. Second, claims up to \$70,000, rather than \$50,000, will be paid from this item with the approval of the Director of Finance. Claims over \$70,000, rather than \$50,000, will be submitted to the Legislature for approval.

The Department of Finance advises that these changes were made to adjust for inflation that has occurred since the current levels were set. Our analysis indicates that these changes are reasonable and we recommend approval of the appropriation requested in this item.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to the \$600,000 appropriated for claims against General Fund state agencies, \$8,556,000 is budgeted for claims against the Department of Transporta-

**ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued**

tion in 1985–86. Thus the total amount budgeted in 1985–86 for claims against state agencies is \$9,156,000.

The table also includes the amounts paid for tort liability insurance premiums. Although the state follows a policy of self insurance, a number of small policies are purchased for various reasons such as to fulfill equipment lease or revenue bonding requirements. The budget estimates that the state will spend \$453,000 on such policies in 1985–86. This amount is \$27,000, or 6.3 percent, more than the amount estimated to be expended in 1984–85. Funds for this purpose are included in the support appropriations of the various state agencies that purchase the insurance.

Since 1981, the Legislature has adopted Budget Act language prohibiting the use of funds appropriated in the budget to purchase discretionary tort liability insurance policies unless 30 days' advance notice and a cost-benefit analysis of the proposed policies are provided to the Joint Legislative Budget Committee. In 1983, the Legislature expanded this prohibition to include all commercial insurance policies. Similar language is proposed in Section 7.2 of the 1985 Budget Bill.

**Table 1**  
**Administration and Payment of Tort Liability Claims**  
**Summary of Statewide Activity**  
**1983–84 through 1985–86**  
**(dollars in thousands)**

	<i>Actual</i> <i>1983–84</i>	<i>Estimated</i> <i>1984–85</i>	<i>Proposed</i> <i>1985–86</i>	<i>Change From</i> <i>1984–85 to 1985–86</i>	
				<i>Amount</i>	<i>Percent</i>
1. Claims Payments					
a. Department of Justice					
General Fund .....	\$1,258	\$600	\$600	—	—
Special Funds .....	1,122	—	—	—	—
b. Department of Transportation (Special Funds) .....	7,223	8,149	8,556	\$407	\$5.0
c. Board of Control					
General Fund .....	—	60	—	–60	–100.0
Special Funds .....	—	539	—	–539	–100.0
Subtotals .....	\$9,603	\$9,348	\$9,156	–\$192	–2.1%
2. Staff Services					
a. Department of Justice					
General Fund .....	\$2,711	\$2,851	\$3,251	\$400	14.0%
Special Funds .....	2,630	2,139	2,263	124	5.8
b. Department of Transportation (Special Funds) .....	4,361	4,710	4,940	230	4.9
c. Board of Control..... (General Fund) .....	75	110	110	—	—
Subtotals .....	\$9,777	\$9,810	\$10,564	\$754	7.7%
3. Insurance Premiums					
a. General Fund .....	\$86	\$106	\$113	\$7	6.6%
b. Special Funds .....	256	320	340	20	6.3
Subtotals .....	\$342	\$426	\$453	\$27	6.3%
Totals .....	\$19,722	\$19,584	\$20,173	\$589	3.0%



**COMMISSION FOR ECONOMIC DEVELOPMENT**

Item 8200 from the General  
Fund

Budget p. GG 17

Requested 1985-86 .....	\$522,000
Estimated 1984-85.....	513,000
Actual 1983-84 .....	380,000
Requested increase (excluding amount for salary increases) \$9,000 (1.7 percent)	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The Commission for Economic Development (CED) was established in 1972 to provide guidance on statewide economic development by: (1) identifying and assessing regional and local economic development problems and making recommendations for solving them; (2) providing a forum for an ongoing dialogue on economic development issues between state government and the private sector; (3) identifying and reporting important secondary effects of regulations and economic development programs; and (4) undertaking special studies at the request of the Governor or the Legislature. The commission is composed of 17 members, including six members of the Legislature, and is chaired by the Lieutenant Governor.

In the current year, the commission's staff consists of nine positions.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes General Fund expenditures of \$522,000 to support the commission during 1985-86. This is \$9,000, or 1.7 percent, above current-year expenditures. The increase, which is due to salary adjustments and inflationary increases in operating expenses, will grow by the cost of any salary or benefit increases approved for 1985-86.

A summary of the commission's budget for the prior, current and budget years is shown in Table 1.

**Table 1**  
**Commission for Economic Development**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Category	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change from Current-Year	
				Amount	Percent
Personal Services .....	\$210	\$350	\$351	\$1	0.3%
Operating Expenses and Equipment .....	170	166	174	8	4.8
Total Expenditures .....	\$380	\$516	\$525	\$9	1.7%
<i>Funding Sources</i>					
General Fund.....	\$380	\$513	\$522	\$9	1.7%
Reimbursements .....	—	3	3	—	—
Personnel-Years .....	6.7	9.0	9.0	—	—

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

Our analysis indicates that the proposed budget for the commission is reasonable, and we recommend that it be approved.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General  
Fund

Budget p. GG 20

Requested 1985–86 .....	\$11,692,000
Estimated 1984–85.....	10,422,000
Actual 1983–84 .....	8,627,000
Requested increase (excluding amount for salary increases) \$1,270,000 (+12.2 percent)	
Total recommended reduction .....	122,000

1985–86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8260-001-001—Support	General	\$2,340,000
8260-001-890—Support	Federal Trust	(39,000)
8260-101-001—Local Assistance	General	9,352,000
8260-101-890—Local Assistance	Federal Trust	(848,000)
Totals		\$11,692,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Interagency Arts Coordination. Reduce Item 8260-101-001 by \$40,000 and Item 8240-001-001 by \$82,000 (General Fund).* Recommend elimination of funds for the Interagency Arts Coordination program because the council has no plans for the program. 1476
2. *Minority Arts Development Program.* Recommend that the council report prior to budget hearings on current and budget-year plans for the program. 1477
3. *Technical Issue. Reduce Item 8260-101-001 by \$24,000 and augment Item 8260-001-001 by \$24,000.* Recommend that a proposed budget reduction be reflected in administrative support rather than in local assistance. 1478

GENERAL PROGRAM STATEMENT

The California Arts Council's enabling legislation directs it to: (1) encourage artistic awareness and expression, (2) assist local groups in the development of arts programs, (3) promote the employment of artists in both the public and private sectors, (4) provide for the exhibition of artworks in public buildings, and (5) ensure the fullest expression of artistic potential. In carrying out this mandate, the Arts Council has focused its efforts on the development of grant programs to support artists in various disciplines.

The council has 52 authorized personnel-years during 1984-85.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes a General Fund appropriation of \$11,692,000 for the California Arts Council in 1985-86. This is an increase of \$1,270,000, or 12.2 percent, over estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

The budget proposal does not include any funds for the estimated amount of inflation adjustments for operating expenses and equipment (\$31,000). Presumably, these costs will be funded by diverting funds budgeted for other purposes.

In addition to the General Fund support, the budget indicates that the council will receive federal funds totaling \$887,000 in 1985-86. Thus, as summarized in Table 1, the council is proposing total expenditures of \$12,579,000, or 11.2 percent, above estimated current-year expenditures.

**Table 1**  
**California Arts Council**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
Cultural participation .....	\$1,629	\$2,139	\$2,229	\$90	4.2%
Grant expenditures .....	(1,174)	(1,634)	(1,716)	(82)	5.0
Administrative costs .....	(455)	(505)	(513)	(8)	1.6
Organizational grants .....	5,046	6,928	8,126	1,198	17.3
Grant expenditures .....	(4,064)	(5,834)	(7,010)	(1,176)	20.2
Administrative costs .....	(982)	(1,094)	(1,116)	(22)	2.0
Statewide projects .....	2,619	2,242	2,255	13	0.6
Grant expenditures .....	(1,978)	(1,450)	(1,450)	—	—
Administrative costs .....	(641)	(792)	(805)	(13)	1.6
Central Administration (distributed) .....	(1,133)	(1,249)	(1,200)	(-49)	-3.9
Unallocated General Fund reduction .....	—	—	-31	-31	NMF
Totals (all funds) .....	\$9,294	\$11,309	\$12,579	\$1,270	11.2%
Grant expenditures .....	(7,216)	(8,918)	(10,176)	(1,258)	(14.1)
Administrative costs .....	(2,078)	(2,391)	(2,403)	(12)	(0.5)
<b>Funding Sources</b>					
General Fund .....	\$8,627	\$10,422	\$11,692	\$1,270	12.2%
Federal funds .....	667	887	887	—	—
Personnel-years .....	51.2	52.0	51.0	-1.0	-1.9%

NMF: Not a meaningful figure.

The budget proposes to increase grants to artists and organizations by a total of \$1,282,000 in the budget year. In particular, the budget proposes to increase Artists in Residence grants by \$82,000, Artistic and Administrative Development grants by \$736,000, and Support to Prominent Organizations grants by \$400,000. In addition, the budget includes an additional \$64,000 for a new Minority Arts Development program established in the current year. This program is discussed in more detail later in this analysis.

**CALIFORNIA ARTS COUNCIL—Continued****ANALYSIS AND RECOMMENDATIONS****New Southern Regional Office Established in Van Nuys**

In approving the 1984 Budget Act, the Legislature provided for the establishment of a southern regional office for the council. The *Supplemental Report of the 1984 Budget Act* specifies that the new office must be located in a central area of Los Angeles. The Legislature also required the council to redirect one-half of the funds proposed for the support of a council staff assistant, or \$14,000, to provide operating equipment and overhead for support of the new office.

Prior to obtaining legislative approval for the office, the council had established administratively one special assistant position. The employee was hired in February 1983 and worked out of her home in Van Nuys until June 1983. At that time, the council opened an office in space borrowed from the Department of Rehabilitation, at the department's leased facility in Van Nuys.

Before signing the 1984 Budget Bill, the Governor vetoed the \$14,000 which the Legislature provided for operating expenses to support the southern regional office. His veto message indicated that the council's office should remain in the Department of Rehabilitation facility because it was rent-free. The council advises, however, that in July it was directed to seek other office space because the building lease had expired and the Department of Rehabilitation was no longer able to offer the council office space. The council subsequently moved to a new state building in Van Nuys, and is now paying for rent and additional operating expenses, presumably from funds budgeted for other purposes.

The council now employs two special assistants and one part-time clerical position in its Van Nuys office. The council advises that one of the special assistants is responsible for outreach activities to minority and ethnic artists art organizations, as required by provisions of the 1984 Budget Act.

**No Plans For Interagency Arts Funds**

*We recommend deletion of funds budgeted for the Interagency Arts program because no plans for the program have been prepared, for a General Fund savings of \$122,000 (\$40,000 in Item 8260-101-001 and \$82,000 in Item 8260-001-001).*

The budget requests \$122,000 for the Interagency Arts Coordination program which supports and co-sponsors arts programs with other state departments. This is approximately the same as the amount budgeted in the current year for this program. Of the amount requested, \$40,000 is requested for grants and approximately \$82,000 is requested for administrative support.

The council indicates that it currently is studying options for using the requested funds in the *budget year*, but has not finalized plans nor developed any interagency agreements with other state departments. This is the second year in a row in which the council has requested funds for this program without a specific plan for expenditure.

In addition, the council indicates that it has plans for only about \$3,000 of the funds budgeted in the current year, *even though the Governor indicated that such plans had been finalized when he vetoed language in the 1984 Budget Act requiring notification to the Legislature before funds could be spent for the program.*

Without any information on how the requested funds for this program will be spent, we have no basis for recommending approval of the request. Consequently, we recommend deletion of the funds requested for the Interagency Arts Coordination program, for a General Fund savings of \$122,000.

#### **Supplemental Report on Ethnic, Minority, and Folk Arts**

The *Supplemental Report of the 1984 Budget Act* required the Arts Council to report to the Legislature by December 10, 1984, on (1) ways to make its grant application process more accessible for emerging, minority, and folk artists, (2) recommendations on how to make the type of applicants, the distribution of funds, and the composition of its selection panels more representative of the state's geographic, ethnic, and minority distribution, and (3) a breakdown of its 1984-85 applicants, grant awards, and panel members, by geographic region and ethnic and minority status.

The report indicates that the council has taken several steps to meet the Legislature's directive. First, at the Legislature's direction the council established a special assistant position to identify, assist, and inform minority arts organizations in the Los Angeles area of opportunities for Arts Council funding. Second, the report indicates that council staff met with over 1,000 artists and organizations to offer assistance prior to the deadlines for submitting 1984-85 grant applications, and sponsored a statewide conference on cultural and technical problems unique to the presentation of ethnic art. Third, the council modified its Support to Prominent Organizations program to require organizations receiving grants under this program to provide outreach and assistance to developing organizations. Fourth, the report indicates that the council has applied to the National Endowment for the Arts for funding to support a folk art coordinator position. The council indicates that it expects the endowment to approve its request; however, funds for the position are not included in the Governor's Budget.

The council's report also noted that last year the council modified its application criteria, which previously required that organizations receiving funding be in operation for at least three years prior to application. Guidelines now require that organizations be in operation for two years prior to application. The council indicates that this will make programs more accessible to emerging and developing organizations.

The council's major initiative in the area of minority arts development, however, is the establishment of a new program, which is described below.

#### **Uncertain Plans for New Minority Arts Development Program**

*We recommend that the Arts Council report to the fiscal committees prior to budget hearings on its plans for the Minority Arts Development program in the current and budget years.*

The Legislature adopted language in the 1984 Budget Act requiring the council to establish a new program for support of ethnic and minority art organizations and artists. The language specified that 5 percent of the General Fund amount budgeted for local assistance should be allocated to the program. The Governor, however, vetoed the language, indicating that establishment of the new program was premature because the council had recently changed eligibility requirements for grant applicants in such a way that could lead to an increase in the number of minority organizations receiving Arts Council funding.

**CALIFORNIA ARTS COUNCIL—Continued**

The budget indicates that the council will establish a Minority Arts Development program in the current year. The council has budgeted \$139,000 for this purpose (\$100,000 for local assistance and \$39,000 for administrative support) from an unallocated augmentation for local assistance provided by the Legislature in the 1984 Budget Act. In addition, the budget requests a \$68,000 augmentation from the General Fund (\$64,000 for local assistance and \$4,000 for support) for the program in 1985-86.

Our analysis indicates that the council has not fully developed plans for this program in either the current or budget year. The council originally intended to begin a pilot grants program in the current year to help established minority art organizations reach a higher level of administrative and artistic development. The pilot program would provide grants of approximately \$15,000 to \$35,000 each to between five and eight organizations for two years, subject to the availability of funds for the program. Because of time constraints and lack of plans, however, council staff now anticipate that the pilot grants program cannot begin operations until the budget year.

The staff is studying other possible uses of the funds for the current year, but final plans have not been made or approved by the council. In addition, the staff indicates that a package of other programs for minority arts development is being planned, but has not yet been finalized. Staff anticipates that the plans for the current-year program and guidelines for the pilot program will be submitted to the council at its meeting in March, for approval at the April meeting.

In addition to the pilot program, the council indicates that it is studying other options for minority arts programs for the budget year. At the time this analysis was prepared, however, plans were not fully developed.

Because of uncertainties regarding the council's plans for the Minority Arts Development program in the current and budget year, we recommend that the council report to the Legislature, prior to budget hearings, on: (1) its specific plans for current year, (2) the development of guidelines for the pilot grant program, and (3) other efforts planned for the budget year for the Minority Arts Development program.

**Technical Issue**

*We recommend that Item 8260-101-001 be augmented by \$24,000 and Item 8260-001-001 be reduced by \$24,000 because of a technical budgeting error.*

The council proposes the reduction of \$24,000 and the elimination of one staff services analyst position because of administrative efficiencies in the organizational grants program. This amount, however, was reduced from the council's budget for local assistance grants, rather than from its budget for administrative support. Because of this technical error, we recommend that the local assistance item be augmented by \$24,000 and the support item be reduced by the same amount.

**NATIVE AMERICAN HERITAGE COMMISSION**Item 8280 from the General  
Fund

Budget p. GG 26

Requested 1985-86 .....	\$264,000
Estimated 1984-85 .....	233,000
Actual 1983-84 .....	140,000
Requested increase (excluding amount for salary increases) \$31,000 (+13.3 percent)	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The nine-member Native American Heritage Commission (NAHC) was established on January 1, 1977 by Ch 1332/76. Its responsibilities and powers are directed toward the identification, cataloging and preservation of places of special religious or social significance to Native Americans, in order to ensure the expression of Native American religion. In addition, Ch 1492/82 authorized the commission to mediate between Native Americans and landowners, developers, or public agencies in order to mitigate any adverse impact to sacred sites. Commission members are appointed by the Governor and serve without compensation, although they are reimbursed for their actual and necessary expenses. The commission is authorized 4.3 positions in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$264,000 from the General Fund for support of the commission in 1985-86. This is \$31,000, or 13.3 percent, above estimated expenditures in the current year. The increase will grow by the amount of any salary or benefit increase approved for the budget year.

The budget also proposes expenditures of \$30,000 from reimbursements—the same amount as estimated for the current year. Thus, total commission expenditures are proposed at \$294,000 in the budget year.

As shown in Table 1, the \$31,000 increase consists of (1) \$4,000 in inflation adjustments for various operating expenses, (2) \$11,000 in expenses for in-state and out-of-state travel, and (3) \$16,000 in personal services costs, of which \$11,000 reflects workload adjustments.

**Table 1**  
**Native American Heritage Commission**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1984-85 Expenditures (Revised) .....	\$233
Proposed Changes:	
1. Inflation adjustments .....	4
2. Travel expenses .....	11
3. Personal services .....	16
1985-86 Expenditures (Proposed) .....	\$264
Change from 1984-85:	
Amount .....	\$31
Percent .....	13.3%

**NATIVE AMERICAN HERITAGE COMMISSION—Continued**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The commission is proposing to increase in-state travel for its members. This increase will cover the commissioners' expenses for site visits to reburials, excavations, and sacred sites, and to maintain contact with the represented tribal groups and the NAHC office. The commission is also requesting a new staff services analyst position, which will be partially offset by a reduction of 0.5 personnel-year and \$9,000 previously budgeted for temporary help. The commission indicates that this new position will be primarily dedicated to the sacred land files project mandated by Ch 1492/82, which requires the commission to complete the identification and cataloging of known graves and cemeteries by January 1, 1984. The commission, however, was unable to meet this deadline, due to a reduction in staff in 1982-83 and 1983-84.

**AGRICULTURAL LABOR RELATIONS BOARD**

Item 8300 from the General

Fund

Budget p. GG 28

Requested 1985-86 .....	\$8,095,000
Estimated 1984-85.....	8,127,000
Actual 1983-84 .....	7,369,000
Requested decrease (excluding amount for salary increases) \$32,000 (-0.4 percent)	
Total recommended increase .....	100,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Unfair Labor Practices (ULP) Charge Processing. Recommend that the General Counsel adopt workload and performance standards for ULP charge processing and provide these prior to the budget hearings to the fiscal committees and to the Joint Legislative Budget Committee (JLBC). Further recommend that the General Counsel report quarterly to the fiscal committees and to the JLBC on the status of ULP charges. 1485
2. Compliance Policy. Recommend that the board and the General Counsel establish a timetable for implementation of an active compliance policy and report prior to the budget hearings on this matter. Further recommend that the board and counsel report quarterly to the fiscal committees and to the Joint Legislative Budget Committee regarding the extent to which they have complied with the timetable. 1486
3. *Compliance Backlog. Augment Item 8300-001-001 by* 1487



**\$100,000.** Recommend augmentation for use by the General Counsel in reducing the backlog in cases awaiting back-pay or make-whole specifications.

### GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board (ALRB) protects the rights of agricultural workers to join employee organizations, bargain collectively with their employers, and engage in concerted activities through representatives of their own choosing. Agricultural workers are excluded from coverage under the federal National Labor Relations Act, which guarantees similar benefits to other workers in the private sector.

Current-year staffing for the board is 143.8 personnel-years.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$8,095,000 from the General Fund for support of the ALRB in 1985-86. This is a decrease of \$32,000 or 0.4 percent, below estimated current-year expenditures. This decrease, however, will be more than offset by the cost of any salary or staff benefit increase that may be approved for the budget year.

The budget does not provide funds for inflation adjustments to operating expenses (\$95,000) or to fully fund merit salary adjustments (\$24,000 in 1985-86). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 1 shows personnel-years and expenditures for the board in the past, current and budget years. The budget proposes the same number of authorized positions for the agency in 1985-86 that it has in 1984-85. Due to a higher level of estimated salary savings in the budget year, however, the budget provides funding for 2.3 fewer personnel-years.

**Table 1**  
**Agricultural Labor Relations Board**  
**Program Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Change, 1985-86 Over 1984-85</i>	
	<i>Esti-</i>			<i>Esti-</i>			<i>1985-86 Over 1984-85</i>	
	<i>Actual 1983-84</i>	<i>mated 1984-85</i>	<i>Proposed 1985-86</i>	<i>Actual 1983-84</i>	<i>mated 1984-85</i>	<i>Proposed 1985-86</i>	<i>Amount</i>	<i>Percent</i>
Board Administration .....	56.4	65.0	64.2	\$2,952	\$3,945	\$3,952	\$7	0.2%
General Counsel .....	92.3	78.8	77.3	4,431	4,182	4,262	80	1.9
Administrative Services (dis- tributed) .....	(14.3)	(16.4)	(16.2)	(617)	(775)	(792)	(17)	(2.2)
Unallocated Reduction .....	—	—	—	—	—	-119	-119	—
Totals .....	148.7	143.8	141.5	\$7,383	\$8,127	\$8,095	-\$32	-0.4%

Table 2 shows the changes which the Governor proposes in the ALRB budget for 1985-86. The major proposed increases would fund baseline salary and benefit adjustments (\$120,000) and two new attorney positions for the board (\$119,000).

The \$157,000 reduction shown in Table 2 reflects the elimination of one-time funds provided in the current year for legal expenses. The Department of Finance has approved a deficiency authorization for the board in this amount. The funds will be used for outside legal counsel

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

(\$71,000) and Attorney General support (\$86,000) in order to defend various board members and staff in two pending federal lawsuits. The budget assumes that these costs will not continue into the budget year. Discussions with staff of the ALRB indicate, however, that it is possible—perhaps even *likely*—that these legal cases will continue beyond June 30, 1985.

**Table 2**  
**Agricultural Labor Relations Board**  
**Proposed Budget Changes**  
**1985-86**  
**(dollars in thousands)**

	<i>General Fund</i>
1984-85 Expenditures (Revised) .....	\$8,127
<i>Baseline Adjustments:</i>	
Salary and benefit adjustments .....	\$120
Increase salary savings .....	-78
Equipment purchases .....	5
Subtotal, Baseline Adjustments .....	(\$47)
<i>Workload Adjustments</i>	
Decrease temporary help .....	-\$17
Elimination of one-time expense for outside counsel .....	-157
Subtotal, Workload Adjustments .....	(-\$174)
<i>Program Changes</i>	
New board attorneys .....	\$119
Reduction in merit salary adjustments .....	-24
Subtotal, Program Changes .....	(\$95)
1985-86 Expenditures (Proposed) .....	\$8,095
Change from 1984-85:	
Amount .....	-\$32
Percent .....	-0.4%

**ANALYSIS AND RECOMMENDATIONS****A. OVERVIEW OF WORKLOAD TRENDS**

The ALRB protects the rights of agricultural workers through two means. First, it conducts and certifies elections for representation. Second, it investigates charges, litigates complaints, and issues decisions requiring the remedy of unfair labor practices. Table 3 summarizes the basic workload indicators for the ALRB for fiscal years 1981-82 through 1984-85.

The table shows that workload in two key areas—elections held and unfair labor practice (ULP) charges filed—is less in the current year than in prior years. For example, in the first half of 1984-85, the board conducted only half the number of elections (13) it conducted during the same period in 1983-84 (26), and the number of ULP charges filed during the first six months of the current year (331) amounted to only 65 percent of the number filed during the same period in 1983-84 (513). In addition, the number of ULP charges filed in 1983-84 was substantially less than the number filed in 1982-83. While both the number of charge filings and election activity are difficult to predict, information currently available suggests that there is a *downward trend* in the level of activity in both workload categories.

**Table 3**  
**Agricultural Labor Relations Board**  
**Selected Workload Indicators**  
**1981-82 through 1984-85**

	1981-82	1982-83	1983-84	1984-85 (Half-Year)
<i>Representation Issues</i>				
Election petitions .....	38	69	53	25
Elections held .....	25	36	41	13
Elections where objections were filed .....	14	21	26	8
ALJ decisions to which parties filed exceptions.....	16	5	10	2
Election decisions issued .....	17	9	11	3
<i>Unfair Labor Practices</i>				
Charges filed .....	930	1,218	882	331
Complaints issued.....	137	85	65	20
Hearings opened .....	90	111	45	14
Board decisions issued.....	62	83	49	16
Board decisions appealed to the court .....	82	92	56	27
Court decisions issued.....	16	16	24	4

### B. ULP CHARGE PROCESSING

In our analysis of the ALRB budget for 1984-85 (please see *Analysis of the 1984-85 Budget Bill*, p. 2005), we noted that there was a backlog of ULP charges which had not been investigated fully. In December 1983, there were 1,091 charges either awaiting investigation or in the process of being investigated. This backlog had built up because field staff were completing charge investigations at a rate below the rate at which new charges were being filed.

Since that time, the ALRB has made some progress in reducing the number of uninvestigated charges. By December 1984, the number of charges pending had dropped to 773.

#### Reasons for the Backlog Reduction

Our analysis indicates that the number of ULP charges awaiting investigation has dropped, for two reasons. First, the rate at which *new* ULP charges are being filed has decreased, thus enabling regional staff to redirect some of their time from the investigation of current charges to the investigation of old charges. Second, *dismissals* as a proportion of ULP charge dispositions has increased. Since dismissals often occur at an *early* stage in the ULP charge process, an increase in this rate "frees up" time for other charges.

Table 4 illustrates both of these trends. First, it indicates that so far in the current year the number of charges disposed of by the ALRB (533) is 61 percent greater than the number of charges filed during that same period (331). Consequently, for the first time since 1981-82, the agency's backlog is falling. Second, it shows that the dismissal rate in the current year—75.6 percent of all disposed charges—is significantly higher than it has been in past years.

The higher dismissal rate may reflect, in part, the fact that many of the cases being disposed are old. Often, the mere passage of time will cause many charges to become moot. For example, some backlog charges have been dismissed because one or more of the parties to the charge no longer can be found. Recent data, however, suggests that a larger percentage of charges filed during the first six months of 1984-85 are also being dismissed than was true in prior years. Of the 63 ULP charges both filed and disposed of in the current year, 45, or 71 percent, were dismissed.

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

**Table 4**  
**Agricultural Labor Relations Board**  
**Disposition of ULP Charges**  
**1979-80 through 1984-85**

	Charges Filed	Charges Disposed									
		Total	Withdrawn		Dismissed		Settled		In Com- plaint		
			Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
1979-80 .....	1,302	993	279	28.1%	260	26.2%	16	1.6%	438	44.1%	
1980-81 .....	938	1,003	160	15.9	411	41.0	6	0.6	426	42.5	
1981-82 .....	930	1,065	195	18.3	492	46.2	12	1.1	366	34.4	
1982-83 .....	1,218	782	164	21.0	393	50.3	33	4.2	192	24.5	
1983-84 .....	882	769	102	13.3	424	55.1	81	10.5	162	21.1	
1984-85 (Half-year)	331	533	27	5.1	403	75.6	30	5.6	73	13.7	

We currently do not know how to interpret this growth in the rate at which charges are dismissed. In part, it seems to reflect the age of the charges. It also may be due partially to: (1) a change in the kinds of ULP charges being filed at the regional level or (2) changes in agency policy for pursuing the investigation and litigation of charges.

**The ULP Charge Backlog Persists**

Despite the General Counsel's progress in reducing the number of pending charges, there is still a substantial number of active cases which have not been disposed of within the ALRB's own time guidelines. In 1980, the ALRB established a requirement that a charge be disposed of within 60 days of being filed. This target can serve as a general standard for use in measuring the extent of the ALRB's backlog.

Table 5 shows the "age" of 641 active ULP charges as of December 31, 1984. (The 641 charge level is less than the total cited above—773. We are not able to reconcile these two figures, one of which is derived from a manual count while the other comes from the ALRB's new computerized tracking system.) The table indicates that only 87 outstanding charges, or 14 percent of the total were *less* than 60 days old. More significantly, it shows that 252 charges, or two-fifths of the total are *more than one year old*.

**Table 5**  
**ULP Charges**  
**Number of Active Charges by Age**  
**December 31, 1984**

Region	Less than 60 days	60-180 days	180-365 days	More than 365 days
Delano .....	25	92	54	150
El Centro .....	22	23	23	26
Oxnard .....	9	3	2	37
Salinas .....	31	59	46	39
Totals .....	87	177	125	252

Table 5 includes both charges filed in the current year and those which have carried over from prior years. We have attempted to separate these

two components of the workload in order to assess the extent to which the backlog is affecting the General Counsel's ability to meet its time guidelines on new charges.

The average processing time for those charges both filed and closed in the current year (63 total) was approximately 74 days. This figure, however, understates the average charge processing time because the vast majority of charges filed in the current year—268—were still outstanding in the regions as of December 31. These charges were, on average, 84 days old, and the “clock was still running” on them.

#### **General Counsel Should Report on Case-Tracking Information**

*We recommend that the General Counsel adopt workload and performance standards for regional staff in processing ULP charges and provide these to the fiscal committees and to the Joint Legislative Budget Committee prior to the budget hearings. We further recommend that the General Counsel report quarterly during 1985-86 on the status of ULP charges.*

At this time, it is difficult for us to assess the adequacy of General Counsel staff in handling its ULP charge workload. Given, however, the current rate of charge filings—which is *down* considerably from prior years—it *may* be that the General Counsel's office *can* keep up with its 1985-86 workload while at the same time reducing its backlog to a reasonable level.

We believe, however, that the General Counsel should take two actions which would help the Legislature in evaluating the ALRB's staffing requirements. First, the General Counsel should adopt workload and performance standards for regional personnel who investigate and process ULP charges. These standards are critical to the determination of (1) the adequacy of current staffing levels and (2) the evaluation of charge backlogs.

Second, the General Counsel should report to the Legislature on a regular basis the status of its ULP charge workload. The General Counsel's office has developed a computerized case-tracking system that has the ability to provide the Legislature with information on how the ALRB is disposing of its charges.

Accordingly, we recommend that the General Counsel adopt workload and performance standards for regional staff in processing ULP charges and provide these standards to the fiscal committees and the Joint Legislative Budget Committee (JLBC) at the budget hearings.

We further recommend that the General Counsel report on a quarterly basis to the Legislature and to the JLBC concerning the status of ULP charges. Adoption of the following supplemental report language would implement this recommendation:

The General Counsel shall report on a quarterly basis concerning the status of all ULP charges. The information reported shall include, but not be limited to: the number of charges filed during the quarter, and beginning- and end-of-quarter counts of open charges; a distribution of (a) the age-to-disposition of all charges closed during the quarter, and (b) the age of all open charges; an accounting of the way in which charges were disposed; and a count of the number of charges which do not meet charge processing guidelines established by the General Counsel. This report shall be submitted to the fiscal committees and to the Joint Legislative Budget Committee by the fifteenth of each month following the end of the quarter.

**AGRICULTURAL LABOR RELATIONS BOARD—Continued****C. COMPLIANCE WITH BOARD DECISIONS****The ALRB Needs an Ongoing Compliance Policy**

Compliance is the process by which regional personnel ensure that remedies prescribed by the board are implemented. It may involve (1) posting notices at the worksite, (2) reading a remedy to affected workers or employers, (3) reinstating workers in their jobs, or (4) calculating, collecting, and distributing wages owed to workers because the employer engaged in an unfair labor practice. It is this last category which comprises the majority of compliance workload.

In our analysis of the ALRB's budget for 1984-85, we noted that it had not developed an adequate compliance policy detailing staffing standards or budget and work priorities. We also noted that there was a growing number of cases in which the ALRB had failed to proceed on compliance, even though the board orders requiring certain remedies were final (please see *Analysis of the 1984-85 Budget Bill*, pp. 2005-2007).

Last, year, the General Counsel testified before the Legislature that he was in the process of implementing an active compliance policy. Specifically, the counsel stated that: (1) he had appointed an acting compliance officer, (2) he was pursuing a survey of open compliance cases in order to determine the status of each case, and (3) he was developing, in conjunction with the board, a compliance manual which would outline ALRB procedures for processing compliance cases and for determining back-pay and make-whole awards.

Our review of the board's proposed budget indicates that there currently are more than 80 cases which require some compliance effort on the part of regional staff, while approximately 70 additional cases are on appeal in the courts. Hence, there is a potential compliance workload of about 150 cases which may require action in the future by regional staff.

Our analysis further indicates that the ALRB is encountering continuing problems and delays in implementing a workable compliance policy.

For instance, we found that:

- At the time this analysis was prepared, the General Counsel had not yet appointed a *permanent* compliance officer with clearly defined responsibilities.
- While the survey of open compliance cases is nearly complete, it frequently does not specify the number of employees affected by the order or what has been accomplished to date in pursuing compliance. Nor does the survey include projected dates for completion of back-pay or make-whole specifications where applicable.
- The compliance manual is still in draft form and estimates of its final release date range from two months to more than six months. In the meantime, there are no consistent guidelines and performance standards which govern compliance efforts by regional staff.

**The ALRB Should Report on Compliance Efforts**

*We recommend that, prior to the budget hearings, the board and the General Counsel develop a timetable for implementing an active compliance policy which includes performance standards and case processing guidelines. We further recommend that the board and General Counsel report jointly on a quarterly basis regarding their progress in meeting the timetable.*

Our analysis indicates that the ALRB is still a long way from implementing a workable compliance program. The ALRB still needs to develop work standards and processing guidelines in order to (1) assess its own performance in pursuing compliance and (2) provide the Legislature with the information it needs in order to budget for and monitor the agency's compliance efforts.

We recommend, therefore, that the Legislature direct the board and the General Counsel to develop a timetable for implementing a workable compliance policy and submit this timetable to the Legislature prior to budget hearings.

Furthermore, in order to evaluate the ALRB's progress in complying with this timetable, we recommend that the Legislature direct the board and the General Counsel to report quarterly during the budget year by adopting the following supplemental report language:

The Agricultural Labor Relations Board and the General Counsel shall report jointly on a quarterly basis to the fiscal committees and to the Joint Legislative Budget Committee on their progress in implementing a comprehensive internal policy for compliance cases. The report shall be submitted on the last day of each quarter in 1985-86. The information provided pursuant to this directive shall include an assessment of the ALRB's progress towards: issuance of a compliance manual; development of workload, staffing and performance standards; designation of a compliance officer; and implementation of a comprehensive compliance case-tracking system.

#### **Compliance Backlog Indicates Need for Short-term Additional Resources**

*We recommend a \$100,000 augmentation to the budget for the Agricultural Labor Relations Board in order to provide the resources needed to eliminate the backlog in compliance cases currently waiting for specifications to be issued by regional offices.*

Information provided by ALRB staff indicates that, as of December 31, 1984, 37 compliance cases lacked "specifications" of back-pay or make-whole remedies. The issuance of a specification, which involves the computation of the total amount of wages, benefits and interest owed to each worker affected by a decision, is the first step in the compliance process in those cases where board decisions require monetary remedies. Only four of these 37 cases are less than six months old, while 25 cases are more than one year old. One of the cases became final in 1981.

The General Counsel testified last year that the ALRB has sufficient staff to pursue ongoing compliance workload because staff could be diverted to compliance from charge processing once the ULP charge backlog had been eliminated. As noted above, however, the ALRB still has a considerable backlog of ULP charges awaiting disposition.

While the ALRB has no workload or staffing standards by which to assess the need for permanent additional resources, the evidence clearly indicates that it needs additional resources on a one-time basis in order to eliminate the backlog of cases for which compliance specifications have not yet been issued.

Accordingly, we recommend that the budget for the General Counsel be augmented for the purpose of reducing the backlog in compliance cases. Our analysis indicates that a one-time increase of \$100,000 would allow the ALRB to reduce considerably the existing compliance backlog.

We further recommend that these funds not be encumbered for any purpose unless prior notification has been given to the Joint Legislative

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

Budget Committee and the fiscal committees. The following Budget Bill language is consistent with this recommendation:

Of the funds appropriated in Item 8300-001-001, \$100,000 is designated for the processing of cases requiring back-pay or make-whole remedies in accordance with final board orders. These funds shall be encumbered by the General Counsel or the board no sooner than 30 days prior to notification to the Joint Legislative Budget Committee and fiscal committees of the plan for their expenditure.

**PUBLIC EMPLOYMENT RELATIONS BOARD**

Item 8320 from the General Fund	Budget p. GG 33
Requested 1985-86 .....	\$5,521,000
Estimated 1984-85.....	5,481,000
Actual 1982-83 .....	4,672,000
Requested increase (excluding amount for salary increases) \$40,000 (+0.7 percent)	
Total recommended reduction .....	70,000
Recommendation pending .....	95,000

<b>SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. Ongoing Elections Workload. Withhold recommendation on \$95,000 requested to fund elections workload, pending receipt of revised workload estimates.	1490
2. <i>Funding for New Research Projects. Reduce Item 8320-001-001 by \$70,000.</i> Recommend deletion of funds proposed for four research projects because PERB has not provided adequate justification for these projects.	1490
3. Work-Study Student Assistants. Recommend that the board report at budget hearings on the feasibility of obtaining federal work-study funds to support these positions, and on evidence that contracting for the positions is the most cost-effective method of obtaining these services.	1491

**GENERAL PROGRAM STATEMENT**

The Public Employment Relations Board guarantees to public education and state employees the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages, and working conditions. It does so by administering three state laws: (1) the Education Employment Relations Act (EERA), which affects public education employees (K through 14), (2) the State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA).

The Board is authorized 95.3 personnel-years in 1984-85.



**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$5,521,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1985-86. This is an increase of \$40,000, or 0.7 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposal does not include any funds for the estimated cost of merit salary increases (\$56,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$48,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 1 shows the board's proposed expenditures and personnel-years, by program, for the prior, current and budget years.

**Table 1**  
**Public Employment Relations Board**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85	
				Amount	Percent
Dispute Resolution .....	\$3,811	\$4,340	\$4,507	167	3.8%
Representation Determination .....	861	981	1,118	137	14.0
Administration (distributed) .....	(\$968)	(1,020)	(1,173)	153	15.0
Totals, Support Costs .....	\$4,672	\$5,321	\$5,625	\$304	5.7%
HEERA Implementation <sup>a</sup> .....	—	160	—	-160	-100.0
Unallocated Reduction for MSA and operating expenses .....	—	—	-104	-104	—
Totals .....	\$4,672	\$5,481	\$5,521	\$40	0.7%
Personnel-years .....	89	95.3	95.3	—	—

<sup>a</sup> One-time costs funded from a reappropriation.

Table 2 shows the changes in the board's General Fund support expenditures proposed for 1985-86. The major increases consist of (1) an adjustment for ongoing elections workload (\$95,000) and (2) an expansion of the board's research activity (\$70,000). The major decreases are due to (1) the elimination of funding for one-time elections workload (\$80,000) and (2) the completion of a one-time research project authorized by Ch 1759/84 (\$80,000).

**Table 2**  
**Public Employment Relations Board**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	General Fund
1984-85 Expenditures (Revised) .....	\$5,481
<i>Baseline Adjustments</i>	
Salary and Benefit Adjustments .....	19
Salary Savings Adjustment .....	-2
Reduction in Purchase of Basic Equipment .....	-5
Reduction in HEERA Implementation Costs .....	-80
One-time Costs of Ch 1759/84—Research .....	-80
Subtotal, Baseline Adjustments .....	(-\$148)

**PUBLIC EMPLOYMENT RELATIONS BOARD—Continued***Workload Adjustments*

Adjustment for Ongoing Elections Workload.....	\$95
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*Program Changes*

Expand the Board's Research Function .....	70
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Contract for Legal Interns.....	23
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Subtotal, Program Changes .....	(\$93)
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1985-86 Expenditures (Proposed) .....	\$5,521
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*Changes from 1984-85:*

Amount .....	\$40
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Percent .....	0.7%
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**ANALYSIS AND RECOMMENDATIONS****PERB Should Update Elections Prediction**

*We withhold recommendation on \$95,000 requested to fund ongoing elections workload, pending receipt of revised workload estimates from the board.*

The board proposes an increase of \$95,000 in order to accommodate expected elections workload in the budget year. The PERB holds elections to determine union representation, decertify a representative or decide organizational security issues.

At the time this analysis was prepared, we were unable to draw any conclusions about the extent to which the proposed augmentation is warranted, for two reasons. First, information provided by the board on the number of projected elections it expects to conduct in 1985-86 does not agree with the data presented in the Governor's Budget. The PERB has not been able to reconcile this discrepancy. Second, PERB staff inform us that a better prediction of election workload can be made after March because petitions for decertification can be filed with PERB during March for contracts expiring at the close of the current fiscal year. The number of petitions filed in March can be used to partially predict the workload for the budget year.

Consequently, we withhold recommendation on the \$95,000 augmentation requested for PERB's elections workload, pending receipt and evaluation of revised workload estimates from the board.

**Research Proposal Is Not Adequately Justified**

*We recommend that \$70,000 requested from the General Fund for four research projects be deleted because the board has not adequately justified the need for or cost of the proposed projects.*

The budget proposes \$70,000 for support of four research projects. Specifically, the board proposes to:

- Develop a reference file on provisions of public sector contracts;
- Study public sector salaries and benefits and create a data base for reference purposes;
- Design and implement broad-based studies of unfair labor practices and their correlation with demographic factors; and
- Design a research methodology for evaluating factfinding and other impasse determination techniques.

The board proposes to spend \$16,000 per project for outside consultants and \$6,000 for in-house operating expenses.

We have the following concerns with the PERB's research proposal:

- ***The PERB has not established that the information that would be gathered by these studies is unavailable from other sources.*** The PERB staff maintain that one goal of creating these public sector employment relations data bases is to provide information to parties engaged in collective bargaining. It is unclear, however, that the parties involved in collective bargaining cannot obtain the information without PERB's help. Most employers and employee representatives have professional contacts in other public agencies and districts, as well as other sources of information (such as comparability studies). In addition, the Department of Industrial Relations' Division of Labor Statistics and Research (DLSR) already codes data from many public sector employment contracts, and this information is available for public use. Consequently, it would appear that the studies proposed by PERB may well duplicate the efforts of DLSR and others.
- ***The amount of funding requested is not sufficient to complete the research projects.*** Our analysis indicates that the amount requested for each project does *not* cover the full cost of the study. The PERB has not estimated the extent to which the funds proposed will be adequate to cover the costs of research design, computer programming, information collection and input, data analysis and writing the reports. Further, staff at PERB indicate that there would be ongoing annual costs associated with some or all of the studies because PERB would need to respond to requests for information and periodically update the information contained in the reports. These costs have not been evaluated by the PERB.
- ***The PERB does not propose to reimburse the General Fund for the costs it would incur in providing this service.*** Board staff envision that the information collected through these projects would be used by state agencies, colleges, universities, local school districts, employee representatives and members of the public interested in public sector collective bargaining. The PERB, however, has not considered charging fees to users to cover the costs of either developing the information or responding to requests for information. Nor has the PERB evaluated the extent to which the end users would be willing to pay for the information provided.

For these reasons, we are unable to confirm that a need for the studies exists or that the General Fund should pay for them. We therefore recommend \$70,000 requested from the General Fund for these research projects be deleted because the board has not justified the need for or cost of these proposals.

#### **Potential Savings in Contract for Student Assistants**

***We recommend that the PERB report at the budget hearings on the feasibility of obtaining federal work-study funds to support proposed graduate legal assistant positions, and provide information demonstrating that contracting for these positions is the most cost-effective method of providing these services.***

The budget proposes to augment PERB's budget by \$23,000 so that the board can contract for six students—primarily law students—to provide basic research for board members, the General Counsel and staff. The board proposes to let the contracts through work-study programs at local colleges and universities. The PERB states that the use of student assistants in this manner would free time for permanent legal staff to draft decisions, write briefs and work on case settlements.

**PUBLIC EMPLOYMENT RELATIONS BOARD—Continued**

Our analysis indicates that workload at the PERB warrants the hiring of graduate student assistants in order to avoid backlogs in case processing at the staff and board levels. Such backlogs have plagued the PERB in prior years (please see the 1983-84 *Analysis*, pages 1809-1812).

Our analysis further indicates, however, that:

- *The proposed augmentation may be overbudgeted.* The board did not take into account the savings that would be realized by obtaining students through federally funded *work-study* programs. Under these programs, the federal government contributes up to 80 percent of a student's wages. By using work-study students, the board could secure the needed graduate legal services at far less cost than the proposed \$23,000.
- *Contract services may be more expensive than providing them "in-house."* To the extent that the PERB is unable to hire student assistants through work-study programs, *contracting* for student assistants may *increase* the cost of obtaining the needed services. This is because schools with which the board would contract for these students typically include a significant charge for the overhead costs associated with recruiting and paying students. If these administrative functions were instead provided "in-house" by the board, these costs could, for the most part, be "absorbed."

To assure that the Legislature has the information on this proposal that it needs, we recommend that the PERB report during budget hearings on: (1) the feasibility of obtaining federally subsidized work-study contracts for the proposed graduate legal assistants, and (2) information demonstrating that contracting for the positions is the most cost-effective method of providing these services.

**DEPARTMENT OF INDUSTRIAL RELATIONS**

Item 8350 from the General

Fund and various other funds

Budget p. GG 36

Requested 1985-86 .....	\$119,112,000
Estimated 1984-85.....	116,249,000
Actual 1983-84 .....	98,087,000
Requested increase (excluding amount for salary increases) \$2,863,000 (+2.5 percent)	
Total recommended reduction .....	\$2,127,000
Recommendation pending .....	64,955,000

**1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8350-001-001—Departmental support	General	\$91,608,000
8350-001-023—Regulation of farm labor contractors	General (Farm Labor Contractors' Special Account)	50,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construction Industry Enforcement	588,000
8350-001-396—Regulation of self-insurance plans for workers compensation	Self-Insurance Plans	1,223,000

8350-001-452—Elevator inspections	General (Elevator Safety Inspection Account)	2,295,000
8350-001-453—Pressure vessel inspections	General (Pressure Vessel Inspection Account)	2,859,000
8350-001-571—Workers' compensation benefits for Employees of uninsured employers	Uninsured Employers' (Employees' Account)	900,000 *
8350-001-572—Workers' compensation benefits for asbestos workers	Uninsured Employers' (Asbestos Workers' Account)	864,000
8350-001-890—Departmental support	Federal Trust	18,665,000
Labor Code Section 96.6	Unpaid Wage	60,000
Total		\$119,112,000

\* The Budget Bill shows \$7,116,000 for this item, of which \$900,000 is appropriated from fines, penalties and recoveries from the Uninsured Employers' Fund and the remaining \$6,216,000 is appropriated from Item 8350-001-001.

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Departmentwide Automation Needs. Recommend adoption of Budget Bill language requiring the Department of Industrial Relations (DIR) to (1) contract for an evaluation of departmentwide automation needs, and (2) notify the Joint Legislative Budget Committee (JLBC) prior to the encumbrance of funds budgeted for automation purposes. 1501
2. **Data Processing. Reduce Item 8350-001-001(k) by \$1.7 million.** Recommend that \$1.7 million be deleted from the department's data processing budget because these funds originally were added to develop a specific automation project and the department has failed to provide adequate justification for continuing this amount in its base. 1502
3. **Vacancy Rates.** Recommend that (1) the DIR report to the Legislature at budget hearings on its progress in filling vacancies in the current year and (2) the Legislature adopt supplemental report language requiring the department to report quarterly during 1985-86 concerning vacancy rates, by classifications, throughout the department. 1504
4. **Workers' Compensation Appeals Board (WCAB) District Offices.** Withhold recommendation on \$28,124,000 proposed for support of WCAB district offices, pending review of information recently received from the department. 1505
5. **Asbestos Workers Account (AWA). Revert \$1,000,000 to the General Fund.** Recommend (1) enactment of legislation extending the AWA interim benefits program to December 31, 1988, and (2) a reversion of \$1 million from the AWA to the General Fund because the fund balance far exceeds the amount needed. 1507
6. **Federal Funding for Cal-OSHA.** Withhold recommendation on \$34,062,000 proposed in Items 8350-001-001 and 8350-001-890 for support of activities related to the administration of the California Occupational Safety and Health Act (Cal-OSHA), pending receipt from the department of a revised expenditure plan for the current year. Recommend that the DIR report on Cal-OSHA-related activities which exceed federal minimum requirements. 1508

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

7. Increased School Site Asbestos Abatement Activity. Recommend that prior to the budget hearings, the DIR provide to the Legislature a cost estimate for performing the work necessary to monitor and assist school districts conducting increased asbestos abatement activities in the budget year. 1510
8. Cal-OSHA Field Staff Distribution Formula. Recommend that the DIR revise its field staff distribution formula to include (1) risk assessment and (2) marginal benefit analysis. 1511
9. Self-Insurance Plans Audits. Recommend the Department of Finance and the DIR report at budget hearings on a proposed contract (\$124,000) for permanent, ongoing audit workload. 1512
10. Interdepartmental Consulting Services. Withhold recommendation on \$2,769,000 requested for reimbursements to other state agencies because the department has not provided any detail on proposed expenditures for interdepartmental consulting expenses. 1513
11. *Technical Recommendations. Reduce Item 8350-001-001 by \$32,000 and Item 8350-001-890 by \$395,000.* Recommend reduction to correct various technical errors in the DIR's budget. 1513

**GENERAL PROGRAM STATEMENT**

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

1. *Self-Insurance Plans Unit.* This program issues certificates of self-insurance to those enterprises and public agencies demonstrating financial capability to compensate their workers fully for industrial injuries, and monitors financial transactions involving such injuries.
2. *State Mediation and Conciliation Services.* This program investigates and mediates labor disputes, and arranges for the selection of boards of arbitration.
3. *Division of Industrial Accidents and the Workers' Compensation Appeals Board.* This program adjudicates disputed claims for compensating workers who suffer industrial injury in the course of their employment, approves rehabilitation plans for disabled workers, and administers the Uninsured Employers' Fund (UEF).
4. *Division of Occupational Safety and Health.* This program administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of work places (including mines and tunnels), and inspects elevators, escalators, aerial trams, radiation equipment and pressure vessels.
5. *Division of Labor Standards Enforcement.* This program enforces a total of 15 wage orders promulgated by the Industrial Welfare Commission, and more than 200 state laws relating to wages, hours and working conditions, child labor and the licensing of talent agents and farm labor contractors.

6. ***Division of Apprenticeship Standards.*** This program promotes apprenticeship programs and other "on-the-job" training for apprentices and journeymen, and promotes equal opportunity practices in these programs.
  7. ***Division of Labor Statistics and Research.*** This program gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illnesses as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.
  8. ***Payment of Claims, Wages and Contingencies.*** This program provides workers' compensation benefits to injured workers and certain employees who suffer from asbestosis in those cases where the employer fails to provide the benefits, and makes payment of wages to certain workers.
  9. ***Administrative Supportive Services.*** This program includes the office of the Director and provides overall policy direction, legal, public information, fiscal management, personnel, training, and data processing services within the department.
- The department has 2,276.3 personnel-years in 1984-85.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes ten appropriations totaling \$119,112,000 for support of the Department of Industrial Relations (DIR) in 1985-86. The General Fund portion of the request is \$91,608,000, which is an increase of \$2,732,000, or 3.1 percent, over current-year expenditures.

The budget proposes total expenditures for the department, including expenditures from reimbursements, of \$120,852,000 in 1985-86. This is \$2,632,000 or 2.2 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 shows the department's expenditures, by program, for the prior, current and budget years. As the table indicates, the General Fund supports over three-fourths of the department's expenditures, with the remainder coming from various special funds, nongovernmental cost funds and federal funds. The table shows that the largest dollar increase is proposed in Administrative Support Services, where an additional \$1,936,000 is requested primarily for office automation projects and equipment purchases to benefit various divisions. Much of these increased costs would be distributed back to the Division of Industrial Accidents for the adjudication of worker's compensation disputes.

## Budget-Year Changes

Table 2 summarizes the major components of the \$2.6 million increase in the department's proposed 1985-86 budget. As the table demonstrates, the increased expenditure level reflects \$4,432,000 in proposed augmentations and \$1,800,000 in proposed reductions. The major augmentations include:

- New office automation projects totalling \$1,666,000;
- Baseline salary adjustments (\$1,316,000) and inflation increases for operating expenses (\$938,000); and
- Additional elevator inspector and clerical support positions that are required due to the increasing number of new building inspections (\$251,000).

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

**Table 1**  
**Department of Industrial Relations**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
Regulation of Workers' Compensation Self-Insurance Plans.....	\$973	\$1,317	\$1,459	\$142	10.8%
Conciliation of Labor Disputes.....	1,481	1,689	1,714	25	1.5
Adjudication of Workers' Compensation Disputes .....	35,453	41,453	43,247	1,794	4.3
Prevention of Industrial Injuries and Deaths	31,388	38,614	39,475	861	2.2
Enforcement of Laws Relating to Wages, Hours and Working Conditions .....	17,458	19,518	20,528	1,010	5.2
Apprenticeship and Other On-the-Job Training .....	5,432	5,039	4,916	-123	-2.4
Labor Force Research and Data Dissemination.....	2,147	2,968	2,909	-59	-2.0
Payment of Claims, Wages and Contingencies .....	7,000	7,622	7,614	-8	-0.1
Administrative Support Services (Distributed to Other Programs).....	(7,858)	(10,028)	(11,964)	(1,936)	(19.3)
Unallocated Reduction for MSA and Operating Expenses .....	—	—	-1,010	-1,010	—
Total Expenditures .....	\$101,332	\$118,220	\$120,852	\$2,632	2.2%
<i>Funding Sources</i>					
General Fund .....	\$78,561	\$88,876	\$91,608	\$2,732	3.1%
Farm Labor Contractors' Account.....	—	50	50	—	—
Industrial Relations Construction Industry Enforcement Fund .....	490	566	588	22	3.9
Self-Insurance Plans Fund .....	—	990	1,223	233	23.5
Elevator Safety Inspection Account .....	1,235	2,244	2,295	51	2.3
Pressure Vessel Inspection Account .....	1,609	3,264	2,859	-405	-12.4
Uninsured Employers' Fund, Employees' Account.....	871	900	900	—	—
Asbestos Workers' Account .....	181	864	864	—	—
Federal Trust Fund .....	15,094	18,435	18,665	230	1.2
Unpaid Wage Fund .....	46	60	60	—	—
Reimbursements.....	3,245	1,971	1,740	-231	-11.7

Offsetting these augmentations are: (1) a \$682,000 reduction due to an increase in the salary savings requirement from 4.7 percent in the current year to 5.6 percent in 1985-86 and (2) a \$108,000 reduction due to the elimination of 4.6 personnel years made possible by efficiencies in operation. In addition, the budget proposal includes a \$1 million reduction in the amount available for General Fund merit salary increases (\$275,000) and inflation adjustments for operating expenses and equipment (\$735,000). The budget, however, does contain the federal and special fund portions of these increases (\$53,000 for salary adjustments and \$203,000 for inflationary increases for operating expenses and equipment). Presumably, the General Fund portion of these costs will be financed by diverting funds budgeted for other purposes.



**Table 2**  
**Department of Industrial Resources**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>All Funds (Including Reimbursements)</i>
1984-85 Expenditures (Revised) .....	\$118,220
<i>Baseline Adjustments</i>	
Salary Adjustments (Including MSAs) .....	\$1,316
Inflation Adjustments for Operating Expenses .....	938
Increased Salary Savings Requirement .....	-682
Governor's Personnel Reductions for Efficiencies .....	-108
Other: Unsubstantiated Increase for Operating Expenses and Equipment .....	22
Subtotal, Baseline Adjustments .....	(\$1,486)
<i>Workload Adjustments</i>	
Equipment Replacement for Headquarters .....	\$115
Increase Elevator Inspections .....	251
Increase Self-Insurance Plans Audits .....	124
Subtotal, Workload Adjustments .....	(\$490)
<i>Program Changes</i>	
Automation Projects .....	\$1,666
Unallocated General Fund	
Reduction for MSA and Operating Expenses and Equipment .....	-1,010
Subtotal, Program Changes .....	(\$656)
Total 1985-86 Expenditures (Proposed) .....	\$120,852
Change:	
Amount .....	\$2,632
Percent .....	2.2%

## ANALYSIS AND RECOMMENDATIONS

### A. DEPARTMENTWIDE ISSUES

#### Departmental Response to Legislative Directives

The Legislature, through the *Supplemental Report of the 1984 Budget Act*, directed the Department of Industrial Relations to conduct a variety of studies and to prepare nine reports for submission to the Legislature in the first half of 1984-85. The following five reports are discussed in subsequent sections of this analysis:

- Office Automation (please see page 1499);
- Equipment Inventory (please see page 1500);
- Division of Labor Standards Enforcement Management Information System (please see page 1500);
- Status of Workers' Compensation Cases (please see page 1506); and
- Division of Occupational Safety and Health Field Staff Distribution Formula (please see page 1511).

The remaining reports are summarized briefly below:

**Performance and Staffing Standards.** The *Supplemental Report to the 1984 Budget Act* directed the department to establish performance and staffing standards for personnel—other than management personnel—throughout the Division of Occupational Safety and Health (DOSH). In December 1984, the DIR evaluated the average time required for comple-

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

tion of various tasks within the DOSH. These times then were aggregated to determine staffing standards for various employee classifications. The department concludes that the clerical staffing standards adopted by the department indicate a need for four more clerical positions in Cal-OSHA district offices, which the DIR proposes to fill through redirection.

**Work Plan for the Research and Standards Development Unit (RSDU) —DOSH.** The RSDU researches the need for and develops regulations governing various worksite health and safety conditions. The Legislature directed the DIR to draft a work plan for the RSDU in 1984–85 by September 1, 1984, and a 1985–86 work plan by December 1, 1984. The Legislature directed the department to include in the plan such information as: (1) goals and objectives, (2) funding sources, positions, and workload standards, (3) a schedule of draft regulations, and (4) assorted information concerning anticipated future workload.

The initial 1984–85 work plan, submitted August 31, 1984, did not address the Legislature's concerns. Subsequently, however, the department made major revisions to the plan. The revised plan and the proposed 1985–86 work plan present detailed information concerning the unit's goals and objectives for the current and budget years.

Our review indicates that the time targets established for the unit are consistent with legislative and regulatory requirements. We will continue to monitor the unit's efforts to comply with the deadlines set forth in the reports.

**Educational Outreach—DOSH.** The department also was required to develop by October 1, 1984, a plan for coordinating with various state and university offices educational outreach activities related to worksite health and safety. The department reported that the Division of Occupational Safety and Health in the future would (1) form a working group to exchange ideas for educational outreach and (2) help in the design of an education "module" for inclusion in apprenticeship training programs. The report submitted by the department, however, does not actually present a plan for coordinated workplace health and safety education programs, as directed by the Legislature.

**Prevailing Wage Determinations.** The Legislature required that the department report concerning its ability to issue general and special prevailing wage determinations. The department responded that during the 1983–84 fiscal year, general determinations, which are made quarterly, were mailed to contractors in a timely fashion. The report further indicates that the department responded to all requests for special prevailing wage determinations.

In addition, the *Supplemental Report of the 1983 Budget Act* required the department to establish an administrative review process for Uninsured Employers' Fund claims, in order to reduce the amount of litigation which takes place prior to the payment of benefits. The department was required to report on the implementation of this process by December 15, 1984. At the time this analysis was written, the Legislature had not received this report.

**Analyst's Comments.** In general, the quality of the reports submitted to the Legislature is disappointing. In some cases, the department did not provide the information requested, and in others, the department simply stated its intent to comply with the legislative request at some unspecified date in the future. In some instances, the department submit-

ted revisions after the first submission. These revised reports generally were of much higher quality than their predecessors.

It may be that ten Supplemental Report requirements, some of which required extensive research and some of which had deadlines falling early in the current year, collectively proved to be too much of an administrative burden on the department. Our review suggests, however, that the department could have alleviated this burden somewhat had it contacted legislators and/or legislative staff prior to undertaking the required reports in order to clarify the purpose of the requirement and the specific information required.

### **DIR Proposes Expanded Use of Automation**

The budget proposes new funding totaling approximately \$2 million for expansion of automated technology in various units within the department. In general, these proposals pertain to four areas of automated technology: (1) document storage and retrieval; (2) document input and coding; (3) case processing and management information, and (4) clerical functions. Specifically, the budget proposes to purchase equipment which:

- Converts files to microfilm and retrieves the microfilm copies (\$197,000);
- Scans documents for coded information and enters this information into computer data bases (\$908,000);
- Expands the capacity of the department's central processing unit to support data bases in various divisions (\$426,000) and to identify "bugs" in the statewide system (\$61,000);
- Automates some clerical functions within the wage claims bureau of the Division of Labor Standards Enforcement (\$159,000); and
- Replaces or extends basic equipment in various divisions with electronic and computer technology (\$230,000).

Offsetting these proposed expenditures are changes in staffing levels which net to a reduction of approximately five personnel years.

During hearings on the department's 1984-85 budget, the Legislature encouraged the DIR to proceed, where appropriate, with the conversion of manual operations to automated systems, departmentwide, in order to improve efficiency and the ability of the department to track workload, evaluate staff performance, and respond to legislative and administrative requests for information. The Legislature demonstrated its commitment to automating the DIR by providing funds for increased levels of automated activity in the current year (\$176,000) and directing the department to report concerning various aspects of automation.

### **Department Has Not Laid Proper Foundation for Automation Projects**

We have reviewed the DIR's proposed expenditures for automation in light of the department's responses to legislative requests for information. While we commend the department for actively pursuing automation of various DIR functions, we have the following major concerns regarding the manner in which the department is proceeding.

1. *The department has not provided the Legislature with the information it needs in order to assess the department's automation efforts.* In the Supplemental Report of the 1984 Budget Act, the Legislature directed the DIR to draft a departmentwide automation plan, an inventory of all major equipment statewide throughout all divisions, and a plan to implement a management information system (MIS) for the Division of Labor Standards Enforcement (DLSE). These reports are reviewed below.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

- **Office Automation.** The DIR was required to develop a departmentwide office automation plan to be submitted to the Legislature by September 1, 1984. In a 1½ page report, the DIR indicates that it is "exploring the acquisition of" equipment to be used for word processing, document storage and retrieval, and case-tracking and management. The report provides no detail concerning the application of these types of automation to the various work processes within the department. In addition, the report does not (1) evaluate current automation capabilities within the DIR, (2) establish time horizons for long-range automation goals, or (3) provide the Legislature with information concerning this administration's goals for automation within the department.
- **Equipment Inventory.** The Legislature directed the Department of Industrial Relations to (1) develop an inventory of all major equipment in the department and (2) propose a replacement schedule for obsolete equipment. The DIR is in the process of automating its equipment inventory system, and reports that its actual inventory of major equipment will not be available until June 1, 1985. The report further states that in the interim, the department is undertaking "substantial acquisitions of replacement equipment." The lack of an inventory schedule makes it difficult for the Legislature to evaluate the department's budget-year request for equipment purchases.
- **Management Information System—DLSE.** The Legislature directed the division to develop a caseload management information system and submit its plan for implementing the system, by November 15, 1984. The department reported that it (1) has established goals for reducing the time between the filing of a wage claim and the hearing on that claim, and (2) has organized a management information committee to assess the MIS and automated case-tracking needs of the division prior to installation of computers in district offices. The report anticipates full operation of the on-line case tracking system by December 1985. The report, however, addressed only the wage claims bureau of the division. It does not provide the information necessary to assess the need for a MIS or automated case-tracking system within the Bureau of Field Enforcement.

Our review of these reports indicates that the DIR has failed to provide the Legislature with the information it requested. The reports ignore potential office automation uses in entire divisions within the department, and in the case of those divisions that are addressed, the reports do not evaluate the extent to which automation offers a cost-effective and efficient alternative to current manual work processes. Thus, the department's abbreviated responses do little to help the Legislature evaluate the extent to which the DIR is pursuing the most reasonable course of action in implementing office automation.

2. **The department's strategy is too project-oriented and fails to put sufficient emphasis on the "big-picture."** While implementation of automation proposals often proceeds on a project-by-project basis, the success of these projects will be enhanced when they are viewed as parts of a cohesive whole.

In assessing the extent to which the department has developed an automation plan which represents an *integrated, departmentwide approach* to the need for and use of information technology, we reviewed the depart-

ment's supplemental reports, budget proposals, and Information Systems Plan (ISP). In each case, we found that the documents are both project-specific and oriented toward the short-term. This approach makes it difficult for the Legislature to evaluate the automation proposals because:

- *It increases the difficulty of understanding how each project relates to an integrated whole.* For instance, the extent to which individual computer projects are compatible is not readily apparent from any of the existing documentation. Nor is there any evaluation of the extent to which compatibility among various projects and systems is (1) essential, (2) desirable, or (3) unnecessary.
- *It hinders evaluation of departmentwide cost-effectiveness.* Just because *each* project is cost-effective, it does not necessarily follow that the resulting *system* of projects represents the *most* cost-effective approach on a departmentwide basis. An approach which emphasizes projects rather than systems may (1) overlook other ways to benefit from automation and (2) limit the ability of various divisions to share data, memory, or software. Similarly, a project-by-project approach makes it difficult to plan and budget for centralized resources, such as mainframe computers and data processing professionals.
- *It makes it difficult for the Legislature to identify the total cost of automating work processes throughout the department.* When projects are conceived of, developed and implemented in a "piecemeal" approach, often over many years, the Legislature is never confronted with the aggregate costs of all automation projects.

#### **Department Should Contract for Evaluation of Automation Needs**

*We recommend that the Legislature (1) earmark \$200,000 in Item 8350-001-001 (k) for an external evaluation of the department's office automation needs and (2) restrict the use of funds appropriated for office automation until the evaluation has been completed and the department has notified the Legislature of its proposals for spending these funds.*

Our review of the information available on the DIR's current automation efforts and the department's responses to the Legislature's requests for information leads us to conclude that the department needs to develop a long-range, departmentwide office automation plan. This plan should assess all possible uses of office automation in meeting the department's work processing and management information needs. The Legislature also needs such a plan in order to provide a framework for evaluating individual automation projects proposed by the department. Our analysis indicates that such planning is likely to save both time and money by helping the department to avoid mistakes and false starts.

In our opinion, the DIR does not have the capability and expertise needed to undertake such an evaluation in-house. Consequently, we believe the department needs to obtain outside expertise in order to develop an automation plan which integrates individual projects so that they can be assessed as parts of a long-range whole. Accordingly, we recommend that the Legislature earmark \$200,000 in Item 8350-001-001 (k) to fund a contract for an evaluation of the DIR's automation, information processing, and management information needs.

Until it receives this evaluation, the Legislature will not have the information necessary to evaluate the department's proposed expenditures for personnel, operating expenses and equipment related to automation projects in the budget year. Hence, we recommend that the department be restricted from encumbering any funds in 1985-86 for the purpose of

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

purchasing or leasing new hardware, software, or other equipment related to automated technology, or making minor capital outlay modifications, until (1) the contractor's evaluation has been submitted to the Joint Legislative Budget Committee (JLBC) and the fiscal committees for review, and (2) these committees have had a chance to review the proposed expenditures.

The following Budget Bill language would implement these recommendations:

1. Of the funds provided to the department for salaries, wages, equipment or other costs associated with automation projects, \$200,000 shall be used to contract for an external evaluation of automation, information processing, and management information needs throughout all divisions of the DIR. The request for proposals shall be released and the contract let only after evaluation and approval of each by the Office of Information Technology (OIT). The final report of the contractor shall be presented to the Legislature, the Joint Legislative Budget Committee, the fiscal committees, the OIT, and the department no later than March 15, 1986.
2. No funds shall be encumbered by the department for purchases or leases of equipment related to new automated technology or capital outlay for building modifications to accommodate automation projects prior to (a) submission of the external evaluation as specified above, and (b) 30 days advance notice to the Joint Legislative Budget Committee and the fiscal committees of such encumbrance.

**Department Has Not Justified "Baseline" Automation Expenditures**

*We recommend a reduction of \$1.7 million from the department's data processing budget because the department has not justified the need for this amount. (Reduce Item 8350-001-001 (k) by \$1.7 million.)*

The department informs us that between 1979-80 and 1981-82, over \$1.5 million was added to its data processing baseline budget for the development and implementation of an on-line case-tracking and processing system for district offices of the Worker's Compensation Appeals Board (WCAB). Most of these funds, however, have been *diverted* to other automation projects within the DIR, particularly to a WCAB pilot project in the Rehabilitation Bureau. During the *current* year, the department anticipates (1) completing the Rehabilitation Bureau project and (2) using some of these baseline funds for the purpose for which they were originally intended—the implementation of a WCAB on-line case-tracking system. (This project originally was proposed for completion by October 1980.) The DIR informs us that any funds not encumbered for these purposes will be diverted to other automation needs which have been identified in-house. Any such expenditures, therefore, will not have been reviewed and approved by the Legislature.

The DIR does not propose to delete these funds from its base budget for 1985-86. Consequently, there is approximately \$1.7 million (adjusting for annual price increases) in the 1985-86 budget that represents a previous legislative augmentation for a specific project: development of the WCAB on-line system.

Not only has the DIR failed to expend these funds in the past in accordance with the Legislature's intent in providing them; the documentation originally used to justify the expenditure of the \$1.7 million is outdated.

For these reasons, and because the department has not documented how these funds would be used in 1985-86, we recommend that the department's budget for 1985-86 be reduced by \$1.7 million.

### Department Has Made Progress in Filling Vacancies

In our analysis of the Governor's budget for the current year (please see *Analysis of the 1984 Budget Bill*, pp. 2020-2022), we noted last year that vacancies in the department had grown to over 13 percent of total available positions as of December 31, 1983—a level that is much higher than the normal vacancy rate for most departments. The department maintained that the vacancy rate was unusually high because it was holding open authorized positions in order to generate salary savings for use in funding various costs which had not been funded in the budget. The problem was further aggravated, the department maintained, by statewide hiring freezes that had prevented it from filling vacant positions.

In February 1984, the department received a hiring freeze exemption and began to fill vacant positions. This exemption, coupled with a legislative augmentation to reduce the salary savings requirement in the current year, has enabled the department to substantially reduce the number of vacancies departmentwide. Table 3 shows that between January 1, 1984, and January 1, 1985, the vacancy rate throughout the DIR dropped from 13.1 percent to 9.8 percent. As the table shows, however, the extent to which individual divisions have been successful in filling vacancies varies greatly. For example, the DOSH's vacancy rate declined from 18.6 percent to 12.6 percent during calendar year 1984, while the DLSE's vacancy rate rose from 7.4 percent to 8.2 percent.

While Table 3 indicates that the vacancy rate has declined, it also suggests that the rate of decline is not great enough for the department to get down to an average vacancy rate of 5.3 percent in 1985-86, as the budget proposes. To the extent that the budget projects an unrealistically low salary savings rate in 1985-86, the department may be overbudgeted.

**Table 3**  
**Department of Industrial Relations**  
**Vacancy Rates by Division**  
**1983-84 through 1985-86**

Division	Percent of Positions Vacant				1985-86 Proposed Vacancy Rate
	7/1/83	1/1/84	7/1/84	1/1/85	
Self-Insurance Plans .....	16.7%	20.0%	13.8%	10.3%	—
Mediation and Conciliation .....	8.9	8.9	10.7	7.1	7.1%
Division of Industrial Accidents .....	5.3	10.2	8.0	7.3	5.6
Division of Occupational Safety and Health <sup>a</sup> .....	6.4	18.6	15.4	12.6	4.5
Division of Labor Standards Enforcement <sup>b</sup> .....	-0.1 <sup>c</sup>	7.4	14.0	8.2 <sup>d</sup>	5.6
Division of Apprenticeship Standards .....	-17.4 <sup>c</sup>	1.8	11.6	3.7	9.0
Division of Labor Statistics and Research <sup>e</sup> .....	19.7	26.7	7.5	3.6	6.9
Administration .....	14.1	18.8	13.3	11.6	4.0
Total .....	5.5%	13.1%	11.6%	9.8%	5.3%

<sup>a</sup> Includes Occupational Safety and Health Appeals Board, Occupational Safety and Health Standards Board, and Cal-OSHA consultation program.

<sup>b</sup> Includes Industrial Welfare Commission.

<sup>c</sup> On 7/1/83, the DLSE and the DAS show negative vacancy rates because the 1983-84 budget eliminated the positions of individuals who were still on the payroll pending transfer or layoff.

<sup>d</sup> Net of administrative reduction of 6 positions.

<sup>e</sup> Includes Data Processing unit.

## DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

## DIR Still Has Excessive Vacancies in Certain Classifications

*We recommend that during budget hearings, the department report to the fiscal committees on those classifications in which there are an excessive number of vacancies. We further recommend that the Legislature direct the Department to report quarterly during 1985-86 to the Joint Legislative Budget Committee and the fiscal committees concerning the status of vacant positions departmentwide.*

One reason that it will be difficult for the department to achieve a reduction in the overall vacancy rate projected in the budget is that the department continues to experience high vacancy rates in certain *classifications*. Table 4 shows the extent to which the department has been able to fill certain classifications which had been identified as "troublesome." The table provides two measures of the department's ability to fill positions and to retain personnel within various classifications. The first measure—a six-month vacancy rate—measures the percentage of total available positions which were filled, *on average*, during the July to December 1984 period. The second measure—the percentage of positions vacant on January 1, 1985—measures the vacancy rate *at a point in time*. (The January 1, 1985, data was the most recent information available at the time this analysis was written.)

The table demonstrates that in three classifications—workers' compensation judges, elevator safety engineers, and the entry level classification for deputy labor commissioners—the percent of positions which were vacant on January 1, 1985, was *substantially lower* than the average vacancy rate for the first half of the current year. Thus, the data suggest that the DIR has made significant progress in filling vacancies in these classifications.

Table 4  
Department of Industrial Relations  
Vacancy Rates for Selected Classifications  
1984-85

Division	Classifications	Positions Authorized 1984-85 <sup>a</sup>	Vacancy Rate July-December 1984	Percent of Positions Vacant January 1, 1985
Division of Industrial Accidents:				
• Workers' Compensation Appeals Board.....	Workers' Compensation Judges	135	14.2%	7.1%
Division of Occupational Safety and Health:				
• Cal-OSHA .....	Industrial Hygienists	103	31.6	22.3
• Cal-OSHA .....	Safety Engineers	132	10.5	9.1
• Mining and Tunnelling .....	Safety Engineers	19	21.1	15.8
• Elevators .....	Safety Engineers	39	16.3	5.1
• Pressure Vessels .....	Safety Engineers	50	46.7	40.0
Division of Labor Standards Enforcement .....	Deputy Labor Commissioner I	132	13.6	5.4

<sup>a</sup> Includes administrative changes (disencumbrances, reclassifications).



Table 4 indicates, however, that high vacancies in other professional classifications are continuing. These classifications include industrial hygienists with the Cal-OSHA program, and safety engineers who inspect pressure vessels, mines and tunnels.

The high vacancy rate within the pressure vessel safety engineer classification (currently 40 percent) was noted by the Legislature last year during its deliberations on the budget. At that time, the Legislature directed the Department of Personnel Administration (DPA) to evaluate the extent to which salary realignments and position reclassifications were necessary in order to successfully recruit individuals as pressure vessel safety engineers.

The DPA reports that there are no major structural barriers to recruiting pressure vessel safety engineers. Rather, the high vacancy rate within this classification is a result of a hiring freeze that was lifted only recently. In addition, the DPA report specifies four actions that the DIR can undertake *administratively* in order to alleviate the vacancy problem. These actions are to:

- Request delegation of additional safety engineer examinations;
- Establish specialty classes at the assistant level so that recruiting may be focused on needed skills;
- Request temporary appointment authority, where warranted; and
- Request authorization for hiring above the minimum step.

Our review of vacancy rates within the department indicates that the DIR has been only partially successful in filling excess vacancies. Consequently, we recommend that during budget hearings, the department identify any classifications, within which the DIR has over 20 authorized positions, that have vacancy rates exceeding 8 percent. The DIR also should advise the fiscal committees concerning (1) the *reasons* for excessive vacancies and (2) the *specific* actions which it proposes to undertake in order to reduce these vacancies.

In addition, we recommend that the Legislature direct the department to report quarterly concerning its progress in filling vacancies by adopting the following supplemental report language:

The department shall report quarterly to the Joint Legislative Budget Committee and the fiscal committees concerning its ability to hire and retain personnel. The report shall include (1) the number of positions authorized by classification for each element within the department, (2) the number of personnel-years encumbered to date in each classification, (3) the identification of all classifications in which the vacancy rate during the quarter exceeds the levels proposed in the budget for each division, and (4) the percent of all positions, by classification and program element, which were vacant on the first day of each month in the quarter. The report shall be submitted by the fifteenth of the month immediately succeeding the end of the quarter.

## **B. DIVISION OF INDUSTRIAL ACCIDENTS**

### **Need for More Information**

*We withhold recommendation on \$28,124,000 proposed for support of Workers' Compensation Appeals Board district offices, pending evaluation of information provided by the DIR.*

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

In May 1984, the Auditor General released a report entitled, *The Workers' Compensation Appeals Board Has Reduced The Length Of The Adjudication Process But Does Not Comply With Statutory Mandates*. (This report is a sequel to a February 1982 report by the Auditor General entitled, *The System For Adjudicating Workers' Compensation Disputes Can Be Accelerated Without A Budgetary Increase*.) The Auditor General's report reveals that:

- Adjudication time decreased almost 50 percent between 1982 and 1984;
- The waiting time between when declarations of readiness are filed and the actual hearing date also dropped by nearly 50 percent;
- The waiting time for hearings still exceeds statutory limits (30 days).

In addition, the Auditor General found that (1) workers' compensation judges should be scheduled for a minimum of 24 hours of hearings each week and (2) judge-time scheduled for hearings varied significantly by office.

In view of these findings the Legislature adopted language in the 1984 Budget Act which requires the Workers' Compensation Appeals Board (WCAB) to (1) develop workload standards, (2) schedule judges for at least 24 hours of hearings each week and (3) reallocate judges among district offices, if necessary, to reflect the workload standards and scheduling requirements. The Legislature also included language in the *Supplemental Report of the 1984 Budget Act* directing the department to report on a quarterly basis concerning the number of cases in which waiting time for a hearing exceeds 45 days.

**Reports on status of workers' compensation cases in district offices.** The quarterly report for July–September 1984 shows wide variation in the extent to which WCAB district offices are able to set cases for hearing within 45 days of when declarations of readiness to proceed are received. For instance, the Eureka district office set approximately 95 percent of its hearing dates within 45 days, while San Jose set less than 1 percent within this period. The remaining 20 offices fall between these extremes. Fifteen offices took longer than 45 days to set more than 50 percent of their cases, and 10 of these offices set less than 10 percent of all cases on time. Table 5 presents the first quarter statistics for the five “best” and five “worst” district offices.

The report for the first quarter indicates that the majority of district offices are continuing to have problems setting cases for hearing within the 45 day guideline. The report, however, does not provide the information necessary to determine the reasons for these problems. For example, the report does not indicate the mean or median time for setting hearings. Nor does it provide any information concerning the number of personnel available to conduct hearings.

On December 4, 1984, we requested supplementary information from the department on this issue, including the total number of hours available for judges to hear cases and the actual number of hearings held. This information would allow us to determine the extent to which (1) the DIR is complying with Budget Act language, (2) excessive waiting periods for hearings are indicative of structural problems which should be addressed legislatively or administratively and (3) current staffing levels of the district offices are commensurate with ongoing statewide workload in the workers' compensation program.

**Table 5**  
**Workers' Compensation Appeals Board**  
**Waiting Time for Hearings**  
**Quarterly Statistics for Selected District Offices**  
**July-September 1984**

<i>"Best" Offices</i>	<i>Amount</i>		<i>Percent Set Within 45 days</i>
	<i>Total Hearings Set</i>	<i>Set within 45 days</i>	
Eureka .....	408	386	94.6%
San Diego .....	1,886	1,628	86.3
Santa Barbara.....	1,153	933	80.9
Santa Rosa.....	588	412	70.1
San Bernardino .....	2,389	1,470	61.5
Total .....	6,424	4,829	75.2%
<i>"Worst" Offices</i>			
San Jose .....	825	2	0.2%
Los Angeles.....	1,708	51	3.0
Bell Gardens.....	1,947	60	3.1
Pomona .....	1,255	43	3.4
San Francisco .....	1,077	62	5.8
Total .....	6,812	218	3.2%
Statewide.....	30,308	7,583	25.0%

We did not receive the department's response, however, until January 30, 1985.

Because we have not had the opportunity to evaluate the supplementary information provided by the department, we withhold recommendation on \$28,124,000 requested for support of the Workers' Compensation Appeals Board district offices. We will prepare a supplemental analysis with our recommendations on this request prior to budget hearings.

#### **Asbestos Workers Account to Sunset**

*We recommend: (1) the enactment of legislation extending the Asbestos Workers' Account (AWA) interim benefits program until December 31, 1988; and (2) the reversion to the General Fund of \$1,000,000 from the AWA because the account's fund balance is far in excess of what is needed.*

Chapter 1041, Statutes of 1980, established the Asbestos Workers' Account (AWA) within the Uninsured Employers' Fund to provide benefits to workers suffering from asbestosis while their claims for workers' compensation benefits are adjudicated. Chapter 1041 also appropriated \$2,625,000 from the General Fund to the Account for "seed" money. The account sunsets on December 31, 1985.

The Legislature created the fund to ensure that workers suffering from asbestosis were not without support during the time between the manifestations of the condition and the award of workers' compensation benefits. The nature of asbestosis is such that it often is difficult to (1) establish the legitimacy of the claim and (2) identify the responsible employer. Consequently, payment of workers' compensation claims involving asbestosis and related conditions is often delayed by protracted litigation.

The AWA interim benefits program is administered by the Division of Industrial Accidents through its claims bureau and information and assistance program. In addition to administering the payment of interim benefits, the department also is responsible for recouping costs from any eventual workers' compensation awards.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

Our review of the AWA program indicates that there is still a need for this interim support. While participation has been less than originally estimated—claim payments have been about \$100,000 annually to date—new cases are still being opened. For instance, the budget estimates that there will be sixty new cases in the current year, as compared with 51 in 1981–82, 23 in 1982–83 and 24 in 1983–84. Thus, it appears to us that there will be a need for the program beyond the current expiration date of December 31, 1985. Accordingly, we recommend that termination of the program be postponed until December 31, 1988, at which time the Legislature can reassess the need to continue these interim benefits.

Our analysis of the AWA fund condition, however, suggests that the current fund balance is far in excess of what the program needs. As of June 30, 1984, the AWA had \$2.2 million left of the original \$2.6 million General Fund appropriation. We estimate that even if this program were extended to 1988, the interim benefits program would not spend down the current fund balance by more than \$1.2 million. Thus, approximately \$1 million in the AWA will not be needed to accomplish the Legislature's objective.

Accordingly, we recommend that \$1 million in the AWA be reverted to its original funding source, for a General Fund revenue gain of a commensurate amount.

**C. DIVISION OF OCCUPATIONAL SAFETY AND HEALTH****Federal Funding for Cal-OSHA**

*We withhold recommendation on \$34,062,000 (Items 8350-001-001 and 8350-001-890) requested for Cal-OSHA and related activities, pending receipt from the department of a proposal to reduce expenditures of federal grant funds in the current and budget years. We further recommend that the department report, prior to the budget hearings, concerning the extent to which the current level of effort in federally funded Cal-OSHA activities exceeds the effort required by federal law.*

The budget proposes total expenditures of \$34,062,000 for the Cal-OSHA and related programs in 1985–86. This is \$485,000, or 1.4 percent, more than estimated current-year expenditures.

Table 6 shows the estimated expenditures for the current year and the proposed expenditures for the budget year, by function, under the Cal-OSHA program. The table illustrates that, of the amount requested for 1985–86, \$15,507,000 is proposed from the federal 23(g) grant, the primary federal source of funding for the Cal-OSHA program. Federal 23(g) funds are used to support enforcement, regulatory, educational, and statistical activities related to work site health and safety. These funds are scheduled within the Divisions of Occupational Safety and Health, Labor Standards Enforcement and Labor Statistics and Research (DLSR).

The U.S. Department of Labor (DOL) recently informed the DIR that (1) California's OSHA grant award for federal fiscal year 1985 (October 1984–September 1985) has been reduced by \$1,155,166 and (2) the DOL no longer will participate in funding certain Cal-OSHA activities. The activities for which the DOL does not plan to provide funding are areas in which California's OSHA program exceeds the minimum effort required by the federal OSHA.

The budget does not reflect the proposed reduction in federal support. It is our understanding that the department will be submitting a Section

**Table 6**  
**Department of Industrial Relations**  
**Funding for the Cal-OSHA Program**  
**1984-85 and 1985-86**  
**(dollars in thousands)**

<i>Division</i>	<i>1984-85</i>				<i>1985-86</i>			
	<i>General</i>	<i>Federal 23(g)</i>	<i>Other<sup>a</sup></i>	<i>Total</i>	<i>General</i>	<i>Federal 23(g)</i>	<i>Other<sup>a</sup></i>	<i>Total</i>
Division of Occupational Safety and Health:								
Cal-OSHA Enforcement.....	\$11,559	\$11,983	\$170	\$23,712	\$11,795	\$12,219	\$27	\$24,041
Occupational Safety and Health Appeals Board .....	823	840	—	1,663	837	854	—	1,691
Occupational Safety and Health Standards Board .....	957	553	—	1,510	977	565	—	1,542
Cal-OSHA Consultation Service.....	674	365 <sup>b</sup>	2,779 <sup>b</sup>	3,818	690	384 <sup>b</sup>	2,760 <sup>b</sup>	3,834
Cal-OSHA Program Office .....	122	128	—	250	162	168	—	330
Subtotals .....	(\$14,135)	(\$13,869)	(\$2,949)	(\$30,953)	(\$14,461)	(\$14,190)	(\$2,787)	(\$31,438)
Division of Labor Standards Enforcement (Cal-OSHA Anti-discrimination Enforcement) .....	\$233	\$233	—	\$466	\$237	\$237	—	\$474
Division of Labor Statistics and Research (Occupational Injuries and Illnesses Statistics) .....	1,074	1,084	—	2,158	1,070	1,080	—	2,150
Totals.....	\$15,442	\$15,186	\$2,949	\$33,577	\$15,768	\$15,507	\$2,787	\$34,062

<sup>a</sup> Includes federal 7(c) (1) grant funds and reimbursements.

<sup>b</sup> Office of the Legislative Analyst estimate. Department unable to provide figures.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

28 letter, specifying that some of the reduction will be “absorbed” in the current year. At the time this analysis was written, however, the Legislature had not received official notification of the department’s plan to reduce federal expenditures.

In the absence of a revised current-year expenditure plan, we are unable to evaluate the extent to which (1) *budget-year* reductions in federal funding will be necessary, (2) adjustments to the proposed level of *General Fund* support should be made, or (3) expenditure reductions reflect federal—as opposed to *state*—priorities for program support. Accordingly, we withhold recommendation on \$34,062,000 in federal fund and General Fund support for Cal-OSHA and related programs within the DOSH, DLSE and DLSR, pending receipt of a plan from the department detailing the manner in which it intends to reduce federal expenditures during the current and budget years.

Our analysis further indicates that the Cal-OSHA program is vulnerable to federal grant reductions in future years, to the extent that (1) the state continues to schedule federal funds for Cal-OSHA activities in which the federal government does not wish to participate and (2) various areas of Cal-OSHA activity exceed the level of effort required under federal law. In order for the Legislature to evaluate potential future-year General Fund costs of various activities within Cal-OSHA, we recommend that the department report, prior to budget hearings, concerning the extent to which current service levels under all phases of the Cal-OSHA program represent an effort in excess of that required by federal law.

**Increased Asbestos Abatement Activities Affect Cal-OSHA Workload**

*We recommend that, prior to the budget hearings, the Department of Industrial Relations provide to the fiscal committees an itemized estimate of the costs associated with Cal-OSHA consultation, registration, monitoring and enforcement activities in connection with increased school facility asbestos abatement activity during the budget year.*

In our analysis of the School Facilities Asbestos Abatement Program (Item 6350: please see page 1204), we note that the amount available for school asbestos containment and removal efforts has increased. We estimate that, given the level of funding proposed for the budget year, school districts will be able to undertake asbestos abatement programs in at least 500 schools statewide.

The Cal-OSHA program has primary responsibility within the state for ensuring that asbestos abatement is done in a manner which protects the health and safety of (1) the individuals involved in removing or containing asbestos, and (2) permanent employees at the site. Work related to this responsibility is carried out as part of the Cal-OSHA’s ongoing field compliance activity, which may include consultation with employers, worksite monitoring, or enforcement.

The department informs us that increased asbestos abatement efforts on the part of local school districts were *not* considered in determining the proposed level of Cal-OSHA monitoring and enforcement activity for the budget year.

As we point out in our discussion of Item 6350, inadequate monitoring and enforcement activities of asbestos abatement activities can have long range consequences on the health of asbestos workers, students, and teachers, as well as on state costs. In that discussion, we conclude that (1)

the costs to Cal-OSHA for consultation, monitoring, and enforcement are an integral part of the costs of asbestos abatement programs conducted by school districts, and (2) the costs to the DIR of providing these services should be reimbursed by the asbestos abatement program. Provided the DIR is reimbursed for this additional asbestos-related workload in 1985-86, there should be no effect on the level of monitoring and enforcement in other areas.

Accordingly, we recommend that, prior to the budget hearings, the DIR provide to the fiscal committees an estimate of the costs associated with an adequate compliance program for school site asbestos abatement. Such an estimate should take into account all consultation, registration, monitoring, enforcement and administrative activities by Cal-OSHA that are necessary to ensure an adequate level of compliance with health standards applicable to asbestos.

### **Cal-OSHA Staff Distribution Formula**

In the *Supplemental Report of the 1984 Budget Act*, the Legislature directed the department to develop a formula for distributing field compliance personnel (safety engineers and industrial hygienists) within the Cal-OSHA program in a manner that is consistent with district workload. The Legislature further required the department to report on (1) the formula developed in compliance with this directive (report due July 15, 1984) and (2) the department's progress in redistributing personnel in accordance with the formula (report due January 10, 1985). The department submitted the first report on September 27, 1984. At the time this analysis was written, we had not received the progress report due in January.

**Mandatory workload.** The formula developed by the department first assigns positions to district offices based on the predicted level of "mandatory" workload—that is, compliance and investigations specifically required by statute. Mandatory workload includes investigation of (1) all fatalities and all accidents resulting in serious injury to five or more employees, (2) complaints, (3) follow-up inspections of serious violations, and (4) referrals. The prediction of mandatory workload is based on (1) past-year average times for various kinds of inspections and (2) a prediction of the number of inspections necessary based on past-year actual data. The formula assigns 57.1 safety engineer and 49.0 industrial hygienist positions for mandatory workload statewide.

**Discretionary workload.** Staff time available after assignment for mandatory workload is then distributed to district offices, according to the department's estimate of the districts' share of statewide discretionary workload. Discretionary workload includes those types of inspections and investigations for which there is no *specific* statutory requirement, such as: (1) accidents in which there are no fatalities and fewer than 5 serious injuries, (2) worksites where carcinogens are used, (3) Health Inspection Plan (HIP) inspections, (4) Safety Data Base (SDB) inspections, and (5) construction permit inspections. In the current year, the formula assigns approximately 73 safety engineer and 23 industrial hygienist positions to discretionary workload.

### **Distribution Formula Ignores Risk Assessment**

*We recommend that the Legislature adopt supplemental report language directing the department to revise its field compliance staffing distribution formula to include assessments of risk and marginal benefit analysis.*

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

Our review of the department's formula indicates that it represents a good start towards a method for allocating field inspection positions to Cal-OSHA district offices on a rational basis. We have identified, however, the following shortcomings with the formula:

- ***The formula includes no factors that reflect relative risk.*** The formula ignores certain factors which may influence worksite injury, morbidity and mortality. For instance, certain regions of the state may have greater concentrations of: (1) employees, (2) particularly risk-prone industry, or (3) aged industrial plant. These factors, among others, affect the degree of risk to which the average worker within the region is exposed, and should be incorporated—to the extent possible—into a formula allocating personnel resources. The department's formula, by driving off past years' allocations, does not explicitly take risk assessment into account.
- ***The formula does not make discretionary placement based on an assessment of "marginal" benefits.*** The department's formula allocates compliance personnel to a district based primarily on its proportion of the total past-year discretionary workload. Consequently, it does not attempt to place resources where, at the *margin*, they are most beneficial. That is, it does not place the next available position in the district in which the greatest number of accidents and illnesses could be prevented through that placement.

In sum, our analysis of the department's proposed field compliance staffing distribution formula indicates that it represents a first step in establishing a rational approach to staff assignment within the district offices of Cal-OSHA. Its usefulness, however, is limited to the extent that it does not (1) include factors which assess relative risk of employment-related injury and illness, or (2) place each position available for discretionary workload based on an assessment of the marginal benefit to be gained from that particular placement. Consequently, we recommend that the Legislature adopt the following supplemental report language directing the department to consider these factors in its staffing distribution formula:

The Department of Industrial Relations shall report to the fiscal committees and the Joint Legislative Budget Committee by October 15, 1985 on the extent to which risk assessment and marginal benefit analysis can be used to distribute Cal-OSHA discretionary positions and personnel in the most effective manner.

**D. MISCELLANEOUS AND TECHNICAL ISSUES****Department Proposes Contract for Ongoing Workload**

***We recommend that during budget hearings, the Departments of Finance and Industrial Relations explain the reasons for proposing external contracting services totaling \$124,000 in the Self-Insurance Plans Unit.***

The budget (1) requests a \$124,000 augmentation for the Self-Insurance Plans Unit to fund an external contract and (2) proposes to "emphasize a more efficient use" of in-house audit resources in order to have greater audit coverage of public sector employers who self-insure for workers' compensation costs. An increase in the number of audits performed is necessary in order to comply with existing statutory requirements that



audits of self-insured employers be performed once every three years. Currently, the department has one in-house auditor performing these audits.

Our review indicates that the department needs additional audit capabilities in order to comply with current law. We have several concerns, however, with the manner in which the department plans to proceed. Specifically:

- The department's proposal does not provide any detail documenting that "in-house efficiencies" can be realized.
- The department's proposal does not itemize the cost for the proposed contract. Hence, we cannot determine the extent to which it represents a reasonable estimate of the cost to obtain the desired external audit services.
- The department's proposal offers a cursory evaluation of the costs of performing this work in-house. These costs are summarily rejected in-favor of an external contract, but no meaningful comparison of the alternatives is presented.

Thus, the department's proposal provides no basis on which the Legislature can decide how much is needed and how it should be spent. Because a thorough comparison of in-house staffing and external contracting may reveal that in-house staffing represents a more desirable alternative for accomplishing the needed work, we recommend that the Departments of Finance and Industrial Relations explain, at the budget hearings, their rationale for proposing that this permanent ongoing work be performed through an external contract.

#### **Department Should Provide Information on Proposed Consultant Services Expenditures**

*We withhold recommendation on \$2,769,000 requested for interdepartmental consulting and professional services, pending receipt from the department of information on its proposed payments to other state agencies.*

The budget proposes almost \$2.8 million in budget-year expenditures for interdepartmental consulting and professional services. We have repeatedly requested from the department an itemized accounting of its proposed reimbursements to other state agencies for these services. At the time that this analysis was written, however, the department had not provided this information. Hence, we have no means for determining either the need for these expenditures or the extent to which the department's proposed reimbursements to various state agencies matches the level of reimbursements shown in these agencies' 1985-86 budgets.

Accordingly, we withhold recommendation on the \$2,769,000 proposed for interagency consultant services, pending receipt of the requested information.

#### **Technical Budgeting Recommendations**

*We recommend a reduction of \$395,000 (\$32,000 from the General Fund and \$363,000 from the Federal Trust Fund) to eliminate overbudgeting as follows:*

- *Statewide Cost Allocation Program (SWCAP) overbudgeted.* The budget proposes \$656,000 for SWCAP in 1985-86. Information from the Department of Finance indicates, however, that the DIR will be assessed only \$297,000 under the program, or \$359,000 less than the budget proposes.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

- **Overbudgeted operating expenses.** At the time this analysis was written, the department had failed to reconcile the Governor's Budget with the schedule of operating expense and budget change proposals. The budget proposes \$22,000 (General Fund) in operating expenses which are not justified by the support documents.
- **Operating expenses associated with the elimination of three positions.** The department's estimate of the savings from eliminating three clerical positions in the DLSR is understated by \$8,000 (\$4,000 in General Fund and \$4,000 in federal funds) because the department did not reduce operating expenses associated with these positions.
- **Overbudgeted interdepartmental reimbursements.** The Occupational Safety and Health Standards Board (OSHSB) pays a yearly fee to the Building Standards Commission (BSC) for review and enforcement of standards adopted by the OSHSB. The DIR's scheduled reimbursements to the BSC, however, are \$6,000 (General Fund) more than is necessary for OSHSB's share of BSC support in 1985-86.

**DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY**

Item 8350-301 from the General

Fund, Special Account for

Capital Outlay

Budget p. GG 55

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Requested 1985-86 .....	\$200,000
Recommended approval .....	158,000
Recommended reduction .....	42,000

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**ANALYSIS AND RECOMMENDATIONS****Minor Capital Outlay**

*We recommend (1) deletion of \$27,000 requested for minor capital outlay improvements in leased office space and (2) a reduction of \$15,000 to eliminate overbudgeting. Further, we recommend that the balance of requested funds (\$158,000) be subject to Budget Bill language, consistent with our recommendations on the department's requests for additional computing equipment in the support budget (Item 8350-001-001).*

The budget proposes \$200,000 from the General Fund, Special Account for Capital Outlay, for four minor capital outlay projects (\$200,000 or less per project) for the Department of Industrial Relations. All of the requests relate to modifications necessary to improve or expand the department's computer systems. The projects include:

- \$96,000 to install electrical circuits and coaxial cable for 120 terminals in 22 state buildings (\$69,000) and 9 leased buildings (\$27,000).
- \$9,000 for the state's share of the cost of installing electrical and telephone circuits at 28 locations for the Cal OSHA program. A like amount is to be financed from federal funds.
- \$30,000 for installation of additional air conditioning at the department's main computer facility at 525 Golden Gate Avenue in San Francisco.

- \$65,000 for expansion of the computer room at San Francisco in order to accommodate new equipment which would be purchased using funds requested in the department's support budget for 1985-86.

Our analysis indicates that the installation of electrical circuits and coaxial cable in leased facilities should be funded by the lessor, and amortized in the rental charge to the agency. We therefore recommend that \$27,000 of the amount requested be deleted. In addition, the \$30,000 proposed for additional air conditioning in San Francisco is overbudgeted. Our review indicates that based on available construction cost data, the cost of the proposed work should not exceed \$15,000, for a savings of \$15,000.

In our analysis of the departments' support budget (please see page 1501), we indicate that the department has not provided adequate information to substantiate that the proposed computer improvements represent the most efficient system for implementing office automation departmentwide. Consequently, we have recommended that the Legislature condition approval of funds requested for these improvements on the results of an outside contractor's evaluation, which is to be submitted to the Legislature by March 15, 1986. Consistent with this recommendation, we recommend that the \$158,000 requested under this item also be subject to the Budget Bill language recommended under Item 8350-001-001.

## DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General

Fund, the Child Care Fund,  
and the Deferred Compensation Fund

Budget p. GG 55

Requested 1985-86 .....	\$6,242,000
Estimated 1984-85 .....	5,833,000
Actual 1983-84 .....	2,554,000
Requested increase (excluding amount for salary increases) \$409,000 (+7.0 percent)	
Total recommended reduction .....	None

### 1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8380-001-001—Departmental Support	General	\$5,015,000
8380-001-915—For support of the deferred compensation insurance plan	Deferred Compensation Plan	477,000
8380-001-974—For support of the Child Care program	Child Care	750,000
Total		\$6,242,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Collective Bargaining Charges. Recommend that the Legislature adopt supplemental report language directing the Department of Finance to include collective bargaining costs in the state pro rata charge system by 1986-87. 1518
2. Administration of Health Benefits. Recommend that legislation be enacted to transfer health benefit administration from the Public Employees' Retirement System to the 1519

**DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**

Department of Personnel Administration.

3. Vacancy and Turnover Rates. Recommend that the 1519  
Legislature direct the Department of Personnel Administration to submit a report to the fiscal committees and the Joint Legislative Budget Committee by December 1, 1985 on classifications with high vacancy and turnover rates.

**GENERAL PROGRAM STATEMENT**

The Department of Personnel Administration (DPA) was established May 1, 1981, by the Governor's Reorganization Plan No. 1 of 1981, in order to manage the *nonmerit* aspects of the state's personnel system. The State Personnel Board (SPB) continues to be responsible for administering the *merit* aspects of the state civil service system.

The State Employer-Employee Relations Act (SEERA) provides for collective bargaining for most state civil service employees. Under SEERA, the DPA, in cooperation with other state departments, is responsible for (1) reviewing existing terms and conditions of employment subject to negotiation, (2) developing management's negotiating positions, (3) representing management in collective bargaining negotiations, and (4) administering negotiated memoranda of understanding (MOUs). The DPA is also responsible for providing for the compensation, terms, and conditions of employment of managers and other state employees who are not represented in the collective bargaining process.

**Current-Year Changes**

The Governor's Reorganization Plan No. 1 of 1984 transferred 59 positions and \$2,361,000 from SPB to DPA, effective July 1, 1984, in order for the department to manage (1) the Personnel Classification Plan and (2) salary administration, position classification, and training of executive personnel in career executive assignments.

Chapter 676, Statutes of 1984 (SB 1139), established a Child Care Fund to be administered by DPA. This fund was created to provide grants and loans to nonprofit corporations in order to finance state employee child day-care services.

The DPA has 175.5 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$9,765,000 from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, and reimbursements for support of the department in 1985-86. This is \$417,000 or 4.5 percent, above estimated expenditures for the current year. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

Department expenditures in 1985-86 exclusive of reimbursements are proposed at \$6,242,000, which is \$409,000, or 7.0 percent, above estimated current-year expenditures. The General Fund portion of this request is \$5,015,000, which is \$623,000, or 11.1 percent, less than the estimated 1984-85 level. This reduction primarily reflects a *one-time* \$446,000 General Fund allocation from the employee compensation item in 1984-85 to support the Child Care program. The expenditures proposed for this program in 1985-86 are financed from the Child Care Fund.

The budget does not include any funds for the estimated General Fund cost of merit salary increases (\$66,000 in 1985-86) or inflation adjustments

for operating expenses and equipment (\$35,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 1 presents expenditures and personnel-years for each of DPA's five programs during the three-year period ending June 30, 1986. As the table shows, the budget proposes to reduce DPA personnel-years in 1985-86 by 2.3 percent from the current-year level.

**Table 1**  
**Department of Personnel Administration**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change, 1985-86 Over 1984-85	
				Amount	Percent
Personnel Management.....	\$3,477	\$4,342	\$4,495	\$153	3.5%
Child Care.....	—	250	750	500	200.0
Labor Relations .....	1,149	1,622	1,556	-66	-4.1
Legal.....	446	679	704	25	3.7
Classification and Compensation	—	2,455	2,361	-94	-3.8
Administration (distributed) .....	(835)	(1,514)	(1,515)	(1)	(0.1)
Unallocated General Fund re-					
duction for MSA and operat-					
ing expenses .....	—	—	-101	-101	—
Total Expenditures .....	\$5,072	\$9,348	\$9,765	\$417	4.5%
Funding Sources					
General Fund.....	\$2,206	\$5,638	5,015	-\$623	-11.1%
Special funds.....	—	303	—	303	-100.0
Nongovernmental cost funds.....	—	251	—	-251	-100.0
Reimbursements .....	2,518	3,515	3,523	8	0.2
Deferred Compensation Plan					
Fund.....	348	391	477	86	22.0
Child Care Fund .....	—	-750	750	—	—
Personnel-years .....	102.9	175.5	171.5	-4.0	-2.3%

**Table 2**  
**Department of Personnel Administration**  
**Proposed Budget Changes**  
**(dollars in thousands)**

	General Fund	Deferred Compensation Plan Fund	Child Care Fund (CCF)	Other Funds	Reim- bursements	Total
1984-85 Expenditures (Revised)	\$5,638	\$391	-\$750 <sup>a</sup>	\$554	\$3,515	\$9,348
Baseline Adjustments						
Salary increases .....	\$22	\$2	—	—	\$10	\$34
Merit salary adjustments .....	—	3	—	—	14	17
Operating expenses.....	34	78	—	—	36	148
Salary savings adjustment .....	-11	—	—	—	—	-11
Redistribution of administrative						
costs.....	-38	4	—	—	34	—
One-time reorganization costs..	-155	—	—	—	—	-155
Subtotals, Baseline Adjust-						
ments .....	(-\$148)	(\$87)	(—)	(—)	(\$94)	(\$33)

**DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued***Workload Changes:*

Reduction in negotiation support (2 positions) .....	—	—	—	—	-\$79	-\$79
Reduction in administration program (2 positions) .....	-\$29	-\$1	—	—	-7	-37
Child Care program .....	-446 <sup>a</sup>	—	\$1,500 <sup>a</sup>	-554 <sup>a</sup>	—	500
Subtotals, Workload Changes .....	(-\$475)	(-\$1)	(\$1,500)	(-\$554)	(-\$86)	\$384
1985-86 Expenditures (Proposed) .....	\$5,015	\$477	\$750	—	\$3,523	\$9,765
Change from 1984-85:						
Amount .....	-\$623	\$86	\$1,500	-\$554	\$8	\$417
Percent .....	11.1%	22.0%	NA	-100.0%	0.2%	4.5%

<sup>a</sup> Technical adjustments necessary to allocate funds from the employee compensation item (9800) to finance the Child Care program.

The major changes in the department's budget proposed for 1985-86 are displayed in Table 2. The largest change is a \$500,000 increase in spending from the Child Care Fund (from \$250,000 in the current year to \$750,000 in the budget year). Other changes include (1) a \$148,000 increase in operating expenses, and (2) a \$155,000 reduction reflecting one-time reorganization costs in the current year.

**ANALYSIS AND RECOMMENDATIONS****Pro Rata Collective Bargaining Charges**

*We recommend that the Legislature adopt supplemental report language directing the Department of Finance to include the costs of collective bargaining operations in the state's pro rata charge system for 1986-87.*

Since 1983-84, DPA collective bargaining activities have been funded by reimbursements from other state agencies. This funding arrangement was implemented so that collective bargaining costs directly attributable to other state agencies would be charged to these departments and reflected as a program cost in their budgets.

Our analysis indicates that DPA's collective bargaining operations should instead be included in the statewide pro rata system. Our conclusion is based on two factors.

First, as yet departments have not been allowed to include the full costs of collective bargaining in their budgets. Table 3 show that in 1983-84 and 1984-85, departments had to reduce other activities approved by the Legislature in order to absorb their share of the costs from DPA's collective bargaining activities. Departments redirected \$1,186,000 in 1983-84 and an estimated \$371,800 in 1984-85 in order to free up the money needed to pay these collective bargaining costs.

**Table 3**  
**Department of Personnel Administration**  
**Funding for Collective Bargaining Activities**  
**1983-84 to 1985-86**

	Departmental Charge			Amounts Budgeted By Departments	Amounts Paid To DPA By Departments	Difference
	Per Budgeted Employee	Actual	Difference			
1983-84 .....	—	\$10.00	\$10.00	—	\$1,186,000	\$1,186,000
1984-85 .....	\$10.00	16.00 <sup>a</sup>	6.00	\$1,531,000	1,902,000 <sup>a</sup>	371,000
1985-86 .....	17.00	Unknown	NA	\$1,841,000	Unknown	NA

<sup>a</sup> Estimate for current year.

Second, most of the department's personnel management programs which provide services to other state agencies are *already* included in the pro rata system. For example, the department receives funds through pro rata to administer (1) personnel policy for exempt and nonrepresented employees, (2) the merit award program, and (3) classification and compensation activities. We believe that collective bargaining activities affect statewide personnel practices and funding for these activities is appropriate within the pro rata system.

For these reasons, we recommend that the costs of collective bargaining activities be included in the state's pro rata system. Department of Finance staff report that a funding switch from reimbursements to pro rata could be completed in time for implementation in 1986-87. To achieve this funding shift, we recommend that the Legislature adopt the following supplemental language:

It is the intent of the Legislature that, beginning in 1986-87, the costs of the Department of Personnel Administration's collective bargaining activities be recovered through the State's pro rata system.

#### **Administration of Health Benefits Should be Transferred**

*We recommend that legislation be enacted to transfer administration of health benefits from the Public Employees' Retirement System to the Department of Personnel Administration.*

In our analysis of the budget for the Public Employees' Retirement System (PERS) (please see page 226), we recommend that the administration of health benefits be transferred from the PERS to the DPA, for three reasons. First, the transfer of this task from PERS to the department would be consistent with DPA's statutory responsibility in the area of benefits administration. Second, given DPA's current responsibility for administering the state dental program, the assumption of this PERS activity would consolidate in one agency the administration of all health-related benefits. This would enable the state to better respond to changes in the way health benefits are provided in the future. Finally, it is not clear to us why the PERS board, an independent entity having no overall responsibility for the negotiation and administration of state employee benefits, should be in charge of this one major benefit.

For these reasons, we recommend that the appropriate sections of the Government Code be amended to transfer the administration of the health benefits program from the PERS to the DPA.

#### **Legislative Review of Vacancy and Turnover Rates Should Continue**

*We recommend that the Legislature adopt supplemental report language directing the Department of Personnel Administration to report to the fiscal committees and the Joint Legislative Budget Committee by December 1 1985, on the classifications which have a high vacancy and/or turnover rate.*

During the current year, the department was required to prepare reports on:

**DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**

- The feasibility of a flexible benefit program;
- The compensation package for nonrepresented employees;
- The department's program-based time accounting system;
- The use of training and development assignments;
- The compensation of top staff at the Museum of Science and Industry; and
- Potential salary and classification problems associated with hiring safety inspectors at the Department of Industrial Relations.

The department completed each report in a timely manner and provided the information sought by the Legislature. The department is to be commended for its responsiveness.

The department also prepared in the current year a report on classifications with high vacancy and turnover rates. This information is helpful because it gives the Legislature the ability to assess whether compensation packages approved in collective bargaining agreements allow the state to recruit and retain the qualified employees.

So that the Legislature will continue to receive this information, we recommend that the Legislature adopt the following supplemental report language.

The Department of Personnel Administration shall submit to the fiscal committees and the Joint Legislative Budget Committee by December 1, 1985, a report on classifications which have a high vacancy and/or turnover rate.

### **WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES**

Item 8450 from the General  
Fund

Budget p. GG 62

Requested 1985-86 .....	\$6,135,000
Estimated 1984-85 .....	6,216,000
Actual 1983-84 .....	5,089,000
Requested decrease \$81,000 (-1.3 percent)	
Total recommended reduction .....	None

#### **1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8450-001-001—General Fund Support	General	\$4,135,000
8450-001-016—Death-Without-Dependency Support	General, Subsequent Injuries Money's Account	2,000,000
Total		\$6,135,000

#### **GENERAL PROGRAM STATEMENT**

Existing law provides that when a worker with a preexisting permanent disability or impairment suffers a subsequent industrial injury resulting in a combined permanent disability of 70 percent or more, the employer is responsible only for that degree of permanent disability arising from the



subsequent injury. The balance of the disability benefit obligation is assumed by the state. The purpose of this program is to provide an incentive for employers to hire persons who have a permanent (but partial) disability or impairment.

The cost of this program is paid from an annual General Fund appropriation and from workers' compensation payments made to the state by employers and insurance companies on behalf of workers who die leaving no surviving heirs. These payments are collected by the Department of Industrial Relations (DIR) and placed in the Subsequent Injuries Moneys account of the General Fund.

## ANALYSIS AND RECOMMENDATION

### *We recommend approval.*

The budget proposes appropriations of \$6,135,000 to fund workers' compensation benefits paid under the subsequent injury program during 1985-86. This amount consists of (1) \$4,135,000 from the General Fund (Item 8450-001-001) and (2) \$2,000,000 in death-without-dependency payments (Item 8450-001-016). Together, these appropriations are \$81,000, or 1.3 percent, less than estimated current-year expenditures. The reduction is proposed because the number of claims against the fund has decreased.

Table 1 shows the sources and uses of funds under the subsequent injuries program for the current and budget years.

**Table 1**  
**Workers' Compensation Benefits for Subsequent Injuries**  
**Budget Summary**  
**1984-85 and 1985-86<sup>a</sup>**  
**(dollars in thousands)**

Program	Estimated Proposed		Changes	
	1984-85	1985-86	Amount	Percent
Benefit Payments .....	\$5,250	\$5,169	-\$81	-1.5%
State Compensation Insurance Fund Service Charges .....	263	263	—	—
DIR Legal Defense and Support Costs .....	703	703	—	—
Total .....	\$6,216	\$6,135	-\$81	-1.3%
General Fund Appropriation .....	\$4,135	\$4,135	—	—
Death-Without-Dependency Payments .....	\$2,081	\$2,000	-\$81	-3.9%

<sup>a</sup> Actual 1983-84 expenditures are not included because numbers provided by the State Compensation Insurance Fund and by the Department of Finance do not reconcile.

Our analysis indicates that the proposed budget for 1985-86 is reasonable, given the current level of expenditures for claim payments.

**WORKERS' COMPENSATION BENEFITS  
FOR DISASTER SERVICE WORKERS**

Item 8460 from the General  
Fund

Budget p. GG 63

Requested 1985-86 .....	\$463,000
Estimated 1984-85.....	415,000
Actual 1983-84 .....	463,000
Requested increase \$48,000 (+11.6 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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1. Estimates of Program Costs. Recommend that the Department of Finance submit updated information on program costs in the current and budget years.

1522

**GENERAL PROGRAM STATEMENT**

This item provides funds for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster relief services.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes \$463,000 for workers' compensation benefits in 1985-86. This is \$48,000 or 11.6 percent, more than estimated current-year expenditures, but the same as actual expenditures in 1983-84. The increase reflects higher medical costs and an expected increase in the number of compensation payments.

**ANALYSIS AND RECOMMENDATIONS**

**Department of Finance Estimates Are Questionable**

*We recommend that the Department of Finance submit more recent estimates of program costs for the current and budget years.*

The total amount of compensation paid on behalf of volunteer personnel fluctuates with the number of both training exercises and actual emergencies (such as fires, floods, or earthquakes). While such costs are difficult to predict, it appears to us that program costs for both the current and budget years are seriously underbudgeted.

During the first-half of 1984-85, the program incurred costs of \$274,000. If this is representative of what *full-year* costs will be, the total will greatly exceed both the amount appropriated in 1984-85 and the amount budgeted for 1985-86.

We also note that, because of increasing medical costs and program participation, expenditures for the disaster service worker program have grown steadily in recent years. In fact, the year-to-year growth in program expenditures has not been *less than* 13.7 percent in any one of the last five fiscal years.

For these reasons, we believe that this item has been underbudgeted for 1985-86. Accordingly, we recommend that the Department of Finance reevaluate the budget estimates for both the current and budget years, and submit its findings to the Legislature during budget hearings.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board  
of Chiropractic Examiners  
Fund

Budget p. GG 64

Requested 1985-86 .....	\$773,000
Estimated 1984-85.....	702,000
Actual 1983-84 .....	601,000
Requested increase (excluding amount for salary increases) \$71,000 (+10.1 percent)	
Total recommended reduction .....	3,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1542

1. *Equipment Expenditures. Reduce Item 8500-001-152 by \$3,000.* Recommend reduction to correct for overbudgeting equipment.

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners, which was established by initiative in 1922, is responsible for protecting the users of chiropractic services by assuring adequate training and compliance with minimum performance standards for chiropractors practicing in California. The board seeks to accomplish its goal through licensing, continuing education, and enforcement of the Chiropractic Act.

The board is an independent agency directly supervised by the Governor's Office. It has 5.6 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$773,000 from the State Board of Chiropractic Examiners Fund for support of the board in 1985-86. This is \$71,000, or 10.1 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Table 1  
Board of Chiropractic  
Examiners  
Proposed 1985-86 Budget Changes  
(dollars in thousands)

	State Board of Chiropractic Examiners
1984-85 Expenditures (Revised) .....	\$702
Cost adjustments .....	50
Program Change:	
Equipment replacement and addition .....	21
1985-86 Expenditures (Proposed) .....	\$773
Change from 1984-85:	
Amount .....	\$71
Percent .....	10.1%

**BOARD OF CHIROPRACTIC EXAMINERS—Continued**

As shown in Table 1, the \$71,000 increase consists of (1) \$50,000 for merit salary adjustments, staff benefits increases and increased central administrative services (up to \$19,000, or 73 percent), and (2) \$21,000 to replace existing equipment and purchase new equipment.

**ANALYSIS AND RECOMMENDATIONS****Equipment Costs Overbudgeted**

*We recommend a reduction of \$3,000 because the board's equipment costs are overbudgeted. (Reduce Item 8500-001-152 by \$3,000.)*

The Governor's Budget requests \$21,000 for equipment expenditures in 1985-86. In providing justification for the request, however, the board indicated that it plans to purchase only about \$18,000 in equipment during the budget year. The board concurs that the additional \$3,000 will not be needed. Accordingly, we recommend a reduction of \$3,000 in funds for equipment expenditures.

**BOARD OF OSTEOPATHIC EXAMINERS**

Item 8510 from the Board of Osteopathic Examiners Contingent Fund

Budget p. CG 66

Requested 1985-86 .....	\$404,000
Estimated 1984-85 .....	369,000
Actual 1983-84 .....	308,000
Requested increase (excluding amount for salary increases) \$35,000 (+9.5 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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1. Board's Lawsuit Against the Public Members. Recommend that during budget hearings, the Board of Osteopathic Examiners explain to the fiscal committees why it has not complied with the 1984 Budget Act.

1525

**GENERAL PROGRAM STATEMENT**

The five-member Board of Osteopathic Examiners was established by initiative in 1922 for the purpose of regulating the practice of osteopathy. The board licenses osteopaths through an examination process, and takes appropriate disciplinary action against osteopaths for violations of laws, rules or regulations. The board has 5.1 authorized positions in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$404,000 from the Board of Osteopathic Examiners Contingent Fund for support of the board in 1985-86. This is an increase of \$35,000, or 9.5 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase for the budget year.

As shown in Table 1, the \$35,000 increase consists of: (1) \$31,000 to

provide for inflation adjustments, and (2) \$4,000 to provide for increases in staff benefits and salaries.

**Table 1**  
**Board of Osteopathic Examiners**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>Board of Osteopathic Examiners Contingent Fund</i>
1984-85 Expenditures (Revised) .....	\$369
Proposed Changes:	
Merit salary adjustment .....	3
Staff benefit increase .....	1
Inflation adjustment .....	31
1985-86 Expenditures (Proposed) .....	\$404
Change from 1984-85:	
Amount .....	\$35
Percent .....	9.5%

## ANALYSIS AND RECOMMENDATIONS

### Board's Lawsuit Against the Public Members

*We recommend that during budget hearings, the Board of Osteopathic Examiners explain to the fiscal subcommittees why it has not complied with the 1984 Budget Act.*

The 1984 Budget Act contains language prohibiting the use of funds to support the board's legal actions against the seating of two public members on the board.

The board indicates that the public members case is considered part of its general counsel's workload. In addition, discussions with the board's staff and review of board records indicates that the general counsel has spent time and state funds in the current year to meet with and provide documents to the privately funded attorney representing the board in this case.

It thus appears that the board has violated the prohibition contained in the 1984 Budget Act prohibiting the use of funds to support the board's case. We recommend that the board explain to the fiscal subcommittees during budget hearings why it has not complied with the law.

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

Item 8530 from the Board of Pilot Commissioners' Special Fund

Budget p. GG 68

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Requested 1985-86 .....	\$88,000
Estimated 1984-85 .....	84,000
Actual 1983-84 .....	74,000
Requested increase (excluding amount for salary increases) \$4,000 (+4.8 percent)	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for certifying the qualifications of pilots for vessels entering or leaving those bays or traveling between and within the ports of those bays. The board, which is appointed by the Governor, licenses, regulates and disciplines pilots through such activities as examinations and acting on complaints.

The board has one authorized position, consisting of an administrative assistant, and is supported by the Board of Pilot Commissioners' Special Fund. The fund's revenues are derived from a percentage assessment on pilot fees, which is collected directly by the pilots from the ships they serve. The law provides that a maximum assessment of 5 percent of pilotage fees shall be paid into the fund. The current assessment is 2.5 percent.

### Major Change in Structure and Responsibilities

Chapter 1653, Statutes of 1984, increased the membership of the Board of Pilot Commissioners from three to seven members and gave the board new responsibilities including:

- Licensing of inland pilots;
- Establishment of training standards and a training program for newly appointed pilot candidates;
- Recommendation of a schedule of bar pilotage rates to the Legislature for its adoption;
- Administration and review of the San Francisco Bar Pilots' Pension Plan.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$88,000 from the Board of Pilot Commissioners' Special Fund for support of the board in 1985-86. This is \$4,000, or 4.8 percent, above estimated current-year expenditures. In addition, expenditures from the fund will increase above the level proposed in the budget to the extent any salary or staff benefit increase is approved for the budget year.

The \$4,000 net increase proposed for 1985-86 reflects adjustments for merit salary increases (\$1,000), inflation (\$1,000), current year one-time equipment costs (-\$2,000), and a budget-year reduction in pro rata charges for central administrative services (-\$4,000). It also reflects an increase for investigation of piloting incidents and for related administra-

tive hearings (\$8,000). The latter change is based upon the opinion of the board's legal counsel that current board investigative and enforcement procedures may not adequately protect the rights of pilots subject to administrative hearings.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

Our analysis indicates that the budget proposed for the Board of Pilot Commissioners is necessary to maintain current activities and to adequately protect the rights of pilots subject to administrative hearings.

### CALIFORNIA AUCTIONEER COMMISSION

Item 8540 from the Auctioneer  
Commission Fund

Budget p. GG 69

Requested 1985-86 .....	\$162,000
Estimated 1984-85 .....	145,000
Actual 1983-84 .....	112,000
Requested increase (excluding amount for salary increases) \$17,000 (+11.7 percent)	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

The seven-member Auctioneer Commission was established by Ch 1499/82 as a public corporation for the purpose of licensing and regulating auctioneers and auction companies. Chapter 516, Statutes of 1983, amended the earlier law to make clear that individuals operating an auction house or company are required to hold a valid license. After March 31, 1984, all individuals seeking licensure will be required to pass an auctioneer's examination developed by the commission. The commission has 1.9 authorized positions in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$162,000 from the Auctioneer Commission Fund for support of the commission in 1985-86. This is \$17,000, or 11.7 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved in the budget year.

The proposed \$17,000 increase consists of (1) \$14,000 for central administrative services, (2) \$1,000 for personal services and (3) \$2,000 for cost adjustments. In addition, during 1985-86 the commission will pay off the \$4,000 balance on its \$12,000 loan from the General Fund, which was made pursuant to Ch 1499/82 to fund the start-up costs of the commission's programs.

### Current Year Expenditures Include Deficiency Appropriation

The commission's current-year expenditures of \$145,000 include a deficiency authorization of \$26,000 that was approved by the Department of Finance. This augmentation provided:

- \$10,000 for starting an enforcement program, as required by Ch 1676/84;

**CALIFORNIA AUCTIONEER COMMISSION—Continued**

- \$11,000 for an office technician (0.6 personnel-year);
- \$3,000 one-time expenditure for updating the licensing examination for auctioneers, as required by Ch 1676/84, and
- \$2,000 for administering a licensing examination in southern California.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

During hearings on the commission's budget request for 1984-85, the fiscal subcommittees directed the commission to submit a *detailed* plan and budget proposal for an enforcement program as part of its 1985-86 budget request. Through an oversight, this directive was not included in the *Supplemental Report of the 1984 Budget Act*.

The commission has submitted a budget proposal and preliminary plan for the enforcement program. The preliminary plan consisted of a *brief* discussion of procedures for handling complaints, conducting investigations and taking disciplinary actions, plus statistics on enforcement activities for 1983-84 and the first part of 1984-85. Because the commission's plan did not provide *detailed* procedures for various elements of its enforcement program, we have requested the commission to submit more information on these procedures to the fiscal committees. The commission indicates that a detailed enforcement procedures manual will be completed by March 1985. We intend to follow-up on the commission's progress in completing the manual, and will report our findings to the fiscal subcommittees during budget hearings.

**CALIFORNIA HORSE RACING BOARD**

Item 8550 from the Fair and Exposition Fund and various funds

Budget p. GG 71

Requested 1985-86 .....	\$3,309,000
Estimated 1984-85 .....	4,022,000
Actual 1983-84 .....	3,575,000
Requested decrease (excluding amount for salary increases) \$713,000 (-17.7 percent)	
Total recommended reduction .....	None
Recommendation pending .....	275,000

**1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8550-001-191—Horse Racing Board	Fair and Exposition	\$1,711,000
8550-001-942—Horse Racing Board	Racetrack Security Account, Special Deposit	328,000
—Continuing Appropriation—Horsemen's Organization Welfare Special Account		1,270,000
Total		\$3,309,000



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

- |                                                                                                                                                                                                                                                                                                                       |      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1. Automated Recordkeeping System. Withhold recommendation on \$275,000 requested for a new automated record-keeping system in Item 8550-001-942, pending receipt of revised cost estimates.                                                                                                                          | 1530 |
| 2. Fingerprinting Costs. Recommend (a) board and Department of Finance report at budget hearings on plans to fully-fund fingerprinting costs and (b) adoption of supplemental report language requiring board to develop guidelines for revising license fees that take into account future licensing cost increases. | 1531 |
| 3. HOWSA budgets. Recommend board report at budget hearings on the extent to which it has complied with provisions in the <i>Supplemental Report of the 1984 Budget Act</i> regarding proposed HOWSA budgets.                                                                                                         | 1532 |
| 4. Horsemen's Accommodations. Recommend board report at budget hearings on the extent to which it has complied with provisions in the <i>Supplemental Report of the 1984 Budget Act</i> regarding minimum standards for horsemen's accommodations at racetracks.                                                      | 1533 |
| 5. Office Automation. Recommend adoption of supplemental report language requiring board and Department of Finance to report on office automation needs.                                                                                                                                                              | 1533 |

**GENERAL PROGRAM STATEMENT**

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where parimutuel wagering is allowed.

Responsibilities of the board include promoting horse racing, regulating wagering, and maximizing the horse racing revenues collected by the state. The board's activities consist of (1) licensing all horse racing participants, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations under which racing is conducted, and (4) collecting the state's horse racing revenues.

The board has seven members appointed by the Governor and a staff of 49.7 authorized positions in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total appropriations of \$3,309,000 from the Fair and Exposition Fund and other state funds to support the California Horse Racing Board in 1985-86. This is a decrease of \$713,000, or 17.7 percent, below estimated current-year expenditures of state funds. This decrease will be partially offset, however, by the cost of any salary or staff benefit increases approved for the budget year.

As in the current year, the board will also receive additional funding in the form of reimbursements from California track associations to support the State Stewards Program. These reimbursements will amount to \$1,092,000 in 1985-86, and will bring the board's total program expenditures to \$4,401,000. This amount is 13.9 percent below estimated total expenditures in the current year. Table 1 shows the board's expenditures and personnel-years for the past, current and budget years.

**CALIFORNIA HORSE RACING BOARD—Continued**

**Table 1**  
**California Horse Racing Board**  
**Summary of Program Expenditures**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

<i>Program Elements</i>	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Proposed</i> 1985-86	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Proposed</i> 1985-86
Licensing .....	8.6	10.7	10.7	\$319	\$466	\$469
Enforcement .....	14.9	14.0	14.0	557	831	836
State Stewards Program .....	14.0	14.0	14.0	984	1,070	1,070
California Standardbred Sires Stakes ....	1.0	0.5	—	950	726	—
Administration (undistributed) .....	9.8	10.5	11.0	482	749	756
Horsemen's Organization Welfare Special Account, Special Deposit Fund .....	—	—	—	1,267	1,270	1,270
Totals, Program Costs .....	48.3	49.7	49.7	\$4,559	\$5,112	\$4,401
<i>Funding Source</i>						
California Standardbred Sires Stakes Account, Special Deposit Fund .....	—	—	—	\$950	\$726	—
Fair and Exposition Fund .....	—	—	—	1,305	1,680	1,711
Racetrack Security Account, Special Deposit Fund .....	—	—	—	53	346	328
Horsemen's Organization Welfare Special Account, Special Deposit Fund .....	—	—	—	1,267	1,270	1,270
Reimbursements .....	—	—	—	984	1,090	1,092

The proposed decrease in the board's expenditures for 1985-86 primarily reflects the fact that in 1984, the Legislature transferred responsibility for administering racing purses under the California Standardbred Sires Stakes Program from the board to the newly-formed California Standardbred Sires Stakes Committee. In addition, expenditures in the current year reflect a one-time equipment outlay of \$68,000 for the board's new automated recordkeeping system and for microfilm equipment. Adjusting for these two special factors, total budget-year expenditures proposed for the board are \$83,000, or 1.9 percent, above current-year expenditures.

**ANALYSIS AND RECOMMENDATIONS****New Automated Recordkeeping System**

*We withhold recommendation on the \$275,000 appropriation proposed for development, maintenance, and operation of the CHRB's new automated recordkeeping system, pending completion of the system's Critical Design Review.*

The CHRB is in the process of converting its licensing and enforcement programs' recordkeeping activities from a manual system to an automated system. The current-year cost for development, maintenance, and operation of this new system is \$293,000, while the budget-year request for the system is \$275,000.

The budget-year request is based upon cost estimates contained in the project's amended Feasibility Study Report (FSR), which was issued by the Department of General Services in May 1984. These were the most-recent cost estimates available for the project at the time the budget was prepared.

At the time this analysis was written, the project's Critical Design Review (CDR) had not been completed. Because one element of the CDR is a review of the earlier cost estimates, the report will provide additional

information as to the level of funding actually required for the project. We, therefore, withhold recommendation on the \$275,000 requested for funding the budget-year costs associated with the new automated recordkeeping system, pending our receipt of the CDR report.

### **Fingerprinting Costs Miscalculated**

*We recommend that (1) the CHRB and Department of Finance report, at the time of budget hearings, on how they propose to fully-fund the fingerprinting costs incurred by the board in the current and budget years, and (2) the Legislature adopt supplemental report language requiring the CHRB to adopt guidelines for reflecting future changes in licensing costs, such as for fingerprinting, in the board's occupational license fee schedules.*

The CHRB requests \$50,000 to fund fingerprinting costs associated with its licensing activities in 1985-86—the same amount that the board expects to spend on fingerprint activities in the current year. These funds are used to reimburse the California Department of Justice for fingerprinting services.

The CHRB's fingerprint cost estimates are not accurate. The board assumes that its cost per fingerprinting report will be \$10.50 in both the current and budget years. The Department of Justice's actual fingerprinting charges, however, were \$15.50 per report during the first half of 1984-85, and rose to \$17.50 on January 1, 1985. The charges may be raised even higher, to around \$18.50, on July 1, 1985. This means that \$50,000 will not cover the board's fingerprinting costs in either the current year or budget year. In fact, when this analysis was prepared, the board had already spent the entire \$50,000 budgeted for fingerprinting in the current year, even though there are more licenses still to be issued, and thus additional fingerprinting costs to be incurred, during 1984-85.

The board indicates that it may be able to make additional funds available to cover fingerprinting costs if it realizes savings in certain other contract expenditures in the current and budget years. Our analysis of these potential savings indicates that they are somewhat speculative, and that even if they are realized, there still will not be sufficient funds available to fully pay for all fingerprinting costs.

Given the above, we recommend that the Legislature request the CHRB and Department of Finance, at the time of budget hearings, to report on how they propose to fund the fingerprinting costs incurred by the board. This report should include:

- A *realistic re-estimate* of the fingerprinting costs to be incurred by the board in both the current year and budget year; and
- A *plan for funding* these higher costs. This plan should take into account any possible savings in other budget categories. It should also indicate the adjustments in CHRB's *occupational licensing fees* that are needed in order for CHRB licensees to pay the full costs of fingerprinting charges in the current and budget years.

The board has the statutory authority to set occupational license fees. In order to assure that future increases in the costs of licensing-related activities, such as fingerprinting, are covered by the license fees, the board should have an established procedure for revising these fees whenever licensing costs change. At present, it has no such procedure. This explains why occupational license fees were not increased during the latter half of 1984, even though the cost of fingerprinting licensees rose by \$7.00 (67 percent).

**CALIFORNIA HORSE RACING BOARD—Continued**

Accordingly, we recommend that the Legislature adopt the following supplemental report language, which directs the board to establish a procedure for adjusting license fees to reflect the cost of licensing:

"The CHRB shall establish guidelines for periodically adjusting occupational license fees to reflect changes in the costs of its licensing-related activities. The CHRB shall report to the Legislature by November 1, 1985 on (1) the specific cost-related components of its current fee (2) whether current fee levels should be revised to better correspond to actual licensing costs and (3) the guidelines it has adopted for periodically revising license fees to reflect licensing cost changes."

**CHRB's Response to Legislative Requirements Regarding the HOWSA Fund is Incomplete**

*We recommend that the CHRB, at the time of its budget hearings, report to the Legislature on its plans to fully comply with the provisions of the Supplemental Report of the 1984 Budget Act that require it to make changes in the format and content of proposed HOWSA budgets.*

**Background.** Chapter 1043, Statutes of 1980 (AB 3383), provided that certain horse racing revenues which otherwise would accrue to the state's General Fund be allotted to three horsemen's organizations in order to fund welfare programs for employees of horse owners and trainers. Specifically, Chapter 1043 provided that 50 percent of the monies from unclaimed parimutuel tickets shall be paid to the Horsemen's Organization Welfare Special Account (HOWSA), and transferred thereafter to the horsemen's organizations.

Legislative review of HOWSA fund expenditures is both appropriate and necessary, given that HOWSA funds are essentially General Fund revenues that have been diverted to programs traditionally financed by the horse racing industry itself (as indeed similar programs in other industries are financed by those industries, rather than by the state).

In our *Analysis of the 1983-84 Budget Bill*, we recommended that the Legislature direct the board to regulate HOWSA expenditures. In response, the Legislature adopted language in the *Supplemental Report of the 1983 Budget Act* requiring the board to:

- Prepare proposed budgets for the expenditure of HOWSA funds; and
- Promulgate regulations to specify and govern the appropriate use of HOWSA funds.

The CHRB complied with these requirements. In our *Analysis of the 1984-85 Budget Bill*, however, we indicated that there were a number of problems with the HOWSA budgets which made them inadequate for the purpose of legislative review. We recommended that the Legislature direct the board to address these problems. In response, the Legislature adopted language in the *Supplemental Report of the 1984 Budget Act* directing the board to:

- Require horsemen's organizations to submit yearly budgets detailing proposed expenditures of HOWSA funds; and
- Require that these budgets include prior-year actual and current-year estimated expenditures, and to detail to what extent funds from other sources are expended on programs that are also funded by HOWSA funds.

**Incomplete Compliance.** At the time this analysis was written, the

CHRB had met the first of these requirements, but not the second. Consequently, we recommend that, at the time of the budget hearings, the Legislature direct the CHRB to report on the extent of its compliance with the *Supplement Report of the 1984 Budget Act*.

#### **Minimum Standards for Horsemen's Accommodations**

*We recommend that during budget hearings, the CHRB report to the Legislature on its compliance with provisions of the Supplemental Report of the 1984 Budget Act requiring the board to adopt regulations for minimum standards for horsemen's accommodations at racetracks.*

The Legislature adopted language in the *Supplemental Report of the 1984 Budget Act* directing the board to promulgate regulations, by January 31, 1985, which specify certain minimum standards for horsemen's accommodations at racetracks. At the time this analysis was written, these regulations had not been promulgated. We, therefore, recommend that, at the time of its budget hearings, the board report to the Legislature on its compliance with the supplemental report language.

#### **Need For Office Automation**

*We recommend that by November 1985 the CHRB and the Department of Finance submit to the Legislature a plan to automate the board's office functions.*

The CHRB staff is required to maintain, compile, analyze, and report considerable amounts of data related to California horse racing activities. For example, the board publishes an annual report on horse racing-related activities and an annual statistical summary of parimutuel racing and wagering. It also analyzes a continuing stream of proposed legislation involving how different types of parimutuel tax schedule changes and revisions to the racing calendar would affect state revenues, payments to horsemen, and financial returns to horseracing associations. These types of workload are ideally suited for today's relatively inexpensive and easy-to-use personal computers and word processing equipment. However, the board's staff currently has no such equipment—not even one small desk-top personal computer or a single word processing machine. Thus, all of its workload is completed using standard electric typewriters and hand-operated adding machines.

The lack of modern automated equipment presents several problems. First, it results in an *inefficient use* of board personnel, since excessive time is spent doing statistical computations by hand, transcribing data from handwritten sheets to typed sheets, and retyping tables and reports which have similar formats but for which certain data must be updated each year.

Second without more efficient tools, there are some types of workload that the board's staff simply *cannot complete* in a timely fashion. For example, during November 1984, a joint legislative hearing was conducted by the governmental organization committees of the Senate and Assembly, partly for the purpose of examining the potential fiscal effects on the state and individual racing associations of a revised state daily parimutuel license fee schedule. Staff of the Legislative Analyst's office was able to analyze these fiscal effects easily, using one of our own minicomputers. It would have been difficult for the CHRB staff to perform the same analysis, since an enormous number of hours would have had to be spent using adding machines to compute the effects of the tax proposal for each of the nearly 1,000 racing days in California, and then double-checking the calculations.

**CALIFORNIA HORSE RACING BOARD—Continued**

Thus, we believe that increased automation would permit the board's staff to both be more efficient and better carryout its responsibilities, including responses to legislative inquiries. Accordingly, we recommend that the Legislature adopt the following supplemental report language:

"The CHRB and Department of Finance shall report to the Legislature by November 1, 1985 on the office automation needs of the CHRB, including the different types of equipment needed to make the CHRB more efficient and the relative costs and benefits of acquiring such equipment."

**CALIFORNIA EXPOSITION AND STATE FAIR**

Item 8560 from the General

Fund

Budget p. GG 76

Requested 1985-86 .....	\$7,999,000
Estimated 1984-85 .....	9,135,000
Actual 1983-84 .....	10,194,000
Requested decrease (excluding amount for salary increases) \$1,136,000 (-12.4 percent)	
Total recommended reduction .....	None

**1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8560-011-001—Appropriation of revenues	General	\$7,993,000
8560-021-001—Advance authority to encumber funds for 1986 state fair	General	(300,000)
8560-001-466—Support	State Fair Police Special Ac- count, General	6,000
Total		\$7,999,000

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

1. Meaningless Budget Data. Recommend the Legislature not approve a budget for Cal Expo until the Department of Finance submits (a) a meaningful expenditure plan in support of the Cal Expo budget request, and (b) a realistic estimate of current-year expenditures. 1536
2. Costly Early Retirement of Cal Expo Revenue Bonds. Recommend the Legislature adopt supplemental report language requesting the State Public Works Board *not* retire the Cal Expo revenue bonds faster than the minimum rate prescribed in the Bond Resolution, because it would cost the state an additional \$344,000 to retire these bonds early. Furthermore, recommend that the board not take any action to retire the bonds early, prior to legislative consideration of this recommendation so as not to foreclose the Legislature's options. 1537

3. Proposed Deficiency Legislation. Recommend the Legislature *not* approve a deficiency appropriation for Cal Expo until the Department of Finance provides the Legislature with (a) reliable expenditure and revenue estimates for the current year, (b) a full explanation of what caused the projected deficit, and (c) an operating and management plan that will prevent future deficits from occurring. 1539

#### GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal Expo) manages the annual state fair each summer, and provides a site for various events staged during the remainder of the year.

Cal Expo began operating at its present site in Sacramento during 1968, under the supervision of the California Exposition and Fair Executive Committee within the Department of General Services. Chapter 1152, Statutes of 1973, transferred control over Cal Expo to the Department of Parks and Recreation. Chapter 1148, Statutes of 1980, established Cal Expo as a separate state entity, governed by an 11-member board of directors.

The budget indicates that Cal Expo has 149.8 personnel-years of staff in the current year.

#### OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$7,999,000 for support of Cal Expo in 1985-86. This amount consists of \$7,993,000 in appropriated operating revenue from the General Fund and \$6,000 from the California State Fair Police Special Account in the General Fund.

The budget proposes total expenditures of \$8,764,000 for Cal Expo, in 1985-86. This amount includes expenditures financed by a continuing appropriation of \$265,000 from the Fair and Exposition Fund and \$500,000 in reimbursements. The total is \$1,840,000, or 17.4 percent, less than estimated total expenditures in the current year. The reduction will be offset to some extent by the amount of any salary or staff benefits increase approved for 1985-86.

The proposed reduction in total expenditures of \$1,840,000 reflects (1) discontinuation of the annual appropriation from the General Fund for principal and interest payments on the revenue bonds issued for construction of Cal Expo facilities (-\$1,130,000), (2) an unspecified reduction of \$704,000, which corresponds to the amount of an estimated current-year deficit, and (3) a reduction of \$6,000 in activities of the California State Fair Police, which are funded from fines and citations issued on the fairgrounds.

Cal Expo's operating revenues are deposited in the General Fund. Item 8560-011-001 appropriates to Cal Expo an amount from the General Fund equal to the estimated amount of operating revenues that Cal Expo expects to receive in 1985-86. Budget Bill language would allow the Director of Finance, after providing the Legislature with 30 days prior notification, to augment the total amount available to Cal Expo if Cal Expo's actual revenues in 1985-86 exceed the estimated operating revenue (\$7,993,000) appropriated in Item 8560-011-001. Table 1 summarizes expenditures and sources of funds for Cal Expo since 1982-83.

**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**

Table 1

**Cal Expo  
Expenditures and Funding Sources  
1982-83 through 1985-86  
(dollars in thousands)**

	1982-83	1983-84	1984-85	1985-86
<i>Expenditures</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>
Payments on Revenue Bonds.....	\$1,130	\$1,130	\$1,130	—
Operating Costs.....	8,952	9,949	9,474	8,764
Total Expenditures.....	\$10,082	\$11,079	\$10,604	\$8,764
<i>Funding Sources</i>				
Appropriated Revenues.....	\$6,907	\$8,563	\$7,993	\$7,993
General Fund.....	1,573	1,790	1,130	—
Fair and Exposition Fund.....	265	265	265	265
State Fair Police Account.....	—	—	12	6
Reimbursements.....	462	620	500	500
Total Resources.....	\$9,207	\$11,238	\$9,900	\$8,764
Operating Surplus (deficit).....	(\$875)	\$159	(\$704)	—

**ANALYSIS AND RECOMMENDATIONS****Cal Expo Budget Data is Meaningless**

*We recommend that the Legislature not approve a budget for Cal Expo until the Department of Finance submits (1) a meaningful expenditure plan in support of the requested appropriation for Cal Expo in 1985-86 and (2) a realistic estimate of current year expenditures.*

The budget for 1985-86 does not provide the Legislature with meaningful fiscal information about Cal Expo. This was also true of the last two budgets.

*The Proposed Budget for 1985-86 Is Not Based on an Expenditure and Revenue Plan.* The proposed budget does not reflect a financial plan for Cal Expo in 1985-86. In fact, Cal Expo does not seem to have any financial plan for the budget year. The Department of Finance indicates that expenditure and revenue estimates shown in the budget document for Cal Expo are simply the amounts budgeted for 1984-85. To make matters worse, the 1984-85 amounts shown in the budget for Cal Expo do not accurately reflect current year expenditures and revenue.

*Cal Expo Faces Deficit of Major, But Unknown, Proportions in the Current Year.* The budget indicates that Cal Expo will incur a deficit of \$704,000 in the current year, but it does not explain what caused the deficit. The Department of Finance indicates that the expenditure detail provided by Cal Expo in support of the estimated deficit for 1984-85 is not reliable. In fact, the Department of Finance felt that the expenditure information used to estimate the deficit was too unreliable to include as line-item detail in the Governor's Budget. Cal Expo's estimate of the deficit, however, could be equally unreliable. Moreover, the \$704,000 estimate makes no allowance for repayment of either (1) the \$441,000 still owed the General Fund from the \$600,000 loan made to Cal Expo in 1982-83 in order to cover a deficit in that year's budget or (2) \$275,000 in unpaid bills from 1982-83.

In December 1984, Cal Expo projected a deficit of \$1,467,000 in the current year, based on revenue and expenditure trends up to that point. In response, the Cal Expo Budget and Audit Committee proposed to reduce expenditures by \$1,024,000 for the remainder of 1984-85. Some of the proposed cost-cutting actions, however, do not cut costs. For example, the proposed reductions include:



- A "savings" of \$441,000, achieved by postponing repayment of the General Fund loan balance. This doesn't reduce costs; it is merely a way to finance the deficit by borrowing.
- A savings of \$311,000 from eliminating cost-of-living salary increases for Cal Expo employees, retroactive to July 1, 1984. The feasibility of this option is, to say the least, dubious.

In sum, the figures contained in the Governor's Budget for Cal Expo do not provide the Legislature with a meaningful basis for approving Cal Expo's budget. Consequently, we recommend that the budget subcommittees take no action on Cal Expo's budget until the Department of Finance provides a realistic expenditure and revenue plan for 1985-86, and an up-to-date analysis of Cal Expo's financial condition in the current year.

#### **Proposed Early Retirement of Five Percent Bonds Not Cost-Effective**

*We recommend that the Legislature adopt supplemental report language directing the State Public Works Board (PWB) not to retire the Cal Expo revenue bonds at a rate faster than the minimum retirement rate specified in the bond resolution. We further recommend that the PWB not take any action in the current fiscal year to retire the bonds early prior to legislative consideration of this recommendation, so as not to foreclose the Legislature's options.*

The State Public Works Board issued a total of \$13 million of revenue bonds in 1966 and 1967 to help pay for the construction of facilities at Cal Expo. Under the terms of the bond resolution, the board is the landlord of the Cal Expo site and the Cal Expo Board of Directors, a nonprofit corporation, is the tenant. The resolution requires Cal Expo, under specified circumstances, to pay an annual rent of \$1,130,000 to the board, which is deposited in the California Exposition Bond Revenue Account in the Public Buildings Construction Fund. Funds in the account are used to make payments to bond holders. Moneys remaining in this account after all bonds are retired will remain in the Public Buildings Construction Fund to be used for other public building projects. The annual interest rate paid on outstanding Cal Expo bonds is 5 percent.

The resolution contains a bond retirement schedule, which specifies dates upon which the board must retire a minimum number of outstanding bonds. To date, the board has retired \$7,735,000 of the bonds in accordance with the specified schedule. The value of outstanding bonds is \$5,265,000. Based on the minimum retirement schedule, all of the remaining outstanding bonds will be retired by June 1, 1988. The Cal Expo Bond Revenue Account had a balance of \$6,725,000 on June 30, 1984.

*The Budget Proposes to Retire All Outstanding Bonds Three Years Early.* The administration will ask the State Public Works Board to retire all of the outstanding bonds, which have a face value of \$5,265,000, in 1984-85. According to the Department of Finance, this will eliminate the annual \$1,130,000 General Fund appropriation to Cal Expo to repay the bonds. The Department of Finance also points out that early retirement of the bonds will allow Cal Expo to save \$300,000. This is because the bond resolution requires Cal Expo to carry commercial property and liability insurance, which it otherwise would not carry, while any bonds are outstanding. This insurance costs Cal Expo approximately \$100,000 per year.

*Early Retirement of Bonds Would Be More Costly.* Money on deposit in the Public Buildings Construction Fund earns interest at the

**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**

rate earned by funds in the Pooled Money Investment Account—approximately 10 percent annually. On the other hand, the state pays holders of Cal Expo revenue bonds interest at the rate of only 5 percent per year. Clearly, therefore, the state will come out ahead if it defers retirement of the bonds until the latest date permitted by the bond resolution, *unless* the annual insurance costs exceed the state's net interest earnings by more than \$158,000. This is because early retirement of the bonds will require the state to pay a *penalty* equal to 3 percent of the outstanding principal, which would be approximately \$158,000 on June 1, 1985.

Table 2 compares the cost of retiring the bonds early (the administration's proposal) with the cost of retiring the bonds at the minimum rate allowed under the bond resolution. (Although the administration has not indicated exactly when the bonds would be retired during 1984–85, we have assumed that retirement would occur on June 1, 1985.)

As the table shows, the administration's proposal to retire Cal Expo bonds early would cost the Public Buildings Construction Fund \$5,423,000 on June 1, 1985, including \$5,265,000 for principal and \$158,000 for the early retirement premium.

Our analysis indicates that to retire the outstanding bonds at the prescribed *minimum* retirement rate would result in total payments of \$5,851,000 for principal, interest, and retirement premiums between June 1, 1985, and June 1, 1988. Because the payments would be made over a three-year period, however, the fund would also *earn* \$1,072,000 in interest (assuming an average yield of 10 percent) on the funds held in the account during this period. Consequently, the net cost to the Public Buildings Construction Fund will be only \$4,779,000 if the bonds are retired at the minimum prescribed rate. This amount is \$644,000 (\$5,423,000–\$4,779,000) less than what it would cost to retire all Cal Expo bonds early. Deducting the \$300,000 savings that Cal Expo would realize over the three-year

**Table 2**  
**Retirement of Cal-Expo Bonds**  
**Cost of the Administration's Proposal**  
**Compared With the Cost of**  
**the Current Retirement Schedule**  
**(dollars in thousands)**

	Principal Payment	Interest Paid (5 Percent/ Year)	Retire- ment Premium	Interest <sup>a</sup> Earned on Unpaid Principal	Net Cost to PBCF <sup>b</sup>	Insurance <sup>c</sup> Cost to Cal Expo	Total Cost
<i>Cost to Retire Bonds</i>							
<i>Administration's Proposal</i>							
Retire all outstanding bonds on June 1, 1985 .....	\$5,265	—	\$158	—	\$5,423	—	\$5,423
<i>Current Retirement Schedule</i>							
June 1, 1985 .....	\$790	—	\$24	—	\$814	\$100	\$914
June 1, 1986 .....	880	\$224	26	\$448	682	100	782
June 1, 1987 .....	950	180	—	360	770	100	870
June 1, 1988 .....	2,645	132	—	264	2,513	—	2,513
Total Cost Current Schedule .....	\$5,265	\$536	\$50	\$1,072	\$4,779	\$300	\$5,079
Additional Cost of Administration's Pro- posal .....							\$344

<sup>a</sup> Assumes 10 percent interest earned on funds in the Pooled Money Investment Account.

<sup>b</sup> Public Buildings Construction Fund.

<sup>c</sup> Paid out of Cal Expo operating expenses.

period by not purchasing insurance, we find that the administration's proposal actually would cost the state, as a whole, \$344,000 more than retiring the bonds according to the schedule.

We recommend, therefore, that the Legislature adopt supplemental report language directing the State Public Works Board (PWB) not to retire the Cal Expo revenue bonds at a rate faster than the minimum retirement rate specified in the bond resolution. We further recommend that the PWB not take any action in the current fiscal year to retire the bonds early prior to legislative consideration of this recommendation, in order to preserve the Legislature's options.

#### **No Appropriation is Needed for Cal Expo Bond Repayments**

The Cal Expo Revenue Bond Resolution provides that no rental payment to the Revenue Account need be made if the balance in the account is sufficient to cover the "principal amount of the bonds then outstanding, any premium required for their call and redemption, and the amount of interest then due and thereafter to become due on all of such bonds."

The current balance in the revenue account is \$6,725,000, while future principal, premium, and interest payments will total \$5,851,000 if the bonds are retired at the minimum retirement rate. Thus, there already are sufficient funds in the Cal Expo Bond Revenue Account to make all of the bond payments. Consequently, no appropriation from the General Fund for Cal Expo lease payments is needed in 1985-86. Accordingly, we recommend approval of the budget's proposal to terminate the \$1,130,000 General Fund appropriation to Cal Expo for payment to the Cal Expo Bond Revenue Account.

#### **Cal Expo to Seek Deficiency Appropriation**

*We recommend that the Legislature not provide a deficiency appropriation to Cal Expo in 1984-85 until Cal Expo provides the Legislature with (1) reliable financial data for the current year, (2) an explanation of what caused the projected deficit, and (3) an operating and management plan that addresses its current financial problems that will prevent future deficits from occurring.*

The budget indicates that Cal Expo will seek legislation for a deficiency appropriation of \$704,000 from the Public Buildings Construction Fund in the current year. As discussed above, the actual 1984-85 deficit may be larger than this amount, even without regard to the balance still owed on a General Fund loan made in a prior year. The proposed deficiency legislation apparently will not address this and other outstanding debts.

As noted earlier in our analysis, Cal Expo has not provided the Legislature with reliable expenditure and revenue data for the current year. Consequently, we have no basis upon which to determine the precise amount or cause of Cal Expo's current-year deficit. Furthermore, Cal Expo has not provided an operating and management plan for the remainder of the current year and for the budget year that corrects the chronic financial problems that it has experienced in recent years.

In sum, Cal Expo should provide the Legislature with (1) reliable expenditure and revenue estimates for the current year, (2) an explanation of what caused the 1984-85 deficit, and (3) an operating and management plan that addresses its financial problems. Accordingly, we recommend,

**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**

that the Legislature not appropriate funds to cover Cal Expo's projected current-year deficit until Cal Expo has provided the Legislature with this information.

## **CALIFORNIA EXPOSITION AND STATE FAIR—CAPITAL OUTLAY**

Item 8560-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. GG 78

Requested 1985-86 .....	\$33,000
Recommended reduction .....	33,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Maintenance Platforms. Eliminate Item 8560-301-036.** 1540  
Recommend deletion of \$33,000 requested for maintenance platforms in three buildings at Cal Expo, because all costs required for operations and maintenance should be paid out of Cal Expo's operating revenues.
2. **Necessary Maintenance and Repair Costs. Recommend** 1541  
the Department of Finance and Cal Expo provide to the budget subcommittees estimates of annual expenditures required to properly maintain existing Cal Expo grounds and facilities, because the real costs of Cal Expo probably are understated.

**ANALYSIS AND RECOMMENDATIONS**

**Maintenance Platforms ..... \$33,000**

*We recommend deletion of Item 8560-301-036 because the cost of building maintenance platforms should be paid out of Cal Expo's operating revenues.*

The budget proposes an appropriation of \$33,000 from the Special Account for Capital Outlay (SAFCO) in the General Fund for minor capital outlay at Cal Expo. The requested funds would be used to build maintenance platforms in three buildings. These platforms would replace ladders currently used to perform routine maintenance and repair work. The maintenance platforms would provide an easier and safer means to accomplish this work.

We do not challenge the need for the proposed platforms. Our analysis indicates, however, that the project should be funded from Cal Expo's operating revenues, not from state funds in SAFCO. This would be consistent with the Legislature's intent as expressed in Ch 1148/80, that Cal Expo "shall work toward a goal of fiscal independence from the state General Fund support." Cal Expo should use its own operating revenues to install the maintenance platforms.

Accordingly, we recommend the deletion of Item 8560-301-036, for a savings of \$33,000.

We recognize that Cal Expo faces a potential operating deficit in the

current year. Based on our analysis of its operations, however, we believe Cal Expo could redirect \$33,000 from lower priority expenditures, such as entertainment, travel, publicity, and consultant services, in the budget year in order to construct the maintenance platforms.

#### **Cal Expo Should Identify Maintenance Needs**

*We recommend that the Department of Finance and Cal Expo provide to the budget subcommittees estimates of the annual expenditures required to properly maintain the existing Cal Expo grounds and facilities because the Legislature needs this information to evaluate the fiscal condition of Cal Expo.*

Except for the \$33,000 requested for minor capital outlay, Cal Expo's proposed budget does not include any funds specifically identified for maintenance or repairs of existing grounds and facilities. According to Cal Expo, however, much of the grounds and many facilities are in need of maintenance and repair. For example, many buildings have not been painted or have not had their roofs repaired since they were built 15 years ago. Cal Expo also questions the structural integrity of some buildings, due to a history of neglect.

As we discussed in our analysis of Cal Expo's support budget, Cal Expo faces an accrued operating deficit of up to approximately \$1,742,000 in the current year. The actual deficit, however, could be significantly greater when the amounts needed to prevent deterioration of facilities at Cal Expo are taken into account. In any event, we believe it is important for Cal Expo to include within its fiscal estimates the ongoing costs of properly maintaining the existing grounds and facilities at the Cal Expo site.

We, therefore, recommend that the Department of Finance and Cal Expo apprise the Legislature of the annual expenditures that are needed to maintain the quality of existing grounds and facilities. This will provide the Legislature with a truer picture of the total operating and maintenance costs and fiscal condition of Cal Expo.

### **General Government**

#### **DEPARTMENT OF FOOD AND AGRICULTURE**

Item 8570 from the General

Fund and various other funds

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Requested 1985-86 .....	\$76,301,000
Estimated 1984-85.....	78,360,000
Actual 1983-84 .....	90,274,000
Requested decrease (excluding amount for salary increases) \$2,059,000 (-2.6 percent)	
Total recommended reduction .....	1,852,000
Recommendation pending .....	450,000

#### **1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8570-001-001 Support	General	\$51,939,000
8570-001-111 Support	Agriculture	9,488,000
8570-001-191 Support	Fair and Exposition	1,039,000
8570-001-601 Support	Agriculture Building	1,202,000

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

8570-001-890	Support	Federal Trust	(1,681,000)
8570-011-112	Administration of loan program	Agricultural Pest Control Research Account, Agriculture General	99,000 10,942,000
8570-101-001	Local assistance, regulation of pesticides and pest detection		
8570-101-111	Local assistance	Agriculture	34,000
8570-101-191	Local assistance, unemployment benefits and exhibition premiums for local fairs	Fair and Exposition	1,175,000
8570-111-001	Local assistance, salaries of county agricultural commissioners	General	383,000
Total			\$76,301,000

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

1. **Exotic Pest Trapping.** Reduce Item 8570-001-001 by \$69,000. Recommend reduction to delete funds for additional fruit fly traps that the department has already purchased. 1548
2. **Emergency Eradication Funds.** Recommend that (1) the Legislature adopt Budget Bill language specifying that the funds appropriated for cotton boll weevil and gypsy moth eradication shall be available only upon allocation by the Director of Finance and (2) the Budget Bill separately schedule these funds. 1549
3. **Pest Eradication Funds Accounting Systems.** Recommend that the Legislature adopt supplemental report language directing the department to separately account for pest eradication expenditures. 1549
4. **Border Inspection Stations.** Reduce Item 8570-001-001 by \$260,000. Recommend reduction to delete funds for eight new positions at border inspection stations because the department has not justified these positions on a workload basis. 1550
5. **Fruit and Vegetable Quality Control Contract.** Reduce Item 8570-001-001 by \$138,000. Recommend reduction because the state can provide this service directly at a lower cost. 1551
6. **Aerial Pest Control Applicators Training Curriculum.** Reduce Item 8570-001-001 by \$175,000. Recommend reduction because the department had previously advised the Legislature that funds appropriated by Ch 1476/84 would be sufficient to develop the training curriculum. 1551
7. **Toxic Air Contaminants.** Recommend that the department report during budget hearings on its progress in evaluating the health effects of pesticides that are possible toxic air contaminants. 1552
8. **Pesticide Registration.** Reduce Item 8570-001-001 by \$544,000. Recommend reduction to delete funds requested to replace money redirected from other sources to this program in the current year, because the department has not identified how these funds will be used in 1985-86. 1552

9. **Computer Terminals. Reduce Item 8570-001-001 by \$74,000.** Recommend reduction to delete funds for the rental of 73 computer terminals and other equipment because the department has not justified the need for this equipment. 1553
10. **Computer System.** Withhold recommendation on \$450,000 requested in Item 8570-001-001 for a new computer system in the Pest Management and Worker Health and Safety Division, pending receipt of an approved feasibility study report and information on what computer services will be provided by the new system. 1554
11. **Veterinary Laboratory Fees. Reduce Item 8570-001-001 by \$117,000.** Recommend reduction and an equivalent increase in reimbursements in order to maintain the proportion of veterinary laboratory costs paid by fees at the 1980-81 level. Further recommend that the Legislature adopt supplemental report language directing the department and the university to evaluate fees for the laboratories. 1554
12. **County Weights and Measures Programs. Reduce Item 8570-101-001 by \$475,000.** Recommend reduction to delete funds requested to augment county weights and measures activities because the department has not shown that any benefits would stem from this augmentation. 1556

#### GENERAL PROGRAM STATEMENT

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

The department's activities are broad in scope. They include:

- Pest identification and control
- Regulation of pesticide use and protection of farmworker health and safety.
- Crop forecasting.
- Financial supervision of local fairs.
- Enforcement of standards pertaining to quality, quantity, and safety with which agricultural and certain consumer goods must comply.
- Administration of marketing orders.
- Providing financial assistance for the use of alcohol and other alternative energy sources in agriculture.

The department supervises the county agricultural commissioners and operates many programs jointly with them. The headquarters of the department is in Sacramento and other offices are located throughout the state. The department has 2,163 personnel-years of staff in the current year.

#### OVERVIEW OF THE BUDGET REQUEST

The Budget Bill includes nine appropriations totaling \$76,301,000 from various state funds for support of the Department of Food and Agriculture, county agricultural commissioners, and local fairs in 1985-86. This is a decrease of \$2,059,000, or 2.6 percent, below comparable estimated current-year expenditures. This reduction will be offset by the cost of any

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

salary or staff benefit increase that is approved for the budget year.

The budget proposal does not include any funds in 1985-86 for the estimated amount of General Fund merit salary increases (\$694,000) or inflation adjustments for operating expenses and equipment (\$582,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

**Table 1**  
**Department of Food and Agriculture**  
**Sources and Uses of Funds**  
**1985-86**  
**(dollars in thousands)**

<b>A. Support</b>		
1. General Fund.....		\$51,939
2. Agriculture Fund:		
Item 8570-001-011 .....	\$9,488	
Continuing appropriations <sup>a</sup> .....	39,627	
Total, Agriculture Fund .....		49,115
3. Acala Cotton Fund <sup>a</sup> .....		370
4. Agricultural Pest Control Research Account.....		99
5. Fair and Exposition Fund.....		1,039
6. Agriculture Building Fund .....		1,202
7. Federal Trust Fund .....		1,681
8. Reimbursements:		
Veterinary laboratory fees .....	315	
Weights and measures device inspection fees .....	140	
Marketing services .....	224	
Miscellaneous .....	254	
Total, Reimbursements .....		933
Total Support .....		\$106,378
<b>B. Assistance to Counties</b>		
1. General Fund:		
Subventions for pesticide regulation .....	2,881	
Subventions for pest detection .....	7,586	
Subventions for salaries of agricultural commissioners .....	383	
Subventions for county weights and measures .....	475	
Total, General Fund.....		\$11,325
2. Agriculture Fund:		
Pesticide mill tax.....	4,667	
Unclaimed gas tax refunds .....	3,799	
Continuing appropriations <sup>a</sup> .....	45	
Total, Agriculture Fund .....		8,511
Total Assistance to Counties .....		\$19,836
<b>D. Assistance to Local Fairs</b>		
1. Fair and Exposition Fund:		
Item 8570-101-191 .....	1,175	
Continuing appropriations <sup>a</sup> .....	15,275	
Total, Assistance to Local Fairs .....		16,450
Total Expenditures in Governor's Budget .....		\$142,664

<sup>a</sup> These funds are not included in the budget bill.



**Table 2**  
**Department of Food and Agriculture**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Change From 1985-86 over 1984-85	
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Amount	Percent
1. Pesticide regulation	209.8	217.0	250.6	\$18,690	\$22,085	\$25,675	\$3,590	16.3%
2. Agricultural plant pest and disease pre- vention.....	589.2	524.7	525.7	35,554	38,235	38,450	215	0.6
3. Animal pest and dis- ease prevention/in- spection services .....	253.0	282.9	282.6	12,484	15,968	16,358	390	2.4
4. Agricultural market- ing services.....	211.3	228.1	218.1	9,598	11,542	11,653	111	1.0
5. Food and agricul- tural standards/in- spection services .....	530.6	622.6	540.4	18,254	20,998	22,170	1,172	5.6
6. Measurement stand- ards.....	77.1	73.6	76.4	3,888	4,378	5,022	644	14.7
7. Financial and ad- ministrative assist- ance to local fairs ....	16.5	17.6	17.5	13,582	24,431	17,580	-6,851	-28
8. Executive, manage- ment, and adminis- trative services.....	185.8	192.7	191.0	7,723	9,014	9,581	567	6.3
Amount distributed to other pro- grams .....	—	—	—	-7,685	-8,927	-9,494	-567	—
9. General agricultural activities .....	5.2	3.3	3.8	3,170	6,835	6,645	-190	-2.8
10. Special unemploy- ment claims allot- ment.....	—	—	—	—	300	300	—	—
11. Unallocated reduc- tion for MSA and op- erating expenses .....	—	—	—	—	—	-1,276	—	—
Totals.....	2,078.5	2,162.5	2,106.1	\$115,258	\$144,859	\$142,664	-\$2,195	-1.5
<b>Sources of Funds</b>								
General Fund .....				\$51,109	\$63,131	\$63,264	\$131	0.2%
Agricultural Fund .....				45,362	55,425	57,996	2,571	4.6
Fair and Exposition Fund .....				13,570	21,341	17,489	-3,852	-18.0
Agricultural Pest Control								
Research Account .....				388	1,186	99	-1,087	-91.7
Agriculture Building Fund .....				—	—	1,202	1,202	N/A
Federal Trust Fund .....				2,041	2,822	1,681	-1,141	-40.4
Other .....				4	—	—	—	—
Reimbursements.....				883	954	933	-21	-2.2

### Total Expenditures

**Spending Reflected in the Budget.** Total expenditures from all funding sources are proposed at \$142,664,000 in 1985-86. This is a decrease of \$2,195,000, or 1.5 percent, from current-year estimated total expenditures. Table 1 shows the sources of funds for these proposed expenditures

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

(excluding marketing order expenditures). In addition to the amounts requested in the Budget Bill, total expenditures include expenditures from reimbursements and federal funds, as well as \$48,474,000 from Agriculture Fund continuing appropriations and \$15,275,000 from Fair and Exposition (F&E) Fund continuing appropriations for local fairs.

Table 2 summarizes staffing and funding for the department, by program, for the past, current, and budget years.

**Spending Not Reflected in the Budget.** The Director of Food and Agriculture supervises the operation of 34 marketing orders for programs established at industry request to aid in the production, control, and advertising of agricultural products. The individual boards that administer these marketing orders collected and spent approximately \$80 million in 1983-84. Funds collected by marketing order boards are treated as special trust funds and are not included in total expenditures.

**Growth in Ongoing General Fund Support**

The budget proposes a total of \$63,264,000 in appropriations from the General Fund to the department for state operations and local assistance in 1985-86. This is virtually the same amount that the budget shows the department spending from the General Fund in the current year (\$63,131,000).

The estimate of current-year General Fund expenditures presented in the budget, however, includes \$4 million for one-time costs not associated with ongoing programs. This amount consists of \$3 million for a one-time appropriation to reimburse the 48th District Agricultural Association for district funds previously transferred to the General Fund and \$1 million for a special agriculture and energy technology project at California State University, Fresno.

Without these special one-time expenses, estimated 1984-85 expenditures from the General Fund would be \$59,131,000. Thus, the 1985-86 budget represents an increase of \$4,133,000, or 6.5 percent, over 1984-85 expenditures from the General Fund for ongoing programs.

**Proposed Program Changes**

Table 3 shows the changes proposed in the budget, by funding source, for each of the department's programs.

**Table 3**  
**Department of Food and Agriculture**  
**Proposed 1985-86 Budget Changes**  
**by Program and Funding Source**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1984-85 Expenditures (revised) .....	\$63,131	\$81,728	\$144,859
1. Deletion of one-time 1984-85 expenditures .....	-6,014	-686	-6,700
2. Pesticide regulation			
a. Pesticide registration and worker health and safety expansion.....	1,815	—	1,815
b. Environmental hazards assessment expansion .....	984	—	984
c. Pest management computer acquisition .....	450	—	450

d. Aerial application of pesticides, training curriculum .....	(175)	—	(175)
e. Biological control services program expansion .....	100	—	100
3. Plant Pest and Disease Prevention			
a. Continued funding for county insect trapping program ....	(2,244)	—	(2,244)
b. Continued funding for cotton boll weevil eradication .....	(800)	(800) <sup>a</sup>	(1,600)
c. Funding switch for exotic pest research contracts .....	500	-500 <sup>b</sup>	—
d. Gypsy moth eradication program .....	445	—	445
e. Increased staffing at border inspection stations .....	260	—	260
f. Seedling yellows project .....	150	—	150
g. County insect trapping program—increased contract costs	339	—	339
h. Reduction in sterile fruit fly facility assistance .....	-500	—	-500
4. Animal Pest and Disease Prevention			
a. Veterinary laboratory contract increase .....	434	—	434
b. Bureau of Milk and Dairy Foods Control expansion .....	204	—	204
5. Financial Assistance to Local Fairs			
a. Unemployment insurance funding increase .....	—	550 <sup>c</sup>	550
b. Reduction in funds available for fair improvements .....	—	-3,405 <sup>c</sup>	-3,405
6. Food and Agricultural Standards			
a. Fruit and vegetable quality standardization—cost increase for county contract .....	138	—	138
7. Measurement Standards			
a. County weights and measures augmentation .....	475	—	475
8. Administrative			
a. Food and Agricultural Building Fund—building operation and maintenance .....	—	1,202 <sup>d</sup>	1,202
Miscellaneous changes .....	353	511	864
1985-86 Expenditures (proposed) .....	\$63,264	\$79,400	\$142,664
Change from 1984-85:			
Amount .....	\$133	-\$2,328	-\$2,195
Percent .....	0.2%	-2.9%	-1.5%

<sup>a</sup> Agriculture Fund<sup>b</sup> Agricultural Pest Control Research Account<sup>c</sup> Fair and Exposition Fund<sup>d</sup> Agriculture Building Fund

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed budget changes that are not discussed elsewhere in this analysis (all amounts are from the General Fund, unless otherwise noted):

**Environmental Hazards Assessment.** An increase of \$984,000 for an additional eight positions and equipment to expand the environmental hazards assessment program. This augmentation is intended primarily for additional environmental monitoring of the department's pest eradication projects.

**Biological Control.** An increase of \$100,000 to provide additional biological control of insect pests.

**Pesticide Analytic Laboratories.** An increase of \$75,000 for the costs of operating the pesticide analytic laboratories.

**Exotic Pest Research.** An increase of \$500,000 from the General Fund and a decrease of \$500,000 from the Agricultural Pest Control/Research Account to continue support for exotic pest research contracts. The department has received approximately 15 requests totaling \$524,395 for funds in 1985-86 to undertake research on exotic pests.

**Seedling Yellows Disease.** An increase of \$150,000 to fund the second year of a research project on seedling yellows disease, which affects

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

certain citrus trees. The citrus industry funded the first year of the research project and will pay for any future eradication efforts.

**County Insect Trapping.** An increase of \$339,000 in local assistance funding for insect trapping to reflect increases in local operating expenses.

**Milk and Dairy Foods.** An increase of \$204,000 and an additional four positions to increase inspections of milk products.

**Fairs' Unemployment Insurance.** An increase of \$550,000 from the Fair and Exposition Fund to pay the costs of unemployment insurance and claims for local fairs. This appropriation will come from the state's share of horseracing revenues that otherwise would be deposited in the General Fund.

**Assistance To Local Fairs.** A reduction of \$3,405,000 from the Fair and Exposition Fund for financial assistance to local fairs. This reduction primarily is due to a reduction in the estimated amount of the carryover balance available in the fund during 1985-86 compared with the amount available in 1984-85.

**Agricultural Building Fund.** An appropriation of \$1,202,000 from the Agricultural Building Fund to pay for operating expenses at the four agriculture buildings. The department previously has paid these expenses out of this fund, but in the past money for this purpose has not been appropriated in the Budget Bill.

**Too Many Traps**

*We recommend a reduction of \$69,000 to delete funds for additional fruit fly traps because the department already has purchased the needed traps. (Reduce Item 8570-001-001 by \$69,000.)*

The budget requests \$2,244,000 from the General Fund for local assistance, traps, and supplies in order to increase exotic fruit fly detection. This amount consists of \$1,724,000 in local assistance (Item 8570-101-001) for contracts with counties to monitor and place the fruit fly traps and \$520,000 requested (Item 8570-001-001) to maintain a sterile fruit fly facility, to support staff travel in-state, and to pay for traps, bait, trapping supplies, and other administrative costs. Of this amount, \$70,000 is requested to buy 20,000 McPhail traps, which are hand-blown, reusable glass traps that are used to trap a variety of fruit flies. The proposed budget augmentation will increase the density of fruit fly traps from one per square mile to five per square mile in the southern counties, and will place fruit fly traps at a density of two to five traps per square mile in some of the northern counties.

Chapter 425, Statutes of 1984, appropriated \$2,732,000 from the General Fund to the Department of Food and Agriculture to expand trapping in the current year. Information provided by the department indicates that it already has purchased 16,000 McPhail traps at a cost of \$3.50 per trap for the ongoing program. The department estimates that there will be about a 10 percent breakage rate for the McPhail traps each year, making it necessary for the department to replace approximately 160 traps in 1985-86.

The budget proposal, however, includes \$70,000 to purchase an additional 20,000 traps. Since 16,000 traps have already been purchased with the initial allocation of funds for this program, and that is the total needed for this program, the \$70,000 represents double-budgeting. The budget should only include \$700 needed to purchase replacement traps for those

broken. Accordingly, we recommend a reduction of \$69,000 in Item 8570-001-001.

#### **Eradication Funding for Gypsy Moth and Cotton Boll Weevil**

*We recommend that the Legislature (1) adopt Budget Bill language in Item 8570-001-001 specifying that the funds appropriated for cotton boll weevil and gypsy moth eradication shall be available only upon allocation by the Director of Finance and (2) separately schedule these funds in that item.*

The Department of Food and Agriculture attempts to eradicate infestations of exotic pests in California. Previously, the department has funded its eradication efforts for infestations (such as the gypsy moth infestation) either from \$1 million in unclaimed gasoline tax money set aside as an emergency fund each year or from amounts appropriated by the Legislature for specific projects. In the past three years, however, the emergency fund has been completely exhausted and the department has requested deficiency appropriations from the Legislature to fund various eradication projects.

The budget requests \$1,245,000 in 1985-86 from the General Fund to pay for the eradication of expected infestations of gypsy moths and the eradication of cotton boll weevil. This amount consists of \$445,000 for gypsy moth eradication and \$800,000 for the eradication of the cotton boll weevil. In addition, the budget requests an appropriation of \$800,000 from cotton industry fees in the Agriculture Fund for cotton boll weevil eradication.

The department's projections of eradication costs for the budget year are necessarily preliminary. At this time, the department cannot accurately predict the number of infestations of gypsy moth that will occur in the state during 1985-86 or how long it will take to eradicate the cotton boll weevil. The cost of gypsy moth eradication ultimately will depend upon the number of infestations found. The success of the program for cotton boll weevil eradication will depend, in part, upon the success of eradication efforts in Mexico and Arizona, which is difficult to predict.

Due to the uncertainty and possible short-term nature of these eradication programs, we recommend that the budget include a separate schedule for these funds. Furthermore, we recommend that use of these funds be made subject to allocation by the Director of Finance (as is the use of money in the department's emergency fund). To implement this recommendation, we recommend that the Legislature adopt the following Budget Bill language in Item 8570-001-001:

"Funds scheduled for eradication projects in this item shall be available only upon allocation by the Director of Finance. The Director of Finance shall notify the chairpersons of the fiscal committees and the Joint Legislative Budget Committee whenever these funds are allocated."

#### **Improvement Needed in Accounting for Pest Eradication Projects**

*We recommend that the Legislature adopt supplemental report language directing the department to separately account for all expenditures on individual pest eradication projects, because the department's current accounting records do not readily show all state payments.*

The department currently funds its eradication efforts with a combination of earmarked appropriations, emergency funds, and some General Fund money provided in its base budget. It appears, however, that the department's accounting systems cannot readily provide information on

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

the amount of money appropriated in the General Fund base for specific eradication programs. Without this information, it is difficult for the Legislature to determine the total cost of specific eradication projects. Information on the cost of these programs, by type of pest, is needed by the Legislature in order to monitor the cost of eradication projects and to compare these costs with the benefits of the projects.

Accordingly, we recommend that the Legislature adopt the following supplemental report language directing the department to compile complete information on the funding of the various pest eradication programs:

"The Department of Food and Agriculture shall develop budget procedures to account for expenditures on pest eradication projects, so that information on all pest eradication expenditures is available by pest and funding source."

**Border Inspection Stations**

*We recommend a reduction of \$260,000 to delete funds requested for eight new positions at the department's border inspection stations, because the department has not justified the need for the additional staff on a workload basis. (Reduce Item 8570-001-001 by \$260,000.)*

The budget requests an increase of \$260,000 to fund eight additional staff at the agricultural border inspection stations. The existing staff at these 16 inspection stations inspect incoming vehicles to prevent exotic plant pests from entering the state. The additional staff would be located at the existing Truckee, Blythe, and Yermo stations and at the new Dorris and Hornbrook stations that are expected to open next fall. The five staff positions requested for the two new stations would be in addition to the 18 staff that will be transferred from the Shasta and McCloud stations (which are scheduled to be closed).

The department has indicated that additional staff are needed due to increased vehicle and truck traffic and new agricultural quarantines on out-of-state produce. To estimate the staffing needs at individual stations, the department developed a *relative* rating system comparing each of the 16 currently operating stations on various factors such as the number of vehicles passing through the station in 1982-83 and the number of agricultural commodity shipments handled by each station. The department, however, did not provide any estimate of the increased amount of workload at individual stations or how the total rating at each station relates to workload requirements. Thus, this system does not provide a basis for determining how many staff are needed at each station.

Furthermore, the department has not supplied any information supporting its claims that vehicle traffic and required inspections for the currently-operating stations have increased.

The department has supplied some justification for their estimates of the number of trucks that will go through the new Dorris and Hornbrook stations. The estimates, however, are based upon *current* traffic through the Shasta and McCloud stations, which will close when Dorris and Hornbrook opens. The department has not explained, however, why the stations will need a total of 23 staff whereas the Shasta and McCloud stations, that they are replacing, have only 18 staff.

Without better workload information and support for the projected increase in vehicle traffic and truck shipments through the stations, the Legislature does not have sufficient information to justify the requested

increase in staffing at the agricultural inspection stations. Thus, we recommend deletion of \$260,000 and eight positions requested for the border inspection stations in Item 8570-001-001.

#### **Fruit and Vegetable Quality Control**

*We recommend a reduction of \$138,000 in Item 8570-001-001 to delete funds requested to contract with the counties for highway inspection station activities because the state can provide the same service for less cost.*

The budget requests \$590,996 to contract with counties for operation of eight highway inspection stations. These stations inspect fruits and vegetables to ensure that they meet state quality standards established by the department. They currently are operated by the state at a cost of \$452,996 and 13 state positions. The department argues that transfer of this responsibility to the counties is necessary because enforcement responsibilities currently are split between two agencies, and the counties have more flexibility in realigning staffing levels to reflect seasonal fluctuations in the workload at the stations.

Our analysis fails to substantiate the appropriateness of the proposed transfer.

Currently, six of the state-operated stations have one person assigned to them while the other two have been assigned more than one person. When staff are sick or on vacation, either the station is closed or a staff member from another station is temporarily transferred to operate the station. Under extreme emergencies, or extreme seasonal workload, the department will operate the station with other inspection staff who usually oversee and supervise local government inspectors. In addition, the department has hired temporary workers to staff temporary stations during emergencies, such as a citrus freeze. Thus, the department does move around its permanent staff and has some flexibility in meeting emergency workloads.

Moreover, we find that contracting with the counties will not eliminate this dual enforcement responsibility. The counties currently inspect retailers, packaging plants, and growers, while the state has overall enforcement responsibility and conducts spot-checks of, and training for, the county inspectors. If the counties operate the highway inspection stations, the department will still have general enforcement responsibilities and county oversight responsibility.

In sum, the state can and does provide this service for less cost than what the budget requests to fund the proposed county contract—\$452,996 compared with \$590,996. On this basis, we recommend that the state continue to provide this service and that the Legislature delete \$138,000 from the amount requested in Item 8570-001-001 and reinstate the 13 positions.

#### **Aerial Pest Control Applicators Training Curriculum**

*We recommend a reduction of \$175,000 to delete funds requested for development of a training curriculum for aerial pest control applicators because the department previously advised the Legislature that funds appropriated by Ch 1476/84 would be sufficient to develop the training curriculum. (Reduce Item 8570-001-001 by \$175,000.)*

Chapter 1476, Statutes of 1984 (AB 2503), appropriated \$175,000 from the General Fund to the Department of Food and Agriculture to develop a curriculum for a training program designed to raise the level of knowledge and skills of aerial and other pesticide applicators. The budget re-

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

quests an additional \$175,000 from the General Fund in 1985–86 to complete the development of the training curriculum.

The analyses of AB 2503 presented to the Legislature during its consideration of the bill indicated that the \$175,000 appropriation was one-time. The Department of Food and Agriculture maintained that the training curriculum could be developed in 1984–85 with the \$175,000 appropriated in the bill and did not identify any future costs of the legislation. The Department of Finance's enrolled bill analysis for AB 2503 also does not identify any cost beyond 1984–85.

Based on the stipulations made by the department when the bill was being considered, we recommend a reduction of \$175,000 in Item 8570-001-001 to delete additional funds to develop the training curriculum.

**Toxic Air Contaminants**

*We recommend that the department report at the time of budget hearings on its progress in implementing of Ch 1047/83, which directed the department to evaluate the health effects of pesticides that are possible toxic air contaminants.*

The budget does not request any additional funds to implement Ch 1047/83. This act directed the department to evaluate the health effects of pesticides which may be toxic air contaminants. The department has indicated that it plans to use existing resources to implement the provisions of this act.

Currently, one chemist and two graduate students are working part-time on the program and have begun to review available scientific data on the effects of pesticides that are possible toxic air contaminants. They have also identified the most-used pesticides for further study. The next step in this effort is for toxicologists to complete the review and evaluation of the scientific data. To implement the remainder of the toxic air contaminants program, the department may have to divert to this program some of its toxicologists working on other assignments.

At the time this analysis was prepared, however, the department had not identified what resources it will devote to the toxic air contaminants program. Accordingly, we recommend that the department identify at budget hearings the staff and funds that will be used to implement the toxic air contaminants program and what effect the diversion of these resources will have on other programs.

**Filling Pesticide Data Gaps**

*We recommend a reduction of \$544,000 requested to replace funds redirected in 1984–85 for implementation of Ch 669/84 because the department has not identified how these funds will be used in 1985–86. (Reduce Item 8570-001-001 by \$544,000.)*

The budget requests an increase of \$2,314,000 and 35 positions from the General Fund to conduct a complete review of health studies on pesticides currently registered in California. The department will use these funds and positions to meet the legislative requirements and deadlines contained in Ch 669/84. This act directs the department to:

- Prepare a report by April 1, 1985 on pesticide active ingredients.
- Prepare a second report by July 1, 1985 listing the health effects studies on file at the department for each active pesticide ingredient registered in California.



- Evaluate the health effects studies it has on file and report to the Legislature by December 31, 1985 on any data gaps that exist, as well as on its timetable for filling the data gaps.
- Take actions to fill these data gaps in later years.

In the 1984 Budget Act, the Legislature appropriated \$499,000 for eight positions to begin this program and meet the first deadlines. The 1985-86 budget indicates that the department will redirect \$544,000 and 33 positions during 1984-85 to fund Ch 669/84 implementation in addition to the \$499,000 already appropriated for this program. It appears from the budget that this money will be redirected from within the Pesticide Regulatory Program. At the time this analysis was written, however, the Department of Finance had not notified the Legislature of this redirection as it is required to do by Section 28 of the 1984 Budget Act.

**Restoration of Redirected Funds.** In preparing the 1985-86 budget, the department deleted the \$499,000 provided in the current year from the base budget for the Ch 699/84 program. It did not, however, reduce the base budget by the \$544,000 provided in the current year from redirection. Thus, the budget requests an increase of \$1,815,000 for 1985-86 (\$2,314,000 less \$499,000), but expenditures for the implementation of Ch 699/84 will increase by only \$1,271,000. The difference, \$544,000, presumably will be used to restore funds redirected from other activities during the current year. Because these activities have not been identified, there is no basis for recommending that the funds requested for them be approved. Since the department apparently decided that these activities have a low priority, it is by no means clear that restoration is warranted.

Accordingly, we recommend a reduction of \$544,000 in Item 8570-001-001 to delete funds that would be used to support unidentified activities. If the department submits a specific proposal to use these funds for specific activities, we will evaluate that proposal and advise the Legislature of any change in our recommendation.

### **Thirty-Five People Do Not Need 98 Computer Terminals**

*We recommend a reduction of \$74,000 to delete funds requested for the rental of 73 computer terminals and related equipment because the department has not justified the need for this equipment. (Reduce Item 8570-001-001 by \$74,000.)*

The budget request includes \$667,545 for various data processing equipment that the department maintains is needed to implement Ch 669/84. This amount includes \$126,500 that would be used (1) to rent 90 computer terminals and related equipment from the Teale Data Center (\$91,000) and (2) to purchase four video display terminals and a microcomputer with four terminals (\$35,500). Thus, the proposed budget includes funds to purchase or rent 98 terminals.

The workload information provided by the department indicates that 35 positions will be sufficient to perform the tasks required by Chapter 669 in 1985-86. The budget does not identify who would use the other 63 terminals. Furthermore, some of the 35 staff working on the new program do not appear to need their own terminal. For instance, the primary duties of 10 new registration specialists will be interacting with pesticide registrants, presumably by letter or telephone. They should not require a terminal of their own.

We conclude that 25 terminals will be sufficient to implement this program in 1985-86. We estimate that these terminals can be provided at

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

a cost of \$52,500—\$35,500 to purchase the microcomputer and eight terminals and \$17,000 to rent 17 terminals and related equipment from the Teale Data Center. Accordingly, we recommend a reduction of \$74,000 in Item 8570-001-001 to delete funds requested for the purpose of renting 73 terminals from Teale Data Center.

**Approved Feasibility Study Report Needed for the New Pest Management Computer System**

*We withhold recommendation on \$450,000 requested in Item 8570-001-001 to fund a computer for the Division of Pest Management, Environmental Protection and Worker Health and Safety, pending receipt of an approved feasibility study report.*

The budget also requests \$450,000 from the General Fund for the purchase of a minicomputer with 25 accompanying terminals, 15 printers, and other assorted equipment in 1985-86. The proposed system would provide the department with the ability to integrate several existing programs and data bases. It would also help the department comply with recent legislative requirements, such as the requirement that it evaluate the health effects of pesticides that may be toxic air contaminants and the data base of chronic health effects for all pesticides registered in California. The department has not clarified what the relationship is between this request and the computer services requested for the implementation of Ch 669/84 (discussed above).

The department has submitted a feasibility study report for the proposed system to the Office of Information Technology (OIT). At the time this analysis was prepared (February 1985), OIT had not yet approved the feasibility study report. Until there is an approved feasibility study indicating how much the computer system will cost and what existing and proposed functions will be provided by the system, we cannot evaluate this funding request. We, therefore, withhold recommendation on the \$450,000 requested in Item 8570-001-001, pending receipt of an approved feasibility study.

**Veterinary Laboratory Fees**

*We recommend a reduction of \$117,000 and an equivalent increase in scheduled reimbursements in order to restore the percentage contribution made by fees toward the cost of operating the veterinary laboratories to what it was in 1980-81, when fee levels were last adjusted. We further recommend that the Legislature adopt supplemental report language directing the Department of Food and Agriculture and the University of California to prepare a report on veterinary laboratory fee options. (Reduce Item 8570-001-001 by \$117,000.)*

The budget requests a total of \$4,440,000 for support of veterinary laboratory services in 1985-86. This amount consists of \$3,975,000 from the General Fund, \$315,000 in reimbursements from fees, and \$150,000 in federal funds. The total request is \$421,000, or 10.5 percent, more than estimated current-year expenditures. Proposed General Fund support, however, is proposed to increase by \$522,000, or 15.1 percent. The increase is primarily due to the department's request for \$434,000 which would be used to increase funding for specialized veterinary services from the University of California at Davis. In addition, the budget requests \$8,889,000 from the Special Account for Capital Outlay in Item 8570-301-036 to con-

struct a new veterinary laboratory on the Davis Campus.

**Fee Revenues.** The department currently operates five laboratories—in addition to facilities at the University of California, Davis—that perform a variety of diagnostic services for the livestock and poultry industries as well as for state and federal animal health regulatory programs. The veterinary laboratories currently charge \$15 for diagnosing the cause of an animal's death and fees ranging from \$1 to \$20 for specific laboratory services other than diagnoses. The budget estimates that the department will collect \$315,000 from fees in 1985–86.

The amount requested in the budget from the General Fund for support of the laboratories in 1985–86 is 142 percent more than the actual General Fund expenditure on the laboratories in 1980–81, when the current fee levels were established. During this same period, revenue from fees has fallen from 11.2 percent of General Fund support to 7.9 percent. The department can increase fees administratively, but has chosen not to in recent years.

The livestock and poultry industries are the primary beneficiaries of the services provided by the veterinary laboratories. It is not clear why these industries in 1985–86 should pay a smaller share of the costs incurred in operating the laboratories than what they have paid in the past. Accordingly, we recommend that (1) the department raise its fees in order to bring fee revenues as a percentage of General Fund costs back to where they were in 1980–81, and (2) the Legislature reduce General Fund support for the laboratories in Item 8570-001-001 by \$117,000 and increase fee revenue by the same amount.

**Report on Veterinary Laboratory Fees.** Chapter 1536, Statutes of 1982, authorized a central veterinary laboratory facility on the Davis campus of the University of California and directed the department to contract with the university for all veterinary laboratory services. The department estimates that the full transfer of veterinary laboratory facilities to the University of California will occur in 1987. Prior to the transfer, the statute authorizes the department to enter into a contract with the university to provide interim services. The statute further specifies that the contract “shall provide that the university, in consultation with the department, shall establish a schedule of fees to help defray the cost of operations of the laboratories.”

At the time this analysis was written, neither the department nor the university had begun to reevaluate the current fee schedules for laboratory services. Accordingly, we recommend that the Legislature adopt the following supplemental report language directing the department to conduct a full evaluation of the appropriate fees for the veterinary laboratories by January 1, 1986:

“The Department of Food and Agriculture and the University of California shall report by January 1, 1986, to the Joint Legislative Budget Committee, the fiscal committees, and the appropriate policy committees on their evaluation of fee options to fund the veterinary laboratories. As part of this report, the department shall consider the following factors: (1) the actual cost of providing individual services, (2) who benefits from these services, (3) the appropriate proportion of costs to be borne by fees, and (4) the feasibility of using special taxes to provide partial support for the veterinary laboratories.

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued****County Weights and Measures Programs**

*We recommend a reduction of \$475,000 to delete the proposed augmentation for county weights and measures programs, because the department has not documented that the augmentation would improve the quality of these programs rather than merely provide fiscal relief to the counties. (Reduce Item 8570-101-001 by \$475,000.)*

The budget requests \$475,000 from the General Fund for local assistance to partially fund county weights and measures activities in 1985–86. The Division of Weights and Measures in the Department of Food and Agriculture is responsible for statewide weights and measures programs. Weights and measures activities at the local level are carried out by county sealers of weights and measures, under the supervision of the department. Although the state currently does not contribute money directly to county weights and measures activities, the department will spend an estimated \$4,378,000 (\$1,894,000 General Fund) on weights and measures activities at the state level in 1984–85.

County general funds, supplemented by some monies from industry fees, are the current sources of support for local weights and measures programs. These programs consist of the following major components: (1) enforcing the majority of state weights and measures laws at the local level, (2) inspecting, testing, and sealing commercial weighing and measuring equipment, and (3) verifying quantities of bulk and packaged goods and commodities. The \$475,000 is requested for the quantity control component of county weights and measures activities. The department claims that state assistance for county weights and measures activities is needed due to reductions in county expenditures on weights and measures activities.

Our analysis indicates, however, that total county expenditures for weights and measures activities *increased* by 7.6 percent from 1981–82 to 1983–84. Moreover, we note that Chapter 1380, Statutes of 1982, provided counties with authority to charge fees for device inspection services. The counties can use the revenues from these fees to augment county expenditures on device inspections, which accounted for 69 percent of total county expenditures in 1983–84. Twenty-one counties had imposed fees in 1983–84, and these fees generated approximately \$1 million, or 10.2 percent of total county expenditures on weights and measures in that year. (Although some counties may have begun charging fees in 1982–83, general implementation of fees did not take place until 1983–84, which is also the year for which the most recent data is available.)

County expenditures from county general funds on weights and measures activities *decreased* by \$310,976, or three percent, from 1981–82, when fees were not collected, to 1983–84, when the counties had additional money available from fees. Further, 16 out of the 21 counties that instituted fees reduced their spending on weights and measures activities from 1981–82 to 1983–84. It thus appears that the increased revenue available from fees has been used, in part, to replace, rather than augment, local resources.

We conclude that the department has not documented the benefits that would be realized if the state increased payments to counties for weights and measures programs. Without assurance that the state assistance to weights and measures activities will be used to augment, rather than

reduce, county funding for these activities, there is no assurance that the increased contribution will increase quantity control activities in the state. Instead, the state funds could simply provide more fiscal relief to counties.

Furthermore, the department has not specified any specific performance goals that the counties would be expected to achieve with the additional funds. Accordingly, we recommend that the \$475,000 requested in Item 8570-101-001 for county weights and measures programs be deleted.

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY**

Item 8570-301 from the General  
Fund, Special Account for  
Capital Outlay and the  
Agriculture Building Fund

Budget p. GG 112

Requested 1985-86 .....	\$9,822,000
Recommended approval .....	7,977,000
Recommended reduction .....	1,845,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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- 1. *John E. Thurman Veterinary Lab. Reduce Item 8570-301-036(1) by \$1,012,000.* Recommend reduction to (1) delete funds for a design contingency and various construction items, (2) eliminate funds for an incinerator, and (3) correct for overbudgeting of construction costs. 1558
- 2. *Measurement Standards Laboratory. Reduce Item 8570-301-036(2) by \$300,000 and Item 8570-301-601(1) by \$227,000.* Recommend deletion of funds requested for acquisition and preliminary plans for a new facility for the Division of Measurement Standards because (1) the department has not substantiated the need to increase the division's space, and (2) the lease agreement for the division's existing facility is favorable and can be extended. 1559
- 3. *Minor Projects. Reduce Item 8570-301-036(3) by \$225,000 and Item 8570-301-601(2) by \$81,000.* Recommend deletion of six projects which have not been justified. 1560

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes \$9,414,000 from the General Fund, Special Account for Capital Outlay (SAFCO), under Item 8570-301-036 and \$408,000 from the Agriculture Building Fund under Item 8570-301-601 for two major capital outlay projects and seven minor projects for the Department of Food and Agriculture. Table 1 summarizes the department's 1985-86 capital outlay program and our recommendations on it.

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued**

**Table 1**  
**Department of Food and Agriculture**  
**1985-86 Capital Outlay Program**  
**(dollars in thousands)**

Project	Phase <sup>a</sup>	Budget Bill Amount		Analyst's Recommendation		Estimated Future Cost <sup>b</sup>
		SAFCO	Agriculture Building Fund	SAFCO	Agriculture Building Fund	
John E. Thurman Vet Lab.....	c	\$8,889	—	\$7,877	—	—
Measurement Standards Lab .....	ap	300	\$227	—	—	\$4,418
Minor Projects .....	pwc	225	181	—	\$100	—
Totals.....		\$9,414	\$408	\$7,877	\$100	\$4,418

<sup>a</sup> Phase symbols: a = acquisition; p = preliminary plans; w = working drawings; c = construction.

<sup>b</sup> Department estimate for total project cost.

### **John E. Thurman Veterinary Lab**

*We recommend that Item 8570-301-036(1), construction of the John E. Thurman Veterinary Lab, be reduced by \$1,012,000 to (1) eliminate funds for a design contingency and various construction items, (2) delete funds for an incinerator, and (3) correct for overbudgeting of construction costs.*

Item 8570-301-036(1) contains \$8,889,000 for construction of the John E. Thurman Veterinary Lab at the University of California, Davis (UCD). The proposed facility will provide approximately 26,000 assignable square feet of offices, laboratories, and laboratory support and will be constructed adjacent to the existing veterinary medical teaching hospital to serve as a central reference laboratory for a system of diagnostic laboratories operated by the university under contract to the department. Planning and construction of the project will be provided by the University of California. A total of \$585,000 previously has been provided for preliminary plans (\$268,000) and working drawings (\$317,000) in connection with this project.

**Cost of the Project Has Increased.** *Language contained in the Supplemental Report to the 1984 Budget Act indicated that the estimated future cost for construction of this project was \$7,818,000. The amount requested in the budget, however, is \$1,071,000, or 13.7 percent, higher than the estimate included in the supplemental report.*

The budget amount is based on preliminary plans completed in December 1984. As a result of our discussions with the department, subsequent to completion of the preliminary plans, the department agreed to reduce the amount set aside for contingencies, and to eliminate various design elements. These changes will reduce the construction estimate to \$8,426,000, for a savings of \$463,000.

**Is an Incinerator Needed?** In discussions with the department regarding the project, we questioned the need for an incinerator (at a cost of \$305,000) to dispose of animal carcasses. We pointed out that the UCD campus already has an incinerator which potentially could be used by the veterinary lab to dispose of these carcasses. If joint use of the existing incinerator is feasible, the state would realize savings in both construction and operating costs.

The department agreed to defer the incinerator portion of the project until the Legislature had an opportunity to consider the need for this feature. To keep the balance of the project on schedule, the department

requested that the State Public Works Board approve preliminary plans as modified. At its January 1985 meeting the board approved this request and working drawings have been started.

We recognize that the existing incinerator is not large enough to accommodate a whole large animal carcass and that there is a *potential* hazard, to both humans and animals, from transporting infectious materials. The department, however, has not adequately demonstrated that using the UCD's existing incinerator would create a hazardous situation. Based on information submitted by the department, the new lab should be able to operate effectively, using the UCD incinerator (which is operating at 43 percent of capacity). If the department subsequently determines that a second incinerator is required, an incinerator of the appropriate size can be added without disturbing the laboratory building. For these reasons, we recommend that funds included in the budget for a new incinerator be deleted, for a reduction of \$305,000.

***Construction Costs are Overbudgeted.*** Consistent with the state's traditional budgetary practice, the amount included for construction of the new vet lab is based on the construction cost index projected for July 1, 1985: At the time the level of this index was projected, it appeared to be reasonable. The rate of inflation, however, has not been as high as anticipated. Using the most recent indices, adjusted by the current expected inflation rate of about  $\frac{1}{2}$  percent per month, the amount requested for construction of the vet lab is overstated by \$244,000.

For the reasons given above, we recommend that Item 8570-301-036(1) be reduced by \$1,012,000.

#### **Measurement Standards Laboratory**

***We recommend deletion of Item 8570-301-036(2) and 8570-301-601(1), acquisition and preliminary plans for a new Measurement Standards Laboratory, because (1) the department has not substantiated the need to increase the division's space, (2) the division's current space appears to be sufficient, and (3) the lease agreement for the existing facility is favorable and can be extended.***

The budget proposes \$300,000 under Item 8570-301-036(2) and \$227,000 under Item 8570-301-601(1) to finance acquisition and preliminary planning costs for a new building to house the Division of Measurement Standards, Department of Food and Agriculture (DFA).

The Division of Measurement Standards is responsible for providing the standards of measurement necessary for the use of commercial weighing and measuring devices, quantity verification of both bulk and packaged sales of foods and commodities and quality advertising and labeling standards for most petroleum products. The department proposes construction of a 27,210 square-foot single story office/laboratory/warehouse facility. The future cost of working drawings and construction for this facility are estimated by the department at \$4,418,000.

The division has been located in leased space on Fruitridge Road near the Sacramento Army Depot since 1974. It presently occupies 16,300 square feet of space (8,200 office space; 6,300 square feet of laboratory space and 1,800 square feet of warehouse space). The DFA indicates that a new facility to provide an additional 10,910 square feet is required because (1) new equipment and test standards to be added in the next five years will create a need for additional space, and (2) the existing facility lacks sufficient laboratory workspace and storage space.

Based on our analysis, we conclude that the department has not adequately justified the need to construct a new facility for the division. The department has not justified the need for increasing space based upon

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued**

new equipment/standards to be added in the next five years. The Governor's Budget proposes no expansion of personnel or program responsibilities for the division, nor has the department indicated specifically why the division should increase by approximately 67 percent. In addition, an on-site review revealed that, except for storage area the existing facilities appear sufficient to meet its *current* needs.

Finally, our analysis indicates that the division's current lease agreement is quite favorable, when compared with other state agency lease agreements. Monthly lease payments are approximately \$7,500, which represents an average cost of approximately \$.45 per square foot. This is about one-third the average cost per square foot for leased space in the Sacramento area. This lease presently extends through February 1989, and the Office of Space Management anticipates no difficulty in extending this lease or in negotiating a new lease rate comparable to the present rate.

Consequently, because (1) the department has not substantiated a need for increased space, (2) the division's existing space appears to be adequate, and (3) the lease agreement for the division's existing facility is favorable and can be extended, we recommend deletion of Item 8570-301-036(2) and Item 8570-301-601(1), for a total reduction of \$527,000.

**Minor Capital Outlay**

*We recommend that Item 8570-301-036(3) be deleted to eliminate funding for five projects, for a savings of \$225,000, and that Item 8570-301-601(2) be reduced by \$81,000 to eliminate funding one project that is not justified.*

The budget proposes \$225,000 under Item 8570-301-036(3) for five minor projects and \$181,000 under Item 8570-301-601 for two minor projects for the Department of Food and Agriculture. These projects, and our recommendations, are listed in Table 2.

**Table 2**  
**Department of Food and Agriculture**  
**1985-86 Minor Capital Outlay Projects**  
**(dollars in thousands)**

Project	Location	Budget Bill Amount		Analyst's Recommendation	
		SAFCO	Agriculture Building Fund	SAFCO	Agriculture Building Fund
Enlarge Drive-Through Doors at Border Inspection Stations .....	Meyers, Tulalake, Benton, Topaz, Alturas	\$225	—	—	—
Convert Freight Elevator Doors in Annex Building .....	Sacramento	—	\$81	—	—
Alterations to Air Conditioning System—Annex Building .....	Sacramento	—	100	—	\$100
Totals .....		\$225	\$181	—	\$100

**Enlarge Border Inspection Drive-Through Doors.** The department requests a total of \$225,000 to increase the size of vehicle drive-through doorways at five agricultural border inspection stations—Alturas, Benton, Meyers, Topaz, and Tulalake (\$45,000 per station). The department is



asking to widen and raise the doorways to accommodate recreational vehicles (RV). Although each station *has* at least one drive through-door that will accommodate large RVs, the department indicates that at times, drivers have not recognized that the other doorways are too narrow/low for their vehicle and have caused damage to these doorways.

Our analysis indicates that this request is not justified. These inspection station entrances are well marked to alert drivers about the size of the doorway. The fact that on occasion a driver does not recognize that the one doorway is too small for the vehicle does not warrant the expenditure of \$225,000. The department instead should attempt to address the problem in a less costly manner such as through improved administrative efforts or by placing additional signs near the station entrance.

Consequently, we recommend that funding for these projects be deleted for a savings of \$225,000.

**Convert Freight Elevator Doors.** The department also requests \$81,000 under Item 8570-301-601 (2) to convert a four and one-half story freight elevator to automatic operation. The elevator is located in the agriculture annex building in Sacramento and the department indicates that the existing manually operated doors are dangerous to use. Although the freight elevator is located away from the main building corridor, the department indicates that anyone has access to it for moving various items.

Our analysis indicates that the need for converting this elevator has not been established. The department has submitted no information to indicate that the current elevator is in violation of any existing codes or that the situation has been surveyed by Cal OSHA and determined to be a work hazard. Consequently, we recommend that funding for this project be deleted, for a savings of \$81,000.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

**FAIR POLITICAL PRACTICES COMMISSION AND  
POLITICAL REFORM ACT**

Items 8620-8640 from the General Fund Budget p. GG 113-114

Requested 1985-86 .....	\$2,715,000
Estimated 1984-85.....	2,468,000
Actual 1983-84 .....	1,547,000
Requested increase (excluding amount for salary increases) \$247,000 (+10.0 percent)	
Total recommended reduction .....	27,000
Recommendation pending .....	998,000

**1985-86 FUNDING BY ITEM AND SOURCE**

Item-Description	Fund	Amount
8620-001-001-Fair Political Practices Commission, support	General	\$857,000

## FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued

8640-001-001—	General	1,858,000
Secretary of State.....		\$580,000
Franchise Tax Board .....		998,000
Attorney General .....		280,000
Statutory Appropriation—Fair Political Practices Commission, support	General	(2,271,000)
Total		\$2,715,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Franchise Tax Board. Withhold recommendation on appropriation of \$998,000 from the General Fund, pending review of workload information related to the board's Political Reform Act duties. 1563
2. *Rental Expense. Reduce Item 8620-001-001 by \$27,000.* 1564  
Recommend reduction to correct for overbudgeting.

### GENERAL PROGRAM STATEMENT

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

Funds to implement these provisions are budgeted for four state agencies: Secretary of State, Franchise Tax Board, Attorney General and Fair Political Practices Commission. General Fund support for one of these agencies, the Fair Political Practices Commission, is provided directly by a continuous appropriation made in the PRA and through budget Item 8620-001-001. Funds for the other three agencies are provided by the Legislature through this budget item.

Total staffing to administer the act in the current year is authorized at 101 positions.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,715,000 from the General Fund to carry out the provisions of the PRA in 1985-86. This is \$247,000, or 10 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 identifies the agencies that will expend funds appropriated in support of the act, the general function each performs, and the estimated expenditures by each during the prior, current and budget years. The *subtotal* represents that amount appropriated through the Budget Act for support of the PRA. The *total* represents the amount available for carrying out the act's provisions, including funds appropriated by the Budget Act and the continuous appropriation made by Political Reform Act.

**Table 1**  
**Political Reform Act of 1974**  
**General Fund Support**  
**(dollars in thousands)**

		<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Percent Change 1984-85 to 1985-86</i>
	<i>Function</i>	<i>1983-84</i>	<i>1984-85</i>	<i>1985-86</i>	
1. Budget Act Appropriation					
Secretary of State .....	Filing of documents	\$537	\$560	\$580	3.6%
Franchise Tax Board .....	Auditing statements	762	974	998	2.5
Attorney General .....	Criminal enforcement	248	277	280	1.1
Fair Political Practices Commission	Local enforcement	NA	657	857	30.4
Subtotals .....		\$1,547	\$2,468	\$2,715	10.0%
2. Statutory Appropriation					
Fair Political Practices Commission	Administration of Act	1,959	2,214	2,271	2.6
Totals, Political Reform Act .....		\$3,506	\$4,682	\$4,986	6.5%

## ANALYSIS AND RECOMMENDATIONS

### SECRETARY OF STATE

#### *We recommend approval.*

Responsibilities assigned to the Secretary of State by the Political Reform Act include receiving campaign expenditure statements and registering lobbyists. In addition, the Secretary of State prints and distributes information listed in lobbyist registration statements.

The budget proposes expenditures of \$595,000 by the Secretary of State to perform work arising under the act during 1985-86. This amount includes a General Fund appropriation of \$580,000 and reimbursements of \$15,000. This is \$20,000, or 3.6 percent, above estimated total current-year expenditures. The requested increase reflects the conversion of temporary help to a single permanent position and increased operating expenses due to inflation.

### FRANCHISE TAX BOARD

*We withhold recommendation on the Franchise Tax Board portion (\$998,000) of this item, pending review of new information related to the board's workload.*

**Budget Year Workload for Franchise Tax Board Needs Updating.** The Political Reform Act (PRA) requires the Franchise Tax Board to audit the financial transaction statements of: (1) lobbyists, (2) candidates for statewide office and their committees, (3) committees supporting or opposing statewide ballot measures, and (4) specified local officials.

The FTB proposes budget-year expenditures of \$998,000 for its PRA functions, an increase of \$24,000, or 2.5 percent, over estimated current-year expenditures. Staffing for FTB is proposed at 17.2 personnel-years, the same level as in the current year.

The FTB's resource requirements for its PRA functions depend on the (1) volume of audits to be done and (2) productivity rates at which the board audits documents. With regard to audit volumes, a revised estimate of the audit volumes will be available by the end of February 1985, following the random selection of lobbyists and committees supporting candidates for legislative and judicial offices for audit purposes. A revised estimate of productivity rates also will be available by that date.

**FAIR POLITICAL PRACTICES COMMISSION AND  
POLITICAL REFORM ACT—Continued**

Until we have had the opportunity to evaluate the board's PRA budget-year workload needs using the latest possible information, we withhold recommendation on FTB's portion of the PRA budget request.

**ATTORNEY GENERAL***We recommend approval.*

The Political Reform Act requires the Attorney General to enforce the criminal provisions of the act with respect to state agencies, lobbyists, and state elections. In addition, the Attorney General is required to provide legal advice and representation to the commission, and is reimbursed through the act for these services. Current-year expenditures to provide required services are estimated at \$277,000. For the budget year, \$280,000 is requested for the budget year, an increase of 1 percent.

**FAIR POLITICAL PRACTICES COMMISSION**

*We recommend reduction of \$27,000 to correct for overbudgeted rental expense. (Reduce Item 8620-001-001 by \$27,000.)*

The Fair Political Practices Commission is responsible for the administration and implementation of the PRA. The commission consists of five members, two of which, including the chairman, are appointed by the governor. The Attorney General, the Secretary of State and the State Controller each appoint one member. The commission is supported by a 58-member staff. Each year, the commission receives a statutory General Fund allocation of \$1 million plus an adjustment for changes in the cost-of-living since the initial allocation.

For the budget year, the commission proposes to spend \$3,128,000. This is \$257,000, or 9 percent, above estimated current-year expenditures. Of the proposed amount, \$2,271,000 represents the commission's continuous appropriation, as adjusted. The commission proposes to spend the remaining amount, or \$857,000 from the General Fund, to fund increased rental expenses (\$153,000) and implementation of Chapter 1681, Statutes of 1984, which established a Division of Local Enforcement within the FPPC (\$704,000). The amount requested (\$857,000) is in addition to the commission's statutory appropriation.

**Overbudgeted Rental Expense.** The commission currently occupies office space at two Sacramento locations. For the budget year, the commission is requesting \$187,000 to cover lease costs incurred in order to consolidate its two offices through an office relocation. The commission indicates two reasons for this consolidation: (1) the existing lease on its main office cannot be extended past August 31, 1985; and (2) the enforcement staff, which was expanded by Ch 1681/84 (AB 2992), should have quick and easy access to the common set of files located at its main office location. The commission also proposes to lease a 1,000 square foot conference room with seating for 50 persons for its monthly meeting and administrative hearings. Currently, the commission uses, free of charge, conference rooms located in various state office buildings for these purposes.

According to a space-needs study conducted by the Department of General Services (DGS), the commission will need 13,749 net usable square feet of space, at a cost of \$1.05 per square foot. Thus, DGS estimates the commission's rental expense for 1985-86 should be \$173,000. This is \$14,000, or 8.0 percent, below the amount requested by the commission for this purpose.

We believe the commission's proposal to consolidate its offices is reasonable. We see no reason, however, for the commission to lease conference room space when it can obtain this free of charge. For that reason, we recommend the department's request be reduced by \$27,000 to eliminate \$14,000 in overbudgeted funds and \$13,000 requested to lease conference space, and approved in the reduced amount of \$160,000.

### PUBLIC UTILITIES COMMISSION

Item 8660 from various special  
funds

Budget p. GG 115

Requested 1985-86 .....	\$51,906,000
Estimated 1984-85 .....	47,874,000
Actual 1983-84 .....	40,085,000
Requested increase (excluding amount for salary increases) \$4,032,000 (+8.4 percent)	
Total recommended reduction .....	223,000
Recommendation pending .....	2,042,000

### 1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad Grade Crossing Safety	State Highway Account, State Transportation	\$1,317,000
8660-001-046—Rail Passenger Service and Enforcement of Federal Railroad Track and Freight Car Equipment Standards	Transportation Planning and Development Account, State Transportation	1,661,000
8660-001-412—Freight Transportation Regulation	Transportation Rate	14,549,000
8660-001-461—Passenger Transportation Regulation	Public Utilities Commission Transportation Reimbursement Account	3,129,000
8660-001-462—Utility Regulation	Public Utilities Commission Utilities Reimbursement Account	31,187,000
8660-001-890—Various Purposes	Federal Trust	(233,000)
Revenue and Taxation Code Section 44181: Universal Telephone Service Program	Universal Telephone Service	63,000
Total		\$51,906,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Relocation Expenses. Withhold recommendation on \$2,042,000 requested for the relocation of the commission's main office, pending the receipt and analysis of additional information on the proposed move and its costs. 1569
2. User Fee Audits. Recommend that \$84,000 budgeted for overtime be used instead to fund two new staff positions, because the amount requested, if used to pay existing employees at overtime rates, is not sufficient to "buy" the staffing needed to conduct these audits. 1570
3. Office Automation. Reduce Item 8660-001-412 by \$27,000, Item 8660-001-461 by \$122,000, and Item 8660-001-462 by \$251,000. Recommend deletion of \$400,000 requested for office automation expenses, because the commission's proposed plan is not documented adequately. 1570

**PUBLIC UTILITIES COMMISSION—Continued**

4. *Technical Budgeting Issue. Reduce Item 8660-001-461 by \$17,000 and Item 8660-001-462 by \$21,000. Recommend deletion of \$38,000 in order to correct for overbudgeting.* 1571
5. *Rapid Transit Safety Workload. Increase Item 8660-001-046 by \$215,000. Recommend augmentation in order to establish five new positions, because the commission currently is understaffed in its rapid transit safety program.* 1572
6. *Rapid Transit Safety Standards. Recommend enactment of legislation which requires the commission to adopt and enforce statewide rapid transit safety standards.* 1573

**GENERAL PROGRAM STATEMENT**

The Public Utilities Commission (PUC), created by constitutional amendment in 1911, is responsible for the regulation of *privately owned* public utilities. The term "public utility" includes such entities as gas, electric, telephone, trucking, bus, and railroad corporations.

The commission's primary objective is to ensure adequate facilities and services for the public at reasonable and equitable rates, consistent with a fair return to the utility on its investment. It is also charged by state and federal statutes with promoting energy and resource conservation in its various regulatory decisions.

The PUC is governed by five commissioners who are appointed by the Governor. The commission must approve all changes in the operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities, and also may initiate investigations of utility companies on its own volition. In all such cases, information is gathered by the staff, hearings are held, and decisions are rendered by a vote of the commissioners. Appeal of commission decisions may be made only to the California Supreme Court, whose review power generally is limited to questions of law.

The commission has authorization for 934 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes five appropriations totaling \$51,906,000 from various state funds for support of the Public Utilities Commission in 1985-86. This is an increase of \$4,032,000, or 8.4 percent, over estimated current-year expenditures from these funds. This increase will grow by the amount of any salary or staff benefits increase approved for the budget year.

Proposed expenditures in 1985-86 from *all* funding sources, including federal funds and reimbursements, total \$54,404,000, which is \$2,013,000, or 3.6 percent, less than estimated current-year expenditures. Table 1 displays a summary of the PUC's budget for the prior, current, and budget years. The table shows expenditures for elements within each of the commission's three major programs: regulation of utilities, regulation of transportation, and administration. The largest proposed increase (22 percent) is in the regulation of transportation service and facilities, reflecting primarily the commission's plan to participate in railroad merger and abandonment proceedings before the Interstate Commerce Commission in 1985-86. Expenditures for licensing new transportation services are expected to drop by 19 percent in 1985-86, primarily because an application to construct and operate a high-speed passenger rail system in southern California has been withdrawn.

**Table 1**  
**Public Utilities Commission**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1983-84</i>	<i>Estimated 1984-85</i>	<i>Proposed 1985-86</i>	<i>Change, 1985-86 Over 1984-85</i>	
				<i>Amount</i>	<i>Percent</i>
<b>Regulation of Utilities:</b>					
Rates .....	\$19,522	\$24,802	\$22,866	-\$1,936	-7.8%
Service and Facilities .....	1,360	5,872	6,451	579	9.9
Certification .....	1,066	2,089	2,236	147	7.0
Safety .....	726	1,994	2,092	98	4.9
Subtotals, Utilities .....	(\$22,674)	(\$34,757)	(\$33,645)	(-\$1,112)	(-3.2%)
<b>Regulation of Transportation:</b>					
Rates .....	\$9,493	\$10,025	\$10,136	\$111	1.1%
Service and Facilities .....	1,084	1,078	1,319	241	22.4
Licensing .....	6,106	7,874	6,403	-1,471	-18.7
Safety .....	2,313	2,683	2,901	218	8.1
Subtotals, Transportation .....	(\$18,996)	(\$21,660)	(\$20,759)	(-\$901)	(-4.2%)
<b>Administration (Distributed):</b>					
Utilities .....	(\$6,298)	(\$6,912)	(\$7,216)	(\$304)	(4.4%)
Transportation .....	(4,287)	(4,705)	(4,912)	(207)	(4.4)
Subtotals, Administration .....	(\$10,585)	(\$11,617)	(\$12,128)	(\$511)	(4.4%)
<b>Totals .....</b>	<b>\$41,670</b>	<b>\$56,417</b>	<b>\$54,404</b>	<b>-\$2,013</b>	<b>-3.6%</b>
<b>Funding Sources</b>					
State Funds .....	\$39,902	\$47,874	\$51,906	\$4,032	8.4%
Federal Funds .....	183	207	233	26	12.6
Reimbursements .....	1,585	8,336	2,265	-6,071	-72.8
Personnel-years .....	887.3	934.1	937	2.9	0.3%

**Table 2**  
**Public Utilities Commission**  
**Expenditures by Funding Source**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

<i>Funding Source</i>	<i>Actual 1983-84</i>	<i>Estimated 1984-85</i>	<i>Proposed 1985-86</i>	
			<i>Amount</i>	<i>Percent of Total</i>
State Highway Account, State Transportation Fund .....	\$957	\$1,150	\$1,317	2.5%
Transportation Planning and Development Account, State Transportation Fund .....	1,254	1,434	1,661	3.2
Radio Telephone Utility Rate Fund .....	56	105	—	—
Transportation Rate Fund .....	13,333	13,766	14,549	28.0
Universal Telephone Service Fund .....	—	18	63	0.1
Public Utilities Commission Transportation Reimbursement Account .....	3,079	3,088	3,129	6.0
Public Utilities Commission Utilities Reimbursement Account .....	21,223	28,313	31,187	60.1
<b>Totals .....</b>	<b>\$39,902</b>	<b>\$47,874</b>	<b>\$51,906</b>	<b>100.0%<sup>a</sup></b>

<sup>a</sup> Details do not add to total due to rounding.

**PUBLIC UTILITIES COMMISSION—Continued**

Table 2 summarizes total *state* expenditures, by fund. Three-fifths (60 percent) of the commission's proposed expenditures are funded from the Public Utilities Commission Utilities Reimbursement Account (PUC-RA), which receives revenues generated by user fees charged to utilities, and uses these funds to regulate gas, electric, and telephone utilities, as well as most private water and sewer companies. The Transportation Rate Fund (TRF) is the funding source for about one-quarter (28 percent) of the PUC's spending. The regulation of freight transportation carriers (primarily trucking companies) is financed by fees deposited into the TRF.

**Proposed Budget-Year Changes**

Table 3 shows the changes in the commission's budget which are proposed for 1985–86. With regard to *workload changes*, the budget proposes a \$6.1 million reduction in reimbursements. This reduction reflects the commission's plans to discontinue in 1985–86 two reimbursable current-year activities: (1) the review of costs associated with the Diablo Canyon nuclear power plant, using private consultants (\$4 million); and (2) work related to an application to operate a high-speed passenger rail service in southern California, using a private consultant and PUC staff (\$2.1 million). These reductions more than offset the significant workload increases in transportation regulation (\$331,000), telecommunications regulation (\$264,000), and financial auditing (\$145,000).

**Table 3**  
**Public Utilities Commission**  
**Proposed 1985–86 Budget Changes**  
 (dollars in thousands)

	PUC Utilities Reim- bursement Account	Transpor- tation Rate Fund	PUC Transpor- tation Reim- bursement Account	Other Funds	Reim- bursements	Total
1984-85 Expenditures (Revised) .....	\$28,313	\$13,766	\$3,088	\$2,914	\$8,336	\$56,417
<i>Baseline Adjustments:</i>						
Personal Services .....	\$212	\$48	\$12	\$17	—	\$289
Operating Expenses and Equipment ..	511	236	50	47	—	844
Distance Table Publishing (Current- Year) .....	—	-524	—	—	—	-524
Funding Shifts .....	80	—	—	-80	—	—
Subtotals, Baseline Adjustments ..	(\$803)	(-\$240)	(\$62)	(-\$16)	—	(\$609)
<i>Workload Changes:</i>						
Telecommunications Regulation .....	\$264	—	—	—	—	\$264
Financial Auditing .....	100	—	—	\$45	—	145
Energy Utility Regulation .....	91	—	—	—	—	91
Computer Support Personnel .....	20	\$20	—	—	—	40
Proposed Decision Distribution .....	16	—	—	8	—	24
Transportation Regulation .....	—	98	—	233	—	331
Diablo Canyon Review .....	—	—	—	—	-\$3,951	-3,951
High Speed Rail Project .....	—	—	—	—	-2,120	-2,120
Office Automation (Phase I) .....	-235	—	-\$110	—	—	-345
Increased "Efficiencies" .....	-70	—	-55	—	—	-125
Miscellaneous Reductions .....	-51	-42	-8	—	—	-101
Subtotals, Workload Changes .....	(\$135)	(\$76)	(-\$173)	(\$286)	(-\$6,071)	(-\$5,747)



*Program Changes:*

Energy Fuel Cost Review .....	\$198	—	—	—	—	\$198
Office Automation (Phase II) and Data Processing Equipment .....	367	\$178	\$40	—	—	585
Headquarters Relocation .....	1,371	574	97	—	—	2,042
Transportation Data Base Development .....	—	195	15	\$90	—	300
Subtotals, Program Changes .....	(\$1,936)	(\$947)	(\$152)	(\$90)	—	(\$3,125)
1985-86 Expenditures (Proposed) .....	\$31,187	\$14,549	\$3,129	\$3,274	\$2,265	\$54,404

## Change from 1984-85:

Amount .....	\$2,874	\$783	\$41	\$360	-\$6,071	-\$2,013
Percent .....	10.2%	5.7%	1.3%	12.4%	-72.8%	-3.6%

The commission's budget proposes several major *program changes*, the most significant of which are: (1) a \$2 million increase to fund the relocation of the commission's headquarters to the new San Francisco State Office Building, (2) a \$585,000 increase to fund an office automation plan and purchase other data processing equipment, and (3) a \$300,000 increase in consultant expenses related to the development of a transportation data base.

**ANALYSIS AND RECOMMENDATIONS****COMMISSIONWIDE ISSUES****More Information Needed On Relocation Expenses**

*We withhold recommendation on \$2,042,000 requested on a one-time basis for the relocation of the commission's headquarters, pending receipt of additional information as to the exact date of the move and the actual costs which would be incurred.*

The budget proposes the one-time expenditure of \$2,042,000 for costs associated with the relocation of the commission's headquarters to the new San Francisco State Office Building. Currently, the PUC's main office is in a state-owned facility at 350 McAllister Street in San Francisco, while its Transportation Division leases private space in the nearby Fox Plaza Building. The major elements of the request for relocation expenses include:

- New "modular-type" furniture (\$1.1 million),
- Telecommunications equipment (\$847,000), and
- Private freight moving services (\$154,000).

Our review of the proposed relocation expenses raises two principal concerns. First, the *scheduled* occupancy date of the new state building in San Francisco is January 1986. However, the staff of both the Office of the State Architect and the PUC indicate that the occupancy date could actually be delayed by several months. Consequently, it is possible that the commission's move may not occur in 1985-86, thereby obviating the need for relocation expenses in the budget year. Better information on the commission's plans should be available by the time of budget hearings.

**PUBLIC UTILITIES COMMISSION—Continued**

Second, we have received inconsistent information on individual cost components. For example, the commission has recently developed an internal policy regarding the allocation of new telephones among staff which differs from information in the budget request for telecommunications equipment.

The commission may be able to address these concerns by providing updated information on the exact date of the proposed move and the actual costs which would be incurred. Pending receipt of such information, we withhold recommendation on the \$2,042,000 proposed for relocation expenses in the budget year.

**Overtime Funds Will Not "Buy" Proposed Level of Audits**

*We recommend that \$84,000 budgeted for overtime be used instead to fund two new staff positions, because audits could be completed more cost-effectively using permanent employees.*

The Governor's Budget proposes to add the equivalent of two personnel-years to the commission's budget so that it can begin performing financial audits of user fee statements. These user fee statements are filed quarterly by the utilities and transportation companies regulated by the commission, and contain information needed by the commission in determining the user fees to be paid by each regulated entity. The budget proposes to accomplish this task by working the PUC's existing staff overtime, at a cost of \$84,000.

Our analysis indicates that the PUC needs to perform these audits, and that approximately two personnel-years are needed. If, however, the \$84,000 is used to pay existing employees for working overtime, the requested amount probably will not "buy" the needed level of staffing. This is because the PUC's staff auditors would have to be compensated for overtime work at "time-and-one-half" wage rates. We estimate, therefore, that \$84,000 would buy less than two personnel-years.

The budgeted amount, however, would buy two personnel-years if these funds were used to pay for permanent staff. In order to provide the PUC with sufficient personnel resources to accomplish the audits, we recommend that the proposed augmentation of \$84,000 be used instead to establish two staff positions in the budget year.

**Office Automation Plan Appears To Be Stalled**

*We recommend that \$400,000 requested for the proposed second phase of an office automation project be deleted because the proposal has not been documented adequately. (Reduce Item 8660-001-412 by \$27,000, Item 8660-001-461 by \$122,000, and Item 8660-001-462 by \$251,000.)*

The 1984 Budget Act augmented the PUC's data processing budget by \$345,000 to provide initial funding for a commissionwide office automation effort to be implemented over three years. The PUC submitted a feasibility study report (FSR) to the Office of Information Technology (OIT) in November 1984, which indicated that Phase I of the office automation plan would cost \$400,000 in the current year. (Apparently, the PUC planned to redirect \$55,000 from existing resources to supplement the \$345,000 appropriation.) This amount was to be used for the purchase of microcomputers, word processors, and related equipment for use throughout the commission.

The budget proposes \$400,000 in 1985-86 in order to fund Phase II of the

office automation plan. This amount apparently will be used to enhance the commission's data filing capability.

At the time this analysis was prepared, the PUC had not yet received approval from the OIT for the feasibility study report on *Phase I* of its automation project. Consequently, the commission has not yet spent any of the funds provided in the current year, nor is it clear that the commission will be able to do so anytime soon.

Moreover, detailed documentation about Phase II of the overall project has not been submitted; nor is there any indication as to when it will be reviewed by the OIT.

Given the commission's lack of progress to date on Phase I and the absence of any specific justification for Phase II of the office automation plan, we recommend the deletion of \$400,000 (\$27,000 from Item 8660-001-412, \$122,000 from Item 8660-001-461, and \$251,000 from Item 8660-001-462) from the amount requested for data processing equipment in the commission's budget.

#### **Technical Budgeting Issue**

*We recommend the reduction of \$38,000 from various funds to correct for overbudgeting. (Reduce Item 8660-001-461 by \$17,000 and Item 8660-001-462 by \$21,000.)*

The budget proposes the elimination of 5 positions (4.8 personnel-years) in various commission programs in order to reflect "increased efficiencies." These positions have been deleted from the budget on the assumption that each was last filled at or near the first step in the position's salary range. Our analysis indicates that on average, civil service positions are occupied and budgeted at the fourth salary step. Thus, the personal services savings that would result from this proposal have been understated. Accordingly, we recommend the deletion of \$17,000 from Item 8660-001-461 and \$21,000 from Item 8660-001-462, in order to properly reflect the savings to be realized from the proposed position reductions.

#### **REGULATION OF UTILITIES**

The Public Utilities Commission regulates the rates, services, and safety of gas, electric, communications, and water and sewer companies. It must approve the construction of new facilities by these utilities, and any stocks, bonds, or other financial instruments that they issue.

#### **REGULATION OF TRANSPORTATION**

The Public Utilities Commission regulates the rates, services, and safety of intrastate, privately owned highway carriers (for-hire truckers) and passenger carriers (primarily buses). It also administers state and federal regulations regarding railroad safety, and transmits to the Department of Transportation and the California Transportation Commission recommendations concerning the use of state funds for safety improvements at railroad grade crossings. In addition, the commission has statutory authority to regulate the safety of certain rapid transit districts.

The regulated highway carriers pay fees into the Transportation Rate Fund to support that portion of the commission's workload which involves trucking-related regulation. Passenger, rail, and rapid transit workload is supported from the Public Utilities Commission Transportation Reimbursement Account, the Transportation Planning and Development Account and the State Highway Account of the State Transportation Fund, as well as from federal funds.

**PUBLIC UTILITIES COMMISSION—Continued****Rapid Transit Safety Program Is Understaffed**

*We recommend that the commission's budget be augmented by \$215,000 and five positions so that the commission can adequately fulfill its rapid transit safety responsibilities. (Increase Item 8660-001-046 by \$215,000.)*

Since 1957, the PUC has been directed by statute to regulate the operational safety of the Bay Area Rapid Transit (BART) District. The commission's responsibility subsequently was extended to the Southern California Rapid Transit District (SCRTD) in 1964 and to the Santa Clara County Transit District in 1969. Existing law also requires that any public transit guideway planned, acquired, or constructed, on or after January 1, 1979, is subject to safety regulation by the PUC.

The PUC currently has a five-member staff performing rapid transit safety oversight, including a supervising engineer, an electrical engineer, a senior transportation engineer, a rail operations specialist, and a secretary. This staff currently spends approximately 85 percent of its time assuring the safety of *operating* rail transit systems (primarily BART), and devotes its remaining effort toward assuring the safety of *planned* rail transit systems.

Currently, there are several rapid transit expansions and new projects being developed throughout the state. The major projects are:

- Substantial technical modifications to the BART operating system,
- Extension of the San Diego Trolley in San Diego County,
- Planning and construction of the Wilshire Corridor Subway in the SCRTD,
- Development and construction of new light rail rapid transit systems in Santa Clara County and in Sacramento County, and
- Planning for new rail systems between Los Angeles and Long Beach and throughout Orange County.

During hearings on the 1984 Budget Bill, we advised the Legislature that these projects would increase the PUC's *existing* workload in rail transit safety, and that the commission might not have enough resources to meet its statutory responsibilities. In response, the administration justified the existing staff level for this activity by citing (1) the possibility of delays in rail system planning, which would lessen the need for PUC review in 1984-85; and (2) the routine nature of needed PUC review, since these systems would employ only existing technology.

Subsequently, the Legislature adopted language in the *Supplemental Report to the 1984 Budget Act* directing the PUC to prepare a report on its existing and projected rapid transit safety workload. The PUC's report indicated that at its present staffing level, the commission could not fulfill its statutory responsibility to assure the safety of the general public and rapid transit district employees. In addition, the report identified the existing and projected workload related to transit district safety, and proposed the augmentation of seven staff positions (5 engineers, 1 legal counsel, and 1 clerical) in order to adequately address this workload.

We basically concur with the commission's findings. In order for the PUC to fulfill its statutory responsibility for providing safety review of the numerous rail projects planned or currently under construction, we believe the commission should increase its existing rapid transit staff.

We could not confirm, however, the need for *seven* additional positions, as requested by the commission. It appears to us that the unit's workload

is approximately double what existing staff can handle. Consequently, we believe that the unit needs five additional personnel—four engineer positions and one clerical position.

Accordingly, we recommend that the commission's budget be augmented by \$215,000 (Item 8660-001-046) in order to adequately address the statewide rapid transit safety workload.

#### **Commission's Approach To Transit Safety Is Unstructured**

*We recommend the enactment of legislation requiring the Public Utilities Commission to develop safety planning criteria, safety standards, and safety procedures which must be met by transit operators in the design, construction, and operation of rail rapid transit systems.*

Current law provides that rail rapid transit operators are subject to PUC safety regulations and inspections. To date, the PUC has chosen to focus its limited resources upon project safety reviews and follow-up reporting of accidents and unsafe incidents. As noted above, little time is being devoted to assuring the safety of new rail transit projects, such as the Los Angeles Metro Rail system and the Santa Clara light rail system.

The PUC has not issued comprehensive safety planning criteria, safety standards, or safety procedures for the design, construction, and operation of rail rapid transit systems. Such comprehensive guidelines have the potential to provide a high level of rail safety at a relatively low regulatory cost through the routine compliance of transit operators. By allowing new rail projects to comply with PUC requirements at the design stage, the much higher costs of redesign can be avoided. Furthermore, comprehensive safety guidelines are necessary to provide a rational basis for the commission's enforcement activities.

In an October 1982 study, the PUC concluded that it is feasible to develop rail rapid transit safety standards. Accordingly, the commission proposed, as part of a larger request, that the Department of Finance include funding in both the 1984-85 and 1985-86 budgets to develop rail rapid transit safety standards. Such funding, however, was not included in either budget request as submitted to the Legislature.

While the commission has proposed funding to develop rail rapid transit safety standards, it has indicated that this has a lower priority than expansion of its current activities. We agree that the commission needs additional resources to carry out current safety review activities (and have recommended an augmentation for this purpose), but the effectiveness of these audit activities is severely undermined by the absence of any significant effort to provide operators with a clear statement of the standards being applied by the commission. Furthermore, the failure to issue such standards forecloses the opportunity for routine compliance and potentially increases construction and operating costs by failing to raise commission concerns in a timely fashion.

Therefore, we recommend the enactment of legislation requiring the Public Utilities Commission to develop safety planning criteria, safety standards, and safety procedures which must be met by transit operators in the design, construction, and operation of rail rapid transit systems.

**BOARD OF CONTROL**

Item 8700 from the General  
Fund and the Restitution  
Fund

Budget p. CG 126

Requested 1985-86 .....	\$19,821,000
Estimated 1984-85 .....	18,864,000
Actual 1983-84 .....	17,272,000
Requested increase (excluding amount for salary increases) \$957,000 (+5.1 percent)	
Total recommended reduction .....	None

**1985-86 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8700-001-001—Support	General	\$639,000
8700-001-214—Support	Restitution	4,128,000
Continuous Appropriation—Claims Payment	Restitution	15,054,000
Reimbursements		(136,000)
Totals		\$19,821,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Victim Claims Workload. Recommend that prior to the budget hearings the Board of Control advise the fiscal committees how it intends to address the victims claims workload in 1985-86.

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**GENERAL PROGRAM STATEMENT**

The Board of Control is a three-member body consisting of the Director of General Services, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management, through the following programs: (1) Administration, (2) Citizens Indemnification, (3) Civil Claims Against the State and (4) Hazardous Substance Claims.

Prior to January 1, 1985, the board also was responsible for processing local mandated cost claims. That responsibility, however, was transferred to the new Commission on State Mandates by Chapter 1459, Statutes of 1984.

During the current year, the board closed its field offices in Los Angeles and San Francisco, and reassigned all personnel to the Sacramento office.

The board has 102.9 authorized personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes appropriations from the General Fund and the Restitution Fund totaling \$19,821,000 for support of the Board of Control in 1985-86. This is \$957,000, or 5.1 percent, more than estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

The budget proposal does not include any funds for the estimated cost of General Fund merit salary increases (\$12,000) or inflation adjustments for operating expense and equipment (\$6,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Expenditures of anticipated reimbursements totaling \$136,000 result in a total expenditure program of \$19,957,000 for the budget year. This amount is \$962,000, or 5.1 percent, more than estimated total expenditures in 1984-85. Table 1 shows the board's proposed funding and expenditures, by program, for the past, current, and budget years.

**Table 1**  
**Board of Control**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Programs	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
1. Citizens Indemnification .....	\$16,596	\$17,372	\$19,182	\$1,810	10.4%
2. Hazardous Substance Claims .....	41	47	49	2	4.3
3. Civil Claims Against the State .....	577	1,470	744	-726	-49.4
4. Local Mandated Costs <sup>a</sup> .....	209	106	—	-106	-100.0
5. Administration <sup>b</sup> .....	(293)	(263)	(265)	(2)	(0.8)
6. Unallocated General Fund reduction .....	—	—	-18	-18	NMF
Totals .....	\$17,423	\$18,995	\$19,957	\$962	5.1%
<b>Funding Sources</b>					
1. General Fund .....	\$676	\$1,492	\$639	-\$853	-57.2%
2. Restitution Fund .....	16,596	17,372	19,182	1,810	10.4
3. Reimbursements .....	151	131	136	5	3.8
Personnel-Years .....	93.8	102.9	102.9	—	—

<sup>a</sup> This program was transferred to the newly created Commission on State Mandates, effective January 1, 1985.

<sup>b</sup> Amounts in parenthesis are distributed among other items.  
NMF: Not a meaningful figure.

**Table 2**  
**Board of Control**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	General Fund	Restitution Fund	Reimburse- ments	Total
1984-85 Expenditures (Revised) .....	\$1,492	\$17,372	\$131	\$18,995
<b>A. Workload Changes</b>				
1. Victim claims—overtime .....	—	60	—	60
2. Local mandate program .....	-130	—	—	-130
3. Computer software .....	4	11	—	15
4. Victim claims payments .....	—	717	—	717
5. One-time equipment purchase .....	-18	-86	—	-104
<b>B. Cost Adjustments</b>				
1. Employee compensation .....	4	14	2	18
2. Merit salary increase .....	—	33	1	34
3. Inflation Adjustment .....	—	33	2	35
<b>C. Other Adjustments</b>				
1. Centralize office .....	45	134	—	179
2. Prorata charges .....	—	896	—	896
3. Carryover—mandate claims .....	-758	—	—	-758
4. Other .....	—	-2	—	—
1985-86 Expenditures (Proposed) .....	\$639	\$19,182	\$136	\$19,957
<b>Change From 1984-85</b>				
Amount .....	-\$853	\$1,810	\$5	\$962
Percentage .....	-57.2%	10.4%	3.8%	5.1%

**BOARD OF CONTROL—Continued**

The requested General Fund appropriation of \$639,000 is \$853,000, or 57 percent, less than estimated current-year General Fund expenditures. The decrease primarily reflects a one-time General Fund expenditure of \$758,000 in the current year. These funds were carried over from an appropriation made in Chapter 28, Statutes of 1982, for payment of various local mandated claims. The Department of Finance advises that these unspent balances are included in the budget for technical reporting reasons and will only be spent for the purposes specified in Chapter 28. If the \$758,000 is excluded from current-year expenditures, the General Fund appropriation for the budget year is \$95,000, or 13 percent, *below* current-year expenditures.

Table 2 identifies, by funding sources, the changes in expenditures levels proposed for 1985–86.

**ANALYSIS AND RECOMMENDATIONS****Citizen Indemnification Program**

The Citizen Indemnification program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence, or who sustain damage or injury while performing acts which benefit the public. In previous years, the Legislature provided direct annual appropriations to the board for payment of claims and associated administrative costs under this program. These appropriations were from the Indemnity Fund, which received a portion of the revenues collected from penalty assessments levied on criminal and traffic fines. Indemnity Funds also were used to provide support to three victim grant programs administered by the Office of Criminal Justice Planning (OCJP).

Chapter 1092, Statutes of 1983 (AB 1485), changed the name of the Indemnity Fund to the Restitution Fund, restricted the use of the Restitution Fund to providing compensation to citizens, and established a new Victim/Witness Assistance Fund to support the victims' programs administered by OCJP. In addition, Chapter 1092 increased various fines, penalties, and surcharges on fines and penalties, resulting in an increase in revenue to local governments and various state special funds.

Chapter 1092 also *continuously* appropriates funds from the Restitution Fund to the Board of Control for the payment of claims but provides that Restitution Funds appropriated to the board for administrative costs of the program shall be subject to review in the annual budget process.

For the payment of claims in 1985–86, the budget estimates that \$15,054,000 will be expended from the continuous appropriation of amounts in the Restitution Fund. This is \$717,000, or 5 percent, more than the amount estimated to be expended for this purpose in the current year. In addition, the budget requests an appropriation of \$4,128,000 from the Restitution Fund for administration of the program in 1985–86. This is \$1,093,000, or 36 percent, greater than estimated 1984–85 expenditures for administration. The increase results primarily from the inclusion of \$896,000 needed to repay the General Fund for the cost of statewide overhead, or "prorata" charges.



**Claims Backlog**

In the past, there has been a large backlog of victims claims that had been accepted but not processed by the board. Because of the backlog problem, the Legislature included language in the *Supplemental Report of the 1979 Budget Act* directing the board to submit annual reports, by December 1 of each year, on its progress in reducing the backlog. In addition, language included in each Budget Act since the 1981 Act, requires the board to report to the Joint Legislative Budget Committee at the end of any quarter in which the backlog increased. At the time this analysis was prepared, the board had not submitted its annual report on the backlog problem for 1984.

Two years ago the board advised the Legislature that the victims claims backlog had been reduced to a manageable level and it was directing its efforts toward reducing claims processing time. Its goal was to reduce the average processing time for all claims from nine months down to four or five months. The board advises that it has been unable to reduce the nine month average processing time during the two year period. In addition, board staff advises that the backlog has increased substantially during the first six months of 1984-85.

**Victim Claims Are Increasing**

*We recommend that, prior to the budget hearings, the Board of Control advise the fiscal committees how it intends to address the victims claims workload in 1985-86.*

Last year, the Legislature augmented the board's budget to provide 14 new positions to process victims claims applications and reduce the backlog of claims. Workload information justifying those positions was based on the board's estimate that it would receive 11,075 new applications in 1984-85. New applications, however, are being submitted at a greater rate than anticipated. The budget now estimates that there will be 12,048 new applications in 1984-85 and 14,337 new applications in 1985-86. Thus, our review indicates that the board's latest workload projection includes 3,262, or 29 percent, more applications than the board estimated when its staffing level for the current year was set.

In response to this workload increase, the budget proposes an augmentation of \$60,000 from the Restitution Fund for overtime payments to existing staff. Depending on the salary levels of the personnel required to work overtime, the board advises that this \$60,000 would be equivalent to about three personnel years or a 3.7 percent increase in staffing. The budget document states that this increase in overtime is "to continue prompt and effective claim processing procedures." In our judgement, however, the board's ability to achieve this goal is questionable because the budget provides for a staffing increase of only 3.7 percent while workload will increase by 29 percent.

We are concerned that the budget proposal will result in an increase in claims processing time, thus further delaying payments to victims of crime. Accordingly, we recommend that, prior to the budget hearings, the board advise the fiscal committees how it intends to address the victims claims workload with its existing staff in 1985-86.

**COMMISSION ON STATE FINANCE**

Item 8730 from the General  
Fund

Budget p. GG 130

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Requested 1985-86 .....	\$609,000
Estimated 1984-85.....	597,000
Actual 1983-84 .....	461,000
Requested increase (excluding amount for salary increases) \$12,000 (+2 percent)	

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**GENERAL PROGRAM STATEMENT**

Chapter 1162, Statutes of 1979 (SB 165), established the Commission on State Finance. The primary responsibility of the commission is to provide quarterly forecasts of state revenues, current-year expenditures, and an estimate of the General Fund surplus or deficit.

In addition, Chapter 1244, Statutes of 1984 (SB 1615), requires the commission to produce annual long-range forecasts of General Fund revenues and expenditures for each of the four years immediately following the budget year, as well as for the ninth year beyond the budget year. The commission also publishes a monthly cash-flow report and conducts special studies.

The commission consists of the following seven members or their designees: (1) the President pro Tempore of the Senate; (2) the Speaker of the Assembly; (3) the Senate Minority Leader; (4) the Assembly Minority Leader; (5) the Director of Finance; (6) the State Controller; and (7) the State Treasurer.

The commission has a staff of eight persons during the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$609,000 from the General Fund for support of the Commission on State Finance in 1985-86. This is an increase of \$12,000, or 2 percent, over estimated expenditures in the current year. This increase will grow by the amount of any salary or staff benefit increases approved in the budget year.

The current-year estimate includes \$20,000 appropriated by Chapter 1244, Statutes of 1984, for the commission to produce its annual long-range forecasts. The budget proposes to increase funding for this program in 1985-86 by \$10,000, bringing it to a total of \$30,000.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The commission proposes no program changes for 1985-86. The budget proposal does not include any funds for merit salary increases (estimated cost in 1985-86: \$5,000) or inflation adjustments for operating expenses and equipment (\$11,000). Presumably these costs will be financed by diverting funds budgeted for other purposes.

## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General  
Fund

Budget p. GG 131

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Requested 1985-86 .....	\$415,000
Estimated 1984-85.....	360,000
Actual 1983-84 .....	329,000
Requested increase (excluding amount for salary increases) \$55,000 (+15.3 percent)	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy conducts studies to promote efficiency in state government. The commission consists of 13 members—nine public members appointed by the Governor and Legislature, two members of the Senate, and two members of the Assembly. Commission members are reimbursed for necessary expenses, but receive no salary. The commission's permanent staff consists of an executive director, a program analyst and two secretaries. Funds equivalent to one personnel-year are available for temporary help.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$415,000 from the General Fund for support of the commission in 1985-86. This is \$55,000, or 15.3 percent, more than estimated expenditures during the current year. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

The \$55,000 increase in the commission's budget would be used primarily to establish another administrative position.

The budget does not include any funds for the estimated cost to the General Fund of merit salary increases for the commission's employees or inflation adjustments for the commission's operating expenses and equipment. Presumably, these costs will be financed by diverting funds budgeted for other purposes.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The commission has undertaken four new projects thus far in 1984-85. They are:

- A review of pesticide residue in foods;
- An evaluation of the state's telecommunications network and its management;
- An evaluation of the extent to which government competes unfairly with the private sector; and
- A review of impact fees assessed by local governments for funding new schools.

The commission informs us that two additional projects are slated to begin in the latter half of 1984-85.

Although the commission has not yet made final plans for 1985-86, staff informs us that it is likely to sponsor two major new projects and an as-yet

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

undetermined number of minor studies, as well as complete or provide follow-up to 1984–85 studies. The budget proposes \$87,000 for consultant services and temporary help. These funds would be available for studies and other work which is not undertaken by the commission's own staff.

The budget proposes \$53,000 for a new Assistant Executive Director position. The Assistant Executive Director would perform many of the duties currently performed by the Executive Director, and would provide direction to staff in the Executive Director's absence. The commission cites as justification for the proposed position an increasingly heavy workload burden on the Executive Director.

According to the proposal, the Executive Director's workload has increased markedly since 1982 because: (1) the commission has chosen to expand the number of studies undertaken each year, (2) staff has begun to monitor the implementation of commission recommendations, and, if warranted, to draft and advocate the passage of legislation implementing the recommendations, (3) the Executive Director's role as public liaison for the commission has grown and requires more travel, and (4) the Executive Director has chosen to dedicate significant time on a continuing basis to the *direct* supervision of individuals on contract to provide studies.

Our analysis indicates that the new position is warranted, given the level of work currently undertaken by the commission and its Executive Director.

**MEMBERSHIP FOR COUNCIL OF STATE GOVERNMENTS AND NATIONAL CONFERENCE OF STATE LEGISLATURES**

Item 8800 from the General  
Fund

Budget p. GG 132

Requested 1985–86 .....	\$434,000
Estimated 1984–85 .....	372,000
Actual 1983–84 .....	128,000
Requested increase \$62,000 (+ 16.7 percent)	
Total recommended reduction .....	None

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$434,000 from the General Fund to support two national associations in 1985–86. This is an increase of \$62,000, or 16.7 percent, over the amount appropriated for this purpose in 1984–85. The proposed amount includes \$196,000 for the Council of State Governments (CSG) and \$238,000 for the National Conference of State Legislatures (NCSL).

**Council of State Governments.** The CSG was founded in 1933 to strengthen the role of the states in the federal system and to promote cooperation among the states. The annual operating budget of the council is projected at \$3.6 million for 1985–86. Assessments imposed on member states pay for about \$2.9 million of these expenses. Other sources of support for the council include grants and contracts, interest income, and the proceeds from the sale of CSG publications.

Each state's annual assessment consists of a flat amount—\$26,750—plus an additional amount based upon the state's population—currently \$6.84 per 1,000 residents. Thus, the more populous states are assessed larger amounts for support of the council. Fifty-four percent of California's payment is returned to the council's western office in San Francisco to cover the cost of legislative and executive branch services provided to western states.

**National Conference of State Legislatures.** The NCSL was created in 1975 to (1) improve the quality and effectiveness of state legislatures, (2) foster interstate communication and cooperation, and (3) assure state legislatures a strong voice in the federal system. The conference's annual budget for 1985–86 totals \$4.9 million, of which \$3.1 million will be derived from assessments on member states and \$1.8 million will come from other sources.

The NCSL determines each state's assessment by combining a flat rate of \$22,800 with an additional charge of \$8.68 per 1,000 residents. The budget includes \$238,000 to pay California's assessment in 1985–86.

The amounts included in the budget are sufficient to pay the amount assessed California by each organization.

## COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General  
Fund

Budget p. GG 133

Requested 1985–86 .....	\$696,000
Estimated 1984–85 .....	721,000
Actual 1983–84 .....	437,000
Requested decrease (excluding amount for salary increases) \$25,000 (–3.5 percent)	
Total recommended reduction .....	37,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Printing Expenses.** Reduce Item 8820-001-001 by \$11,000. 1583  
Recommend the deletion of funds to correct for overbudgeting.
2. **Rental Expenditures.** Reduce Item 8820-001-001 by \$14,000. 1583  
Recommend the deletion of funds which have not been justified.
3. **Student Intern.** Reduce Item 8820-001-001 by \$12,000. 1583  
Recommend the deletion of \$12,000 in consulting funds for a student intern because the commission's existing staff is adequate to perform all necessary work.

### GENERAL PROGRAM STATEMENT

The Commission on the Status of Women is a 17-member body that: (1) examines all bills introduced in the Legislature which affect women's rights or interests, (2) maintains an information center on the current needs of women, (3) consults with organizations working to assist women, and (4) studies women's educational and employment opportunities, civil

**COMMISSION ON THE STATUS OF WOMEN—Continued**

and political rights, and factors shaping the roles assumed by women in society.

Chapter 1596, Statutes of 1984, created a displaced homemaker program and appropriated \$100,000 to the commission for administration of the program in 1984-85.

The commission has 10.5 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$696,000 from the General Fund for support of the commission in 1985-86. This is a decrease of \$25,000, or 3.5 percent, from estimated current-year expenditures. This decrease will be offset by any salary or staff benefit increase that may be approved for the budget year.

The reduction of \$25,000 in the commission's budget for 1985-86, however, is misleading since 1984-85 expenditures include \$100,000 in one-time administrative costs associated with the displaced homemaker program. If these one-time expenditures are excluded, the commission's budget *increases* by \$75,000, or approximately 12 percent, over the current year level. This increase is primarily attributable to (1) an increase of \$21,000 requested for facilities relocation and rental costs, (2) a one-time \$17,000 augmentation for the publication of a self-help manual, and (3) a \$12,000 increase requested for a contract to support a student intern in the legislative unit.

Table 1 presents a summary of the commission's expenditures and personnel-years for the past, current, and budget years.

**Table 1**  
**Commission on the Status of Women**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Programs	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change Over 1984-85	
				Amount	Percent
Research and Information Services ....	\$153	\$246	\$182	-\$64	-26.0%
Legislative Liaison.....	164	205	246	41	20.0
Administration .....	149	220	198	-22	-10.0
Comparable Worth Task Force .....	—	68	78	10	14.7
Unallocated General Fund Reduction	—	—	-8	-8	—
Totals .....	\$466	\$739	\$696	-\$43	-5.8%
Funding Sources					
General Fund .....	\$437	\$721	\$696	-\$25	-3.5%
Reimbursements .....	29	18	—	-18	-100.0
Personnel-years .....	9.8	10.5	10.5	—	—

**ANALYSIS AND RECOMMENDATIONS****Status of Displaced Homemaker Program is Unclear**

Chapter 1596, Statutes of 1984, created, effective January 1, 1985, a displaced homemaker emergency loan program, to be administered by the commission. As passed by the Legislature, the bill appropriated \$1 million from the General Fund for loans to eligible displaced homemakers

and \$100,000 to cover the commission's administrative costs. The legislation also (1) established the program on a pilot basis in Marin, San Francisco, and Alameda Counties, (2) limited the amount of each loan to \$2,500 per displaced homemaker, and (3) required the commission to evaluate the program and report to the Legislature by July 1990.

The Governor approved the legislation but deleted the \$1 million appropriation for loans to the displaced homemakers.

At the time this analysis was prepared, the commission was just beginning its program planning. Consequently, it was unable to provide specific information as to how it intends to implement the program.

#### **Overbudgeting for Printing**

*We recommend that \$11,000 requested from the General Fund for printing be deleted, in order to correct for overbudgeting.*

The budget proposes \$60,000 for printing expenses in 1985-86. This amount includes \$11,000 in one-time printing costs incurred during 1984-85 which were "built into" the 1985-86 printing budget. Thus, the commission failed to reduce its "baseline" budget to eliminate these one-time expenses. Accordingly, we recommend a deletion of \$11,000 (from the General Fund) in order to correct for overbudgeting.

#### **Space Needs are Overstated**

*We recommend a General Fund reduction of \$14,000 to eliminate funds requested for rent that have not been justified.*

The commission proposes to move to new office facilities in 1985-86. The budget requests \$39,000 to rent 3,000 square feet and an additional \$9,000 for relocation costs.

Our analysis indicates that the relocation of commission office facilities is justified. The commission, however, has significantly overstated its space needs. Based on standards provided in the State Administrative Manual and used by the Department of General Services, we estimate that the commission needs only 1,870 square feet, at an annual cost of \$25,000. Even this estimate overstates the commission's permanent space needs, since it provides room for two limited-term positions.

Accordingly, we recommend that \$14,000 requested from the General Fund for rent be deleted to correct for overbudgeting.

#### **Student Intern is Not Needed in Legislative Liaison Program**

*We recommend the deletion of \$12,000 in consulting funds requested to support a student intern in the legislative liaison program because the commission's budget-year workload can be handled by existing staff.*

The budget requests an augmentation of \$12,000 in 1985-86 so that the commission can contract for a student intern in the legislative liaison program. This unit, which currently has three positions assigned to it, is primarily responsible for evaluating proposed legislation dealing with women's-related issues.

The budget estimates that during the current year, this unit will monitor 450 bills, and prepare position papers on 250 bills. These activities are projected to increase only slightly in the budget year.

Our analysis indicates that the legislative unit can accommodate this budget year workload within existing resources, especially given its discretion to establish its own priorities. Accordingly, we recommend deletion of the proposed consulting funds, for a General Fund savings of \$12,000.

**CALIFORNIA LAW REVISION COMMISSION**

Item 8830 from the General

Fund

Budget p. GG 136

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Requested 1985-86 .....	\$526,000
Estimated 1984-85 .....	254,000
Actual 1983-84 .....	422,000
Requested increase (excluding amount for salary increases) \$272,000 (+107 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The California Law Revision Commission consists of 10 members—one from each house of the Legislature, seven appointed by the Governor, and the Legislative Counsel.

Under the commission's direction, a staff of eight employees studies areas of statutory and decisional law which the Legislature, by concurrent resolution, requests the commission to review for the purpose of recommending substantive and procedural reforms. The commission supplements this staff by contracting with legal scholars and other experts in the areas of law which the commission is required to study.

The commission currently has before it 23 topics assigned by the Legislature. In 1984, the commission recommended 25 bills to the Legislature, of which 21 were enacted. These bills include a revision of various probate procedures as well as measures affecting joint tenancy, reimbursement of educational expenses at marriage dissolution, the statute of limitations on felonies, and other matters. The commission indicates that during 1985, it intends to develop a new probate code for submission to the Legislature in January 1986.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes an appropriation of \$526,000 from the General Fund for support of the commission in 1985-86. This is \$272,000, or 107 percent, above current-year General Fund expenditures. This increase, however, does not reflect a major expansion of the commission's program. Instead, it reflects a change in the source of funds used to support the commission.

Chapter 1335, Statutes of 1984, removed the commission from the legislative branch and established it as an executive branch agency, effective January 1, 1985. In addition, the measure contained a General Fund appropriation for support of the commission, which eliminated the need for continued financing from the Contingent Funds of the Assembly and Senate after January 1, 1985. Thus, only half-year funding for the commission was provided from the General Fund in 1984-85.

The \$526,000 proposed for 1985-86 represents an increase of \$47,000, or 9.8 percent, over current-year expenditures from *all* fund sources (including \$225,000 from the Contingent Funds of the Assembly and Senate). This increase will grow by the amount of any salary or staff benefit increase approved by the Legislature for the budget year.



The requested increase in total support is due to one-time costs associated with the commission's plan to develop a new probate code. These costs include (a) \$28,000 to install new word processing equipment and (b) \$10,000 to cover the cost of printing the new code. An additional \$9,000 is requested for salary and inflation adjustments. These increases appear to be reasonable.

## COMMISSION ON UNIFORM STATE LAWS

Item 8840 from the General  
Fund

Budget p. GG 137

Requested 1985-86 .....	\$95,000
Estimated 1984-85 .....	77,000
Actual 1983-84 .....	19,000
Requested increase \$18,000 (+23 percent)	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

The Commission on Uniform State Laws sponsors the adoption by California of uniform codes or statutes developed by the National Conference of Commissioners, wherever compatibility with the laws of other jurisdictions is considered desirable. The commission consists of nine members—six appointed by the Governor, two members of the Legislature (one selected by each house), and the Legislative Counsel.

Chapter 1335, Statutes of 1984, removed the commission from the legislative branch and established it as an executive branch agency, effective January 1, 1985. In addition, the measure contained a General Fund appropriation for support of the commission which eliminated the need for continued financing from the Contingent Funds of the Assembly and Senate after January 1, 1985.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$95,000 from the General Fund for support of the commission in 1985-86. This is \$18,000, or about 23 percent, more than estimated current-year General Fund expenditures. This increase, however, does not result from a major change in the total amount of funds appropriated for commission support. Instead, it reflects a change in the source of funds supporting the commission which took place during the current year.

The \$95,000 proposed for 1985-86 is an increase of \$5,000, or 5.5 percent, over current-year expenditures from all fund sources. Total expenditures for the commission in the current year are estimated to be \$90,000. This includes \$13,000 from the Contingent Funds of the Assembly and Senate, \$32,000 available from a prior-year appropriation and an additional \$45,000 from the General Fund pursuant to the appropriation made by Chapter 1335, Statutes of 1984.

Much of the commission's budget is used to pay the state's annual membership fee to the national conference. Although the amount of the fee in the budget year is not known at this time, during the current year the fee was \$48,500. The balance of the commission's budget covers travel and per diem expenses for three meetings.

## DEPARTMENT OF FINANCE

Item 8860 from the General

Fund

Budget p. GG 138

Requested 1985-86 .....	\$23,081,000
Estimated 1984-85 .....	23,265,000
Actual 1983-84 .....	20,594,000
Requested decrease (excluding amount for salary increases) \$184,000 (-0.8 percent)	
Total recommended reduction .....	200,000
Recommendation pending .....	150,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Office Automation Project. Reduce Item 8860-001-001 by \$200,000.* Recommend reduction because the department has not been able to justify the need for these funds. 1588
2. *In-house Computer Use.* Recommend that the department report to the Legislature regarding the future use of its mainframe computer. 1589
3. *California Fiscal Information System (CFIS).* Recommend that prior to the budget hearings the Department of Finance prepare a timetable for completing CFIS-related studies and products. 1591
4. *Office of Information Technology (OIT).* Recommend that prior to the budget hearings the Department of Finance develop a work plan for completing activities identified in its strategic plan. 1593
5. *OIT Workload.* Recommend that prior to the budget hearings the department provide the Legislature with its plans for handling increased workload in the OIT. 1594
6. *Reimbursements.* Increase by \$50,000. Recommend that the Employment Development Department (EDD) reimburse the Department of Finance for the cost of providing full-time oversight and review of EDD's current and proposed automation projects. 1596
7. *OIT Telecommunications Role.* Recommend that the department report prior to budget hearings on its role in telecommunications policy making and planning. 1596
8. *Telecommunications Consulting Funds.* Withhold recommendation on \$150,000 budgeted for telecommunications consultants, pending receipt of additional information from OIT. 1596

## GENERAL PROGRAM STATEMENT

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

The department also provides consultation and coordination services to state agencies with respect to management, organizational planning, and

the development and application of controls over staff and costs.

In addition, the department oversees the operations of the California Fiscal Information System (CFIS), an automated statewide accounting and reporting system that includes detailed financial accounting and performance data. Maintenance of the California State Accounting and Reporting System (CALSTARS) is among the department's CFIS-related activities.

Finally, through its Office of Information Technology (OIT), the department is responsible for statewide coordination and control of electronic data processing.

In 1984-85, the department has 368 authorized personnel-years.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$23,081,000 from the General Fund to support the Department of Finance in 1985-86. This amount is \$184,000, or 0.8 percent, less than the department's estimated General Fund expenditures for 1984-85. The reduction, however, will be more than offset by the cost of any salary or benefit increase which may be approved for 1985-86.

The budget proposal does not include funds for the full estimated cost of General Fund merit salary increases (\$119,000 in 1985-86) and inflation adjustments for operating expenses and equipment (\$345,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The department expects to receive and spend \$278,000 in reimbursements during 1985-86, bringing total proposed expenditures to \$23,359,000. This amount is \$481,000, or 2.0 percent, less than estimated current-year expenditures from all funding sources. Table 1 provides a summary of the department's budget, by program and funding source, for the three-year period ending June 30, 1986.

**Table 1**  
**Department of Finance**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures		
	Actual 1983-84	Estimated 1984-85	Projected 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86
Annual Financial Plan .....	120.7	125.8	121.4	\$7,145	\$8,130	\$8,356
Program and Information System						
Assessment .....	80.3	84.5	81.6	4,419	5,741	5,749
Supportive Data .....	104.1	109.7	101.2	9,353	9,929	9,678
Administration (dollars distributed to other programs) .....	51.6	47.7	46.7	(2,373)	(3,005)	(3,339)
Administration (undistributed) ....	—	—	—	—	40 <sup>a</sup>	40 <sup>a</sup>
Unallocated General Fund Reduction <sup>b</sup> .....	—	—	—	—	—	-464 <sup>b</sup>
Totals .....	356.7	367.7	350.9	\$20,917	\$23,840	\$23,359
Less Reimbursements .....				-323	-575	-278
Net Expenditures from the General Fund .....				\$20,594	\$23,265	\$23,081

<sup>a</sup> Funds provided by other state agencies to cover their share of the cost for supporting the Department of Finance's Washington D.C. office.

<sup>b</sup> Decrease in merit salary adjustments (\$119,000) and operating expenses (\$345,000).

**DEPARTMENT OF FINANCE—Continued****Budget-Year Changes**

Table 2 shows the proposed changes in the department's budget for 1985-86. *Baseline adjustments*, which account for virtually all the changes, include: (1) an increase of \$217,000 for the annualized cost of salary and benefit increases granted during the current year; (2) a \$387,000 decrease made possible by staffing reductions (\$288,000 to reflect a reduction of 11 positions and \$99,000 related to increased salary savings); and (3) a \$256,000 reduction in reimbursements, as a result of adjustments made for one-time audits and management studies performed by the department for other state agencies during 1984-85.

**Table 2**  
**Department of Finance**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Reimbursements</i>	<i>Totals</i>
1984-85 Expenditures (Revised) .....	\$23,265	\$575	\$23,840
<i>Baseline Adjustments</i>			
Personal Services .....	217	—	217
Staff Reductions .....	-288	—	-288
Increased Salary Savings Requirement .....	-99	—	-99
Reduced Reimbursements .....	—	-41	-41
Adjustments for One-time Audits and Management Studies .....	—	-256	-256
Subtotals, Baseline Adjustments .....	(-\$170)	(-\$297)	(-\$467)
<i>Program Changes</i>			
Modify CALSTARS for Department of Education Study .....	-14	—	-14
1985-86 Expenditures (Proposed) .....	\$23,081	\$278	\$23,359
Change from 1985-86:			
Amount .....	-\$184	-\$297	-\$481
Percent .....	-0.8%	-51.6%	-2.0%

The budget also provides \$482,000 to fund "Phase 2" of the department's Office Automation Project. This phase would (1) provide electronic "work stations" for a selected number of the department's analysts and (2) explore the potential for increased use of electronic communication within the DOF and with other state departments. Phase 2 would be financed with funds already included in the department's baseline budget. These funds are being used in the current year to purchase other office automation equipment, including word processing units for clerical employees.

**ANALYSIS AND RECOMMENDATIONS****GENERAL ISSUES****Unallocated Funds for Office Automation Have Not Been Justified**

*We recommend that \$200,000 be deleted from the department's base budget because the department has not been able to justify the need for these funds in 1985-86.*

As noted above, the budget includes \$482,000 which would be used to finance "Phase 2" of the department's office automation project during 1985-86. The department has provided the information needed to document the appropriateness of the proposed expenditures, and we recom-

mend that funding for this project be approved.

Our analysis indicates, however, that the budget for 1985-86 also includes \$200,000 in "unallocated office automation funds." Apparently, these funds have been part of the DOF base budget since 1983-84. In the current year, the \$200,000 is being used to acquire new word processing equipment for the department. The department, however, has not indicated any specific use for the \$200,000 in the budget year, other than as "backup" contingency funding for unanticipated data processing costs.

Since the department has not provided specific justification for these funds, we cannot confirm that, in fact, they are needed, and accordingly, we recommend that they be deleted, for a General Fund savings of \$200,000.

#### **Continued Need for In-House Computer Should Be Justified**

*We recommend that prior to budget hearings, the Department of Finance advise the Legislature how it intends to use its IBM mainframe computer in the future.*

The Department of Finance currently is using an IBM 4341 mainframe computer to operate a pilot electronic communication project (IBM PROFS). This project allows DOF managers to communicate electronically with their own staff, as well as with certain other state personnel.

The IBM 4341 mainframe was used by the department exclusively for CALSTARS until 1983-84, when the data processing support for CALSTARS was transferred to the Health and Welfare Data Center. Our analysis indicates—and the DOF agrees—that this mainframe is now underutilized. For this reason, the DOF recently contracted with the Health and Welfare Data Center for a feasibility study regarding the future use of this hardware. According to the department, the study is intended to explore alternative uses for the computer, both within the DOF and in other state agencies. The feasibility study is expected to be completed in March 1985.

Since the department's decision regarding this computer may affect its short- and long-term data processing costs, we recommend that prior to the budget hearings, the DOF advise the Legislature how it intends to use this computer in the future.

#### **The Department Has Disregarded the Legislature's Directive to Improve the Quality and Timeliness of Reports on the State's Fiscal Condition**

In *The 1984-85 Budget: Perspectives and Issues* (please see pages 241-245), we recommended two actions that were intended to improve the fiscal information on which the Legislature relies in controlling the expenditure of state funds. First, we recommended language in the *Supplemental Report of the 1984 Budget Act* requiring the Department of Finance to thoroughly review the procedures used to forecast the state's bank and corporation tax, and report its findings. The Legislature adopted this recommendation. The department has submitted its report, and has taken steps to incorporate its findings into its revenue-estimating process.

Second, we recommended the enactment of legislation which would remedy certain deficiencies in the current system used to provide the Legislature with fiscal information. In response, the Legislature adopted language in the *Supplemental Report of the 1984 Budget Act* requesting the department to provide specific fiscal information at certain times during the course of the 1984-85 fiscal year. It also enacted SB 1492, which would have made similar fiscal reporting requirements permanent. The

**DEPARTMENT OF FINANCE—Continued**

Governor, however, vetoed SB 1492. Consequently, the fiscal reporting requirements which were adopted last year will not apply beyond 1984–85.

Thus far, the department has failed to comply with most of the requirements set forth in the 1984 supplemental report. For example, neither the department's November fiscal update nor the Governor's Budget for 1985–86 include alternative estimates of General Fund *expenditures* and *surplus* based on alternative economic forecasts. Similarly, the Governor's Budget for 1985–86 fails to include a *two-year projection* of expenditures and surplus beyond the budget year to go along with its two-year revenue projection.

Obviously, the Legislature must have an accurate picture of the state's fiscal condition and outlook in order to carry out in an effective manner its constitutional duties as controller of the state's "purse-strings." Normally, this would lead us to recommend the adoption of supplemental language requiring improvements in the quality and timeliness of the fiscal information provided to the Legislature. The administration, however, has made it clear that it has no intention to improve the quality of this information. Consequently, we do not believe the department would be any more likely to comply with supplemental language requiring improvements in this information in 1985–86 than it has been in 1984–85. For this reason, we do not believe adoption of supplemental language would accomplish anything. If, however, the Legislature wishes to adopt the language included in last year's supplemental report, it reads as follows:

The department shall provide the Legislature with periodic fiscal updates for the purpose of facilitating more accurate fiscal planning. The fiscal updates shall be provided on the 10th of the month in January and by the fifth working day of the month in May, August, and November, and shall include, but not be limited to, the following information:

- (a) Increases or decreases in the estimates of General Fund revenues, expenditures, and surplus, including separate estimates for individual major sources of General Fund revenues. The department shall separately identify the amount of revenues to be received from each source both (1) under current law and (2) under assumptions which are consistent with the administration's budget proposals.
- (b) Increases or decreases in estimates for the major sources of special fund revenue, including, but not limited to, vehicle-related fees and tidelands oil and gas revenues.
- (c) Increases or decreases in estimates of the amount of local property tax revenues to be allocated to K–12 school districts, except that this information need not be provided in August or November.
- (d) All factors responsible for the fiscal changes identified in subdivisions (a), (b), and (c), including economic factors and cash-flow factors, as well as legislation and judicial decisions.
- (e) A discussion of the degree of uncertainty involved in the department's estimates of General Fund revenues, expenditures and surplus, taking into account both economic forecasting uncertainties and statistical margins of error associated with estimating techniques.
- (f) Alternative estimates for General Fund revenues, expenditures, and surplus based on alternative economic scenarios which the department and other economic forecasters determine have a reasonable likelihood of occurring.

- (g) A two-year projection beyond the budget year of General Fund revenues, expenditures, and surplus, and of special fund revenues, beginning with a two-year projection beyond the 1985-86 budget year, with the projections to be published in January and June of each year.

### **CALIFORNIA FISCAL INFORMATION SYSTEM (CFIS)**

Recognizing the need to modernize and improve the state's budgeting, accounting and reporting systems, the Department of Finance contracted with a consulting firm in October 1977 to assist it in reexamining the state's fiscal management requirements and identifying alternative systems which would be more responsive to the needs of executives and legislators.

The consultant's final report, issued in May 1978, identified specific activities to be accomplished over a seven-year period, at an estimated total cost of \$21 million to \$27 million (1978 dollars). Based on (1) the findings and proposals in the consultant's final report, and (2) policy established in Ch 1284/78 (AB 3322), the Legislature provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act.

The total amount spend on the CFIS project through the end of the current year is estimated at \$47.8 million (\$32.5 million in 1978 dollars). As of July 1, 1985, 102 state agencies will be included in the statewide (CALSTARS) accounting system. According to the Department of Finance, approximately 85 additional agencies, including some large departments, must still be added to the system. This effort, which is expected to take another five to 10 years, will add to the costs already incurred. Total costs for the CFIS project through the budget year are expected to reach approximately \$55 million (\$37 million in 1978 dollars).

### **Timetable for Studies Needed**

*We recommend that prior to budget hearings, the Department of Finance submit to the Legislature an implementation plan which specifies expected completion dates for studies recommended in the department's review of the California Fiscal Information System.*

Last year the Legislature adopted language in the *Supplemental Report to the 1984 Budget Act* directing the Department of Finance to conduct a comprehensive evaluation of the California Fiscal Information System (CFIS). This evaluation was completed in September 1984.

The department's study concluded that, "In summary, the CFIS project has largely been a successful effort in meeting the overall direction and interests of the Executive and Legislative Branches." Nevertheless, the report acknowledges that many of the objectives set forth in Ch 1284/78 have not been met.

The report also contains several recommendations for action. These recommendations include proposals for:

- Eliminating the fiscal component from the CFIS database, subject to further review;
- Updating the Department of Finance's long range plan for budget and information systems; and
- Evaluating the relationship of the CALSTARS accounting system reporting requirements to the CFIS database.

**What is CFIS?** Whether or not CFIS has "largely been a successful

**DEPARTMENT OF FINANCE—Continued**

effort" depends on how the term "CFIS" is defined. In its review, the department essentially equates CFIS with the directives contained in Chapter 1284. From this standpoint, much has been accomplished including implementation of a fund accounting system by the State Controller, implementation of the CALSTARS accounting system by many departments, development of uniform accounting codes, reformatting of the Budget Bill to conform with the Governor's Budget, and the establishment of a federal trust fund.

Alternatively, CFIS can be construed more narrowly to be what one section of Chapter 1284 referred to as a "fiscal information system which will provide timely and uniform fiscal data needed to formulate and monitor the budget . . ." This aspect of the CFIS project (referred to by the department as the CFIS database) has been far less successful in achieving its intended objectives.

As originally conceived, the central component of the fiscal information system was departmental fiscal data derived from the CALSTARS accounting system. According to the department's September report on CFIS, however, the fiscal data included in the system was only rarely used. For this reason, the department suspended the requirement that departments report data to the fiscal component of the system. A second important component of the system—performance measure data—was eliminated for much the same reason early in 1984.

Our own experience in trying to use the CFIS database indicates that the system's budget monitoring capability is limited at best. For example, the only public update of the state's *current*-year spending plan occurs when the Governor's Budget is published. None of the changes authorized by Section 28 of the Budget Act are included in the database until the current year has ended. In addition, although the Department of Finance uses the CFIS database to formulate the budget, several of the files used in this process have not been opened up for access by persons outside of the department. For example, the department's personnel-year system, its planning estimate system (which provides baseline budget data), and its budget decision support system (which contains budget change proposal data) are not available to the Legislature or its staff.

**What's Left?** The Governor's Budget for 1985–86 does not contain a program entry for CFIS. The remaining components of the CFIS database now are included under the program element called Statewide and Departmental Fiscal Reporting. These remaining components of the system consist of (1) the Legislative Information System (LIS), (2) the revenue and economic data component, and (3) the budgetary data component. The report indicates that the LIS, which tracks bill status and provides fiscal information on legislation, probably is most widely used and that the revenue and economic data component and the budgetary component have had limited use outside of the Department of Finance.

**Continued Review Proposed**

As the preceding discussion illustrates, any effort to determine whether CFIS has been a "success" is fundamentally an exercise in semantics. Nevertheless, it is obvious that the CFIS database is not meeting the needs of either the executive branch or the Legislature. Under these circumstances, we cannot argue with the department's decision to *suspend* collection of data for components of the fiscal information system which are not being used.



This does not mean, however, that the effort to provide a useful statewide fiscal information system should be terminated. The Legislature and the Executive Branch need such a system. Unfortunately, at the present time there are no plans in the works to meet this need.

The department's report recognizes this deficiency by recommending that (1) various specified changes be made to the remaining components of the CFIS database, including improving the timeliness of updates, (2) the department's long-range plan for information systems be updated, (3) the effects of eliminating the fiscal component of the CFIS database on reporting requirements for the CALSTARS accounting system be evaluated, and (4) the impact of Chapter 1286 on the CFIS database and CALSTARS be assessed.

The department's evaluation identifies issues which must be analyzed and resolved in order to set a new course for meeting statewide data needs. The department does not, however, provide a timetable for completing the studies and products which are recommended in its report. Without such a timetable the Legislature cannot be certain that the products will be completed within an acceptable period of time. Therefore, we recommend that prior to budget hearings, the department prepare an implementation plan which provides estimated completion dates for the products recommended in its CFIS evaluation report.

#### OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology (OIT) was created in the Department of Finance by Chapter 1327, Statutes of 1983 (AB 2074), superseding the State Office of Information Technology (SOIT). The office is responsible for advocating and developing plans and policies to support and promote the use of information technology. It also is responsible for statewide coordination and control of electronic data processing for all state agencies except the University of California, the California State Universities, the State Compensation Insurance Fund, the community college districts, the Judiciary, and the Legislature. The director of the office is appointed by the Governor and, by law, reports directly to the Director of Finance.

The budget proposes \$1,782,000 for OIT in 1985-86, an increase of 2.2 percent from estimated current-year expenditures. The budget request indicates that this level of funding will provide support for 18.6 personnel-years in the budget year, which represents a decrease of 0.5 personnel-years from the current-year level.

#### Implementation Plan Lacks Timetable

*We recommend that prior to budget hearings, the Department of Finance develop a work plan which estimates the resources required to complete the reports, plans, and policies contained in its Strategic Implementation Plan for Information Technology.*

In creating OIT, Chapter 1327 expanded the office's role beyond that of its predecessor, the State Office of Information Technology (SOIT). The SOIT was responsible for controlling the use of Electronic Data Processing. The OIT continues to perform this function, but additionally is charged with the responsibilities of advocating the use of information technology and developing statewide plans and policies for this technology.

Chapter 1327 required that OIT submit an implementation plan which (1) summarized specific plans and policies adopted by the office regard-

**DEPARTMENT OF FINANCE—Continued**

ing state data centers, information management personnel, telecommunications, office automation, teleconferencing, and emergency communications, and (2) addressed the recommendations contained in a report prepared by our office in April of 1983, related to information processing technology. This strategic implementation plan was submitted to the Legislature in November 1984.

**Progress Has Been Made.** The OIT clearly has made progress in its new role. The accomplishments described in the strategic implementation plan include (1) issuing a state telecommunications plan, (2) developing a microcomputer plan which OIT staff indicates will be issued this month, (3) contracting for a study on public access to state data bases, and (4) rewriting, in draft form, the sections in the State Administrative Manual (SAM) related to information technology. In addition, OIT indicates that it has increased the time it devotes to encouraging the use of information technology by state agencies.

Nevertheless, our review of OIT's plan indicates that it could be improved in two ways. First, we believe the plan should contain more policy analysis. Specifically, the report should address statewide information technology objectives, problems limiting the achievement of those objectives, and alternatives to solving those problems. This analysis would be of great use to policy makers in attempting to formulate information technology policy. The strategic implementation plan contains various policies, but little critical analysis to support these policies. The OIT staff indicates that they intend to place more emphasis on policy analysis in future reports.

Second, the state continues to lack plans and policies for several aspects of information technology use within state government. Specifically, the microcomputer policy and revised SAM guidelines have not yet been issued. No office automation policy exists, even though OIT has been directed by the Legislature—both in the 1982 Budget Act and by Chapter 1327—to develop such a policy. Nor has OIT completed the development of policies required by Chapter 1327 regarding the role of state data centers.

**Workplan Needed.** An integral part of any plan is an estimate of the resources that are required to accomplish the tasks identified in the plan, and a timetable describing when those tasks are expected to be completed. The OIT's strategic plan contains neither. Without these components, it is difficult to assess whether OIT has sufficient resources to complete, in a reasonable period of time, the policies and plans mandated by the Legislature. We recommend, therefore, that prior to budget hearings the Department of Finance develop a work plan which estimates the resources required to complete (1) the reports, plans, and policies that it is committed to developing as a result of the Strategic Implementation Plan for Information Technology (and any addenda to that plan) and (2) other research in the area of information technology which OIT deems necessary. The workplan also should contain estimated completion dates for each of these reports, plans, and policies.

**Workload Goes Up—Staffing Goes Down**

*We recommend that prior to budget hearings, the Department of Finance submit to the fiscal committees its plans for handling increased workload in the Office of Information Technology.*

A second major area in which OIT has important responsibilities involves the oversight of departmental information system plans and feasibility study reports for individual projects. The OIT's workload in the oversight area has increased dramatically during the last five years. As far back as 1981, we noted in our *Analysis of the 1981-82 Budget Bill*, that SOIT's staffing level would need to be more than doubled (from the proposed level of 14 personnel-years) in order to accommodate its existing workload. More recently, OIT reported that between 1982 and 1984, the number of documents it reviewed which required action increased from 486 to 1,039 (114 percent). In addition, between 1983 and 1984, the dollar value of projects approved by OIT increased from \$36 million to \$132 million (270 percent).

Despite these large workload increases, the number of personnel-years proposed for 1985-86 (18.6) is less than 20 percent greater than the actual number in 1981-82 (15.5). Even this relatively small increase is misleading, since in 1981-82 virtually all of the OIT's personnel-years were devoted to plan and project oversight, but only 13.0 personnel-years would be used to perform these functions in the budget year. Thus, *oversight* staffing actually has decreased.

The combination of increased workload and decreased staff have caused an increase in the number of projects that go through without review by the OIT. If this trend continues, the quality of the office's review could decline.

In the *1985-86 Budget: Perspectives and Issues*, we argue that careful departmental planning—both for individual projects and for overall departmental information systems—is extremely important as the state moves toward increased reliance on information technology. Many departments lack either the expertise or the will to plan and implement automation systems. One of the OIT's major responsibilities is to assure that adequate planning for these systems occurs. Our discussions with OIT staff and other state agencies indicate that the level of consulting staff in the OIT is not adequate to meet the demand for consulting services—particularly on the part of small- and medium-sized departments with little or no information technology expertise.

Clearly, the Department of Finance needs to reassess the OIT's ability to handle increased workload and assure that adequate departmental planning occurs. This reassessment should consider the following strategies:

- **Develop policies that reduce the volume of documents to be reviewed.** The OIT could draft policies which make departments themselves responsible for reviewing some proposed information technology projects, while the office assures that proper planning has occurred. The draft microcomputer policy, for example, allows departments to review and approve their own purchase of individual microcomputers if a departmental microcomputer master plan has been approved by OIT.
- **Improve OIT automation.** The OIT's own use of information technology is minimal. This has two disadvantages. First, it deprives OIT from having "hands on" exposure to the types of technology it is charged with advocating. Second, it prevents the office from realizing the very same productivity gains that the administration is trying to encourage. Our cursory review indicates that the potential for achieving productivity gains through automation in OIT is especially high. The Department of Finance has adopted a plan for office auto-

**DEPARTMENT OF FINANCE—Continued**

mation, but OIT may not fully benefit from this plan for as long as two years. The department should consider providing OIT with automation tools more quickly.

- **Enhance OIT's consulting activities.** Presumably, if departments prepare their FSRs and strategic plans as they should, the time required by OIT to review these documents will decrease. Therefore, the Department of Finance may want to consider increasing the level of its consulting support to agencies.
- **Increase resources for oversight.** Finally, the department needs to consider adding personnel to review plans and projects. This probably would involve hiring additional full-time staff, although for some projects, the department might decide to hire private sector consultants.

Because combination of decreased oversight staff and increased workload jeopardizes achievement of the benefits from automation, we believe the Department of Finance needs to reassess the OIT's ability to perform its statutory responsibilities given its current policies and staffing level. Accordingly, we recommend that, prior to budget hearings, the department submit to the fiscal committees an updated forecast of OIT's workload in 1985-86 and comment on the adequacy of OIT staffing to handle that workload.

**EDD Automation Projects**

*We recommend that the Legislature increase the department's reimbursements by \$50,000 to provide full-time oversight and review of the Employment Development Department's current and proposed automation projects.*

In our analysis of the Employment Development Department's (EDD) budget, we raise several concerns regarding EDD's current and proposed automation projects (please see page 883). We find that EDD's feasibility studies fail to examine all realistic alternatives and rarely quantify benefits. We conclude that (1) EDD needs to reevaluate two of its major automation designs and (2) OIT should closely monitor the progress of these studies.

In order to accomplish this, we have recommended in our analysis of the proposed budget for EDD that the Legislature adopt Budget Bill language requiring EDD to transfer \$50,000 to the Department of Finance for the purpose of providing full-time oversight of EDD's automation projects.

Consistent with that recommendation, we recommend that the Legislature increase the department's reimbursements by \$50,000 so that OIT may use the funds provided by the EDD to perform full-time oversight and review of EDD's current and proposed automation projects.

**Need for Telecommunications Consultant Is Questionable**

*We recommend that prior to budget hearings, the department provide the fiscal subcommittees with information relating to (1) the OIT's role in statewide telecommunications policy making and planning, and (2) its need for telecommunications consultant funds in the budget year. We withhold recommendation on \$150,000 requested for consultant services, pending receipt of additional information from the office.*

The 1984 Budget Act provided the Office of Information Technology with five staff positions and \$150,000 in consulting funds to help the office

carry out its new telecommunications-related responsibilities under Chapter 1327, Statutes of 1983 (AB 2074). This legislation made the office responsible for developing state telecommunications policy.

The budget proposes to (1) fund the office's five telecommunications positions which were established in the current year, and (2) again provide \$150,000 in consulting funds for telecommunications. The OIT indicates that these funds will be used to obtain private-sector expertise as part of the office's effort to revise a telecommunications strategy document first issued in April 1984.

In our analysis of the budget for the Department of General Services (DGS) (please see page 195), we discuss the division of statewide telecommunications planning responsibilities between the OIT and the Office of Telecommunications (OT) in DGS. We note that pursuant to a recent administration directive, the lead role in the overall management of and planning for state government telecommunications had been shifted from the OIT to the OT. As part of this new arrangement, the OIT's role is limited primarily to reviewing proposed data processing and transmission projects which involve telecommunications technology (for example, "electronic mail" systems).

We have several concerns about the OIT's proposed telecommunications activities in the budget year. First, at the time this analysis was prepared, the office had assigned to its telecommunications unit only *two* of the five telecommunications positions established in the current year. Apparently, the office decided that it needed only a two-member telecommunications staff or that it had workload needs in other areas of the office where the remaining three positions could be better used.

Second, the OIT has not expended its telecommunications consulting funds in the current year, and does not have specific plans for using these funds to obtain consultant expertise during the remainder of 1984-85.

Finally, given the recent shift in telecommunications planning authority noted above, it is not clear to us why the *OIT*, rather than the Office of Telecommunications, would assume a lead role in revising the state's strategic telecommunications plan.

In general, we believe the Legislature should be concerned by the lack of coordination and consistency displayed in the administration's approach to telecommunications planning and policy making. It is difficult to know, for example, which of the two offices—the OIT or the OT—ultimately is "in charge" of statewide telecommunications.

In order to provide the Legislature with the information it needs to assess OIT's telecommunications activities and need for funds in 1985-86, we recommend that the office report to the fiscal committees prior to budget hearings on the following: (1) the nature of the OIT's role in telecommunications policy making and planning, (2) the extent to which the office is coordinating its telecommunications activities with the OT in the DGS, and (3) the specific need for the telecommunications consulting funds proposed in the budget.

Until such information is provided, we withhold recommendation on the \$150,000 in consulting funds proposed for the budget year.

## COMMISSION ON STATE MANDATES

Item 8885-001 from the General  
Fund

Budget p. GG 147

Requested 1985-86 .....	\$633,000
Estimated 1984-85 .....	316,000
Actual 1983-84 .....	None
Requested increase (excluding amount for salary increases) \$317,000 (+100.3 percent)	
Total recommended reduction .....	\$95,000

### 1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8885-001-001—Support	General	\$633,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Overstaffing for Management. Reduce Item 8885-001-001 by \$45,000.** Recommend reduction of funds requested for a staff services manager position because the position is not justified on a workload basis. 1600
2. **Electronic Recording Devices. Reduce Item 8885-001-001 by \$38,000.** Recommend (a) reduction to eliminate funds for private stenographic reporting services (\$40,000) and (b) one-time augmentation enabling the commission to purchase two electronic recorders (\$2,000). 1601
3. **Hearing Officers. Reduce Item 8885-001-001 by \$12,000.** Recommend reduction to eliminate overbudgeting for hearing officer services in the budget year. Further recommend that the commission report to the Legislature, prior to budget hearings, regarding the extent to which, and in what capacity, it intends to employ hearing officers in the budget year. 1602

### GENERAL PROGRAM STATEMENT

The Commission on State Mandates was created by Ch 1459/84 (SB 2337) to replace the State Board of Control as the agency responsible for making the initial determination as to whether local agency claims for reimbursement of state mandated local costs are appropriate. The commission has five members including the Controller, the Treasurer, the Director of Finance, the Director of the Governor's Office of Planning and Research, and a public member appointed by the Governor, subject to Senate confirmation. At the time this analysis was prepared, the public member had not been appointed by the Governor.

The specific responsibilities of the commission include:

- Hearing and deciding upon claims submitted by local agencies and school districts for reimbursement of costs mandated by the state.
- Adopting estimates of the amount required to reimburse local agencies and school districts for costs mandated by the state (statewide cost estimates).
- Adopting "parameters and guidelines" which delineate the types of

costs which are eligible for reimbursement.

- Reporting to the Legislature, at least twice each year, on the number of mandates it has found and the statewide cost estimate it has adopted for each mandate.

The commission has eight positions in the current year.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$633,000 from the General Fund for support of the Commission on State Mandates in 1985-86. This is an increase of \$317,000, or 100 percent, above current-year expenditures as estimated in the budget. Current-year expenditures, however, reflect only half-year funding for support of the commission, as it did not come into existence until January 1, 1985.

If expenditures in the current and budget years are placed on a comparable basis, the budget proposes an increase of only \$1,000, or 0.3 percent. The expenditures proposed for 1985-86 will increase by the amount of any salary or staff benefit increases that may be approved for the budget year.

The budget proposal does not include any funds for the estimated cost of merit salary increases (\$5,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$37,000). Presumably, these costs will be financed by redirecting funds budgeted for other purposes.

## ANALYSIS AND RECOMMENDATIONS

### Reimbursement Process Modified

*Process in Effect Since 1979.* Under the process for reimbursing local governments that was in effect prior to January 1, 1985, a local government could file with the State Board of Control a claim for reimbursement of state-mandated local costs associated with unfunded legislation. After a series of hearings and a review of documents submitted by local and state agencies, the board then determined (1) if a mandate existed, (2) if the mandate was eligible for reimbursement, and (3) the amount of funding required to reimburse all local agencies for the costs incurred as a result of the mandate.

When the board determined that a reimbursable mandate existed, funding for the mandate was included in a local government "claims bill". After the claims bill was chaptered, each eligible claimant was required to complete and submit to the Controller a claim form in order to receive reimbursement.

Almost since the inception of this process in 1979, local governments contended that the process did not provide them with an adequate remedy in cases where the constitutional reimbursement requirements were not met. Because the board was merely advisory to the Legislature, it could not provide any ultimate resolution of state-mandated costs issues.

*Court Challenges to the Reimbursement Process.* Local agencies have filed approximately 35 suits against the state challenging various aspects of the mandated cost reimbursement process since the establishment of Article XIII B of the State Constitution. These cases, which involve more than 50 statutes and eight executive orders, generally fall into one of two categories: (1) those challenging the authority or jurisdiction of the Board of Control to make certain determinations relative to mandates, and (2) those challenging the adequacy of the funding level provided as reimbursement. Collectively, these cases provided the courts with an opportunity to significantly restructure the reimbursement process and, consequently, to restrict significantly the Legislature's flexibility regarding this process.

**COMMISSION ON STATE MANDATES—Continued**

**New Reimbursement Process.** In an effort to resolve some of the issues raised by these lawsuits, the Legislature enacted Chapter 1459, Statutes of 1984 (SB 2337). This measure substantially revised the procedure for providing reimbursement to local agencies for state-mandated local programs, effective January 1, 1985. Specifically, Chapter 1459:

- Transferred from the Board of Control to the Commission on State Mandates (established by Chapter 1459) the responsibility for receiving, reviewing and making findings on local agency claims for reimbursement, effective January 1, 1985. The measure appropriated \$200,000 from the General Fund to the commission to cover its administrative costs from January 1 through June 30, 1985.
- Established a State Mandates Claims Fund for the sole purpose of paying claims approved by the commission for which the statewide cost estimate does not exceed \$500,000 for the first twelve months of the mandate. Approved claims for which the estimated statewide cost exceeds \$500,000 would have to be submitted to the Legislature for funding in the form of a local government "claims bill". The measure appropriated \$10 million from the General Fund to the State Mandates Claims Fund for payment of approved claims.
- Redefined "costs mandated by the state" to mean increased costs incurred as a result of any statute enacted on and after January 1, 1975 (or an executive order implementing such a statute) which established a new program or required an increased level of service for an existing program. Prior to the enactment of Chapter 1459, reimbursement generally was provided for costs resulting from statutes enacted on or after January 1, 1973, and for executive orders issued after January 1, 1978.
- Expressed the intent of the Legislature that the Commission on State Mandates be an adjudicative, rather than advisory, body and that it operate in a quasi-judicial manner.

At the time this analysis was prepared, it was not known what effect, if any, the establishment of this new reimbursement process would have on cases currently pending in the courts.

**Commission Gets Off the Ground.** The Commission on State Mandates held its first meeting on January 17, 1985. At that time, the commission (1) elected a chairman (the Director of Finance), (2) reviewed and provisionally adopted draft regulations, and instructed staff to distribute the regulations for a 30-day public review period, (3) adopted a hearing schedule for calendar year 1985 which provides for one hearing per month, (4) reviewed proposed "clean-up legislation" to Chapter 1459, and (5) convened an executive session to consider the appointment of an executive director.

**No Need for Two Managers**

*We recommend that Item 8885-001-001 be reduced by \$45,000 to eliminate funding for a staff services manager position, because the position is not justified on a workload basis.*

Chapter 1459 requires the commission to appoint an executive director to hold office at the pleasure of the commission. The executive director is to ensure that all the executive and administrative duties of the commission are carried out; in short, to manage the affairs of the commission and



its staff. At its first meeting, on January 17, 1985, the commission held an executive session to discuss the appointment of an executive director.

The budget requests \$63,000 to fund the costs, including benefits, of an executive director position in 1985-86. The budget also requests \$45,000 in the budget year for a staff services manager to oversee the work of the commission's three program analysts and two clericals.

Given the responsibilities of the executive director as outlined in Chapter 1459, the fact that the commission is contracting with the Department of General Services for fiscal and personnel services, and the small staff size of the commission, our analysis indicates that the staff services manager position is unnecessary.

Consequently, we recommend that Item 8885-001-001 be reduced by \$45,000 to eliminate funding for the staff services manager position that is not justified on a workload basis.

### **Use of Electronic Recording Devices**

*We recommend that the commission purchase two electronic recorders at an approximate cost of \$2,000 to record its proceedings, rather than spend \$40,000 for outside stenographic reporting services, for a net General Fund savings of \$38,000.*

The budget requests \$40,000 to pay for the costs of recording the commission's hearings and pre-hearing conferences in 1985-86. Staff of the commission have indicated that the commission will enter into an external contract with a private firm for stenographic reporters to record the commission's proceedings. The amount requested does not include the cost of preparing transcripts from the stenographic tape of the proceedings. These costs will be borne by those requesting the transcript.

According to staff of the commission, stenographic reporters provide a "more official" transcript of the proceedings than electronic taping devices.

Our review of various studies on this topic, however, indicates that electronic recording devices are substantially cheaper and no less accurate than stenographic reporters. For example:

- A 1973 study conducted by the Sacramento courts found that hearing reporter transcripts contained three times as many errors as those prepared from electronic recordings.
- A 1977 study conducted by the Department of General Services (DGS) concluded that the quality of transcripts prepared using electronically reported hearings equaled or exceeded the quality of transcripts prepared by stenographic reporters.
- A study conducted by the Department of Finance in 1978 found that a transcript produced from a court reporter contained about twice as many errors as a transcript produced from an electronic recording.
- The OAH found in 1980 that a potential annual savings of over \$400,000 could be achieved by OAH client agencies through the use of electronic recordings.
- In a 1982 study of the Workers' Compensation Appeals Board (WCAB), the Auditor General found that the WCAB could save approximately \$1 million annually by employing electronic recording devices to perform some of the functions carried out by court reporters. The Auditor General also found that an electronic recording system would increase the accuracy of the hearing record.
- The federal General Accounting Office (GAO) concluded in 1982 that electronic recording systems are a proven alternative to the

**COMMISSION ON STATE MANDATES—Continued**

traditional practice of using court reporters to record judicial proceedings. The GAO concluded that electronic recording provides a *better* record of court proceedings and could save the federal judicial system as much as \$10 million annually.

We were unable to find any study which concluded that (1) reporters were more accurate than electronic recording, or (2) electronic recording was more expensive than stenographic reporting. Moreover, those agencies that rely on electronic recording, such as the Public Employment Relations Board and State Personnel Board, appear satisfied with their arrangements. Thus, the preponderance of evidence indicates that hearing reporters do not provide additional benefits that are sufficient to justify the higher cost of using them to record the proceedings. In fact, there is considerable evidence that reporters are both more costly and *less* accurate.

Given the favorable experience with electronic recording devices reported by other state agencies and the high marks given these devices by the OAH, the Auditor General and the Department of Finance, we do not see any reason for the commission to use a private, stenographic reporting service. In lieu of stenographic reporters at a cost of \$40,000 per year, the commission could purchase two four-track, multi-microphone recorders at an approximate one-time cost of \$2,000.

Accordingly, we recommend the elimination of \$40,000 requested for external stenographic reporting services. We further recommend that the commission be provided with funds to purchase two electronic recorders, at an approximate cost of \$2,000. This will result in a net General Fund savings of \$38,000 (Item 8885-001-001).

**Hearing Officers**

*We recommend that Item 8885-001-001 be reduced by \$12,000 to eliminate overbudgeting for hearing officer services. We further recommend that the commission report to the Legislature, prior to budget hearings, regarding the extent to which, and in what capacity, it intends to employ hearing officers in the budget year.*

The budget requests \$80,000 to fund the cost of hearing officer services for the commission in 1985-86. Staff have indicated that the commission intends to enter into an interagency agreement with the Office of Administrative Hearings (OAH) within the Department of General Services for these services.

Hearing officers generally are employed in administrative hearings to ensure that (a) rules of evidentiary and procedural due process are followed and (b) decisions are based on the evidence presented. In addition, hearing officers often conduct pre-hearing conferences in an attempt to informally resolve or at least narrow the issues which prompted the filing of a claim.

The use of hearing officers to decide mandate test claims is consistent with the intent of the Legislature that the commission be an adjudicative, rather than merely an advisory body, and that it operate in a quasi-judicial manner.

The commission, however, has yet to adopt a formal policy regarding the use of hearing officers. An initial draft of commission regulations specified the use of hearing officers only when "significant factual disputes" arise in a claim filed with the commission, and then only to resolve

the factual disputes. Subsequent draft regulations provide for hearing officers to conduct hearings and prepare draft decisions when so assigned by the commission chairperson. Given the intent of the Legislature in enacting Chapter 1459, it would appear that the commission should make maximum use of hearing officers.

According to staff of the commission, the \$80,000 requested for hearing officer services is based on the commission's estimate that 1,000 hours of service will be needed from the OAH, at a cost of \$80 per hour.

Our analysis of the workload of the Board of Control's local mandates unit indicates that 1000 hours is a reasonable estimate of the hearing and pre-hearing workload which the commission is likely to experience in the budget year.

The commission's budget request, however, contains more funds for this purpose than will actually be required. The Department of General Services "price book" lists hearing officer services at a cost of \$67.55 per hour for 1985-86, rather than the \$80 per hour which the commission has estimated. Thus, on the basis of its estimate of 1,000 hours of hearing officer services, only \$68,000 will be required.

Consequently, we recommend that Item 8885-001-001 be reduced by \$12,000 to eliminate overbudgeting for the costs of hearing officer services in 1985-86. We further recommend that the commission report to the fiscal committees, prior to budget hearings, regarding the extent to which, and in what capacity, it intends to utilize hearing officers in the budget year.

## STATE MANDATES CLAIMS FUND

Item 8885-101 from the General  
Fund

Budget p. GG 147

Requested 1985-86 .....	\$5,000,000
Estimated 1984-85.....	None
Actual 1983-84 .....	None
Requested increase \$5,000,000	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

The State Mandates Claims Fund is a continuously appropriated fund from which local governments are reimbursed by the Commission on State Mandates for the costs of state mandated local programs, provided the statewide cost for the first twelve months during which the mandate is implemented does not exceed \$500,000. The fund was established by Ch 1459/84 (SB 2337), which also appropriated \$10 million to the fund.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes to appropriate \$5 million from the General Fund to the State Mandates Claims Fund in 1985-86. According to the Department of Finance, the \$5 million requested in the budget is intended to ensure that the unencumbered balance in the Claims Fund is sufficient to cover the costs of all mandates eligible for reimbursement from the fund in the budget year.

**STATE MANDATES CLAIMS FUND—Continued****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget requests a \$5 million General Fund appropriation to the Claims Fund in 1985-86. This appropriation would be sufficient to fund at least 10 eligible mandates—those with statewide costs of \$500,000 or less—in the budget year.

In addition, it is likely that all or a significant portion of the original \$10 million appropriation to the Claims Fund contained in Chapter 1459 will be available for expenditure in the budget year, because only mandates found by the Commission on State Mandates may be reimbursed from the fund. At the time this analysis was prepared, the commission had yet to take any action regarding funding for specific mandates.

Because the carryover balance available from the Claims Fund in 1985-86 is unknown, we have no analytical basis for concluding that the additional \$5 million requested is the precise amount required to fund eligible mandates in the budget year. We believe, however, that an appropriation to the fund is (a) prudent, in order to maintain a sufficient balance in the fund to cover the costs of all mandates eligible for reimbursement from the fund, and (b) consistent with the intent of the Legislature in enacting Chapter 1459.

Therefore, we recommend approval of the \$5 million requested in the budget.

**OFFICE OF ADMINISTRATIVE LAW**

Item 8910 from the General  
Fund

Budget p. GG 149

Requested 1985-86 .....	\$2,880,000
Estimated 1984-85.....	2,591,000
Actual 1983-84 .....	1,714,000
Requested increase (excluding amount for salary increases) \$289,000 (+11.2 percent)	
Total recommended reduction .....	271,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Informal Regulations Review Program.** Recommend that the office report at budget hearings on what action it will take during the remainder of the current year and the budget year to implement the AB 1013 program. 1607
2. **Informal Regulations Review Program—Staff. Reduce Item 8910-001-001 by \$125,000.** Recommend reduction because anticipated workload does not justify the number of requested positions. 1608
3. **Legislative Review Staff. Reduce Item 8910-001-001 by \$68,000.** Recommend reduction to eliminate requested positions because workload can be managed by existing staff. 1609
4. **Potential Office Relocation. Reduce Item 8910-001-001 by \$55,000.** Recommend reduction to eliminate overbudgeted relocation funds. 1609

5. **Publications. Reduce Item 8910-001-001 by \$14,000.** Recommend reduction to eliminate funding for unjustified printing expenditures. 1610
6. **Office Automation.** Recommend Budget Bill be amended to require that the office submit to the Legislature an approved feasibility study before spending \$111,000 to install a new automated system. 1610
7. **Technical Overbudgeting Issues. Reduce Item 8910-001-001 by \$9,000.** Recommend reduction to eliminate funding for overbudgeted items. 1611

### GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Chapter 567, Statutes of 1979, provides executive branch review of all proposed and existing regulations promulgated by state agencies in order to reduce the number and improve the quality of state regulations.

The OAL carries out its statutory mandate through four basic functions:

- (1) **Review of Existing Regulations.** The OAL oversees the multi-year review by state agencies of all regulations adopted by those agencies prior to July 1980 to ensure that the regulations comply with the standards of necessity, authority, clarity, consistency, reference and nonduplication (as set out in Government Code Section 11349 *et seq.*).
- (2) **Review of New Regulations.** The office reviews all new regulations (including emergency regulations) proposed by state agencies for compliance with the aforementioned standards.
- (3) **Review of Informal Regulations ("AB 1013" Program).** Pursuant to Chapter 61, Statutes of 1982 (AB 1013), OAL is required to examine all informal regulations (including administrative guidelines, rules, orders, bulletins, or standards) used by state agencies. This review is intended to identify those informal regulations which, because of their *de facto* regulatory effect, must be formally adopted under the Administrative Procedure Act in order to be enforceable.
- (4) **Maintenance of the California Administrative Code.** The OAL is responsible for the publication, maintenance and distribution of the Code, which lists all existing state regulations.

The office has 50.6 authorized personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,880,000 from the General Fund for support of the Office of Administrative Law in 1985-86. This is \$289,000, or 11.2 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefits increase approved for the budget year.

Table 1 presents a summary of OAL's expenditures and personnel-years for the three-year period ending June 30, 1986.

**OFFICE OF ADMINISTRATIVE LAW—Continued**

**Table 1**  
**Office of Administrative Law**  
**Budget Summary**  
**1983-84 through 1985-86**  
**(dollars in thousands)**

	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Proposed</i> 1985-86	<i>Change, 1985-86 over 1984-85</i>	
				<i>Amount</i>	<i>Percent</i>
Personal services .....	\$1,430	\$2,126	\$2,309	\$183	8.6%
Operating expenses and equipment ..	285	465	571	106	22.8
Total expenses .....	\$1,715	\$2,591	\$2,880	\$289	11.2%
Personnel-years .....	38.2	50.6	55.2	4.6	9.0

**Agency Proposes Several Budget Changes**

Table 2 shows the proposed changes in OAL's budget for 1985-86. Workload adjustments consist of: (1) a \$104,000 reduction to reflect completion in the current year of a project to reformat the California Administrative Code; and (2) a net increase of \$131,000 for the AB 1013 program.

Proposed program changes include: (1) an increase of \$111,000 for a new office automation system; (2) a \$75,000 augmentation to cover potential relocation costs associated with moving the agency's offices; and (3) an increase of \$68,000 for two additional positions for legislative review activity.

**Table 2**  
**Office of Administrative Law**  
**Proposed 1985-86 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1984-85 Expenditures (Revised) .....	\$2,591
<i>Baseline Adjustments</i>	
Salary Increases .....	7
Calstars Increase .....	1
Subtotal, Baseline Adjustments .....	(\$8)
<i>Workload Adjustments</i>	
AB 1013 Program:	
Establishment of Permanent Positions (5) .....	244
Elimination of Limited-Term Positions (2) .....	-113
Administrative Code Project Completion .....	-104
Subtotal, Workload Adjustments .....	(\$27)
<i>Program Changes</i>	
Office Automation .....	\$111
Office Relocation .....	75
Legislative Unit .....	68
Subtotal, Program Changes .....	(\$254)
1985-86 Expenditures (Proposed) .....	\$2,880
Change From 1984-85:	
Amount .....	\$289
Percent .....	11%

**ANALYSIS AND RECOMMENDATIONS****"INFORMAL REGULATIONS" REVIEW PROGRAM**

The *Supplemental Report of the 1984 Budget Act* directs the Legislative Analyst to include in the *Analysis of the 1985-86 Budget Bill* a report on

the advisability of transferring from OAL to the state Department of Justice (DOJ) the responsibility for reviewing "informal regulations." The supplemental report also directed the OAL to report on the development of its informal regulations review program. The OAL complied with this directive by submitting its report on November 1, 1984.

**Background.** Chapter 61, Statutes of 1982 (AB 1013), prohibits, effective January 1, 1983, any state agency from enforcing an "informal regulation" when it has the effect of being a "regulation" as defined under Section 11342 of the Government Code. An informal regulation can take the form of a guideline, criterion, order, bulletin, or standard of general application. Chapter 61 requires agencies to formally adopt these informal rules in accordance with the provisions of the Administrative Procedure Act (APA), and provides a mechanism to ensure that regulations cited by OAL are not reinstated as informal rules.

The OAL's responsibilities under Chapter 61 are: (1) to determine when such "informal regulations" should have been adopted pursuant to the APA; (2) to make such determinations known to the affected agency, the Governor, the Legislature, the courts and the public; and (3) to publish these determinations in the California Administrative Notice Register.

During hearings on the 1984-85 budget, the Legislature expressed its concern over the delays in initiating the AB 1013 program. Believing that reassignment of the program might hasten implementation, the Legislature directed our office to evaluate the option of transferring the program to the Department of Justice.

**Analysis.** Our review indicates that transfer of the AB 1013 program is not warranted on programmatic grounds, for two reasons. First, we believe this program is best managed by a control agency having both oversight and managerial experience. Our analysis indicates that these attributes are appropriate because the implementation of the AB 1013 program requires the administering agency in effect to enforce regulatory discipline on state departments. The OAL currently performs control agency functions; the DOJ—which is basically a client- or service-oriented agency—generally does not.

Second, transfer of the program would result in an unnecessary duplication of state resources. Currently, statewide expertise in the drafting, review, and screening of regulations rests with OAL. If the AB 1013 program were transferred to the DOJ, departments would have to deal with two separate state agencies on the same set of regulations. Under such a bifurcated system, there would have to be some duplication of expertise among the agencies. There would also be the potential for disagreement between the two agencies as to how informal regulations should be interpreted.

For these reasons, we conclude that, on a programmatic basis, the AB 1013 program should not be transferred to DOJ. On the other hand, we recognize that given OAL's dismal record in implementing the Legislature's policies as expressed in AB 1013, leaving the program with OAL may not accomplish the Legislature's objectives in an effective manner either (see below).

#### **Office Should Report On Program Implementation**

*We recommend that the office report to the Legislature at the budget hearings on (1) what AB 1013 activities will be completed by June 30, 1985; (2) why the two positions given to OAL in the current year were not used for the AB 1013 program; and (3) what specific assurances can be given that the program will be underway in 1985-86.*

**OFFICE OF ADMINISTRATIVE LAW—Continued**

In asking us to evaluate the appropriateness of keeping the AB 1013 program with OAL, the Legislature clearly was concerned with OAL's lack of progress in implementing the program. At the time of the hearings on the 1984-85 budget, the office had basically done nothing to implement this program in the 15-month period since the effective date of AB 1013.

In the current year, OAL was authorized two limited-term positions in order to prepare for the implementation of the AB 1013 program. At the time this analysis was prepared, however, one position had not been filled, and the second position had been redirected to other regulatory review duties. The OAL has, in effect, put the program "on hold" until the issue of which agency should perform this function is resolved by the Legislature.

We believe the office's failure to proceed with implementation of the program is inexcusable.

Despite the lack of any progress to date, it is possible that the office may take action to implement its statutory responsibility as required by AB 1013. First, OAL has indicated that, if the Legislature opts to keep responsibility for the program with the office, OAL will adopt regulations for the program prior to the end of the current year. Second, the office has requested positions in the budget year to actually perform these informal regulation reviews.

So that the Legislature can evaluate OAL's commitment to implementing this program, we recommend that the office report to the Legislature at the budget hearings on (1) what AB 1013 activities will be completed by June 30, 1985; (2) why the two positions given to OAL in the current year were not used for the AB 1013 program as the Legislature intended; and (3) what specific assurances can be given to the Legislature by OAL that the program will be underway in 1985-86.

**Agency's Workload Estimates Do Not Justify Staffing Level**

*We recommend that \$125,000 requested from the General Fund be deleted because projected informal regulation workload justifies only two of the five requested positions. We further recommend that the two positions be authorized on a one-year, limited-term basis only. (Reduce Item 8910-001-001 by \$125,000).*

The budget for OAL requests \$239,000 in 1985-86 to support five new permanent positions (four attorneys and one clerical) for the review of informal regulations, including the two limited-term attorney positions authorized in the current year.

Our analysis indicates that the proposed staffing augmentation is excessive.

The OAL maintains that the only existing state function that is comparable to the AB 1013 reviews is the Attorney General's (AG) Opinions Unit. Using that unit's average workload standard of 101 hours per opinion, OAL argues that the 75 reviews it will undertake in 1985-86 would require 4.1 professional positions.

Our review indicates, however, that the OAL review function is *not* comparable to the AG Opinions Unit function. A legal opinion requires a comprehensive formal legal analysis, whereas the scope of a regulation review is much narrower, involving only a determination of whether a particular informal rule qualifies as a "regulation" under the APA.

Our analysis suggests that a workload standard of 40 hours per determi-



nation would provide a more reasonable basis on which to budget resources for the AB 1013 program in 1985-86. Using this standard, the office would need only two legal positions and \$114,000 to handle this activity in the budget year. Accordingly, we recommend a reduction of the remaining funds, for a General Fund savings of \$125,000. Given the uncertainty surrounding the level of ongoing workload under this program, we further recommend that these two attorney positions be authorized on a one-year, limited-term basis (termination on June 30, 1986).

#### **Request for Additional Legislative Unit Staff Has Not Been Justified**

*We recommend a General Fund reduction of \$68,000 because the office can manage its legislative review workload with its existing staff.*

The agency requests \$68,000 to support two new positions for various legislative review tasks. Currently, OAL has two staff members involved in this activity: a deputy director who, in addition to other responsibilities, serves as head of the Legislative Unit, and one staff analyst assigned from the office's administrative unit. According to OAL staff, certain legislative-related tasks are not being performed because the office does not have sufficient staff. As an example, the office notes that it was unable to comment on several bills heard during the 1983-84 Session that proposed exemptions from OAL regulatory reviews.

Our analysis indicates, however, that OAL can perform these tasks with its existing staff. Based on the office's own workload analysis, the OAL would need only 1.1 personnel-years during 1985-86 to perform all necessary legislative activities. Since the agency currently has two positions assigned to these tasks, there is no apparent need for any additional positions.

Furthermore, up to one-third of the legislative review tasks identified by the office could be performed by existing staff in OAL's Public Programs Division. In addition to a newly appointed Deputy Director for Public Programs, this division currently has five positions. The agency's workload analysis apparently did not take into account the services or availability of these staff members.

Thus, our review of the data provided to us by OAL indicates that there is no need at this time to add resources for the legislative unit. Accordingly, we recommend deletion of the two new positions, for a General Fund savings of \$68,000.

#### **Agency Overbudgets Cost of Relocating Its Office**

*We recommend a \$55,000 reduction from the General Fund to eliminate overbudgeting for rent. (Reduce Item 8910-001-001 by \$55,000.)*

The OAL requests \$75,000 in additional funding to relocate its offices during 1985-86. Of the requested amount, \$65,000 is proposed for additional rent and \$10,000 is requested for moving expenses. In support of its proposal, OAL reports that the Office of Space Management (OSM) in the Department of General Services concluded in a 1983 evaluation that the current office space (approximately 11,000 square feet) is insufficient to accommodate OAL's staff of 52 employees. Based on the assumption that OAL's staff would increase over the next four years to 60 positions, the OSM concluded that OAL needs a total of approximately 12,000 square feet of office space.

Our review found that while OAL's need for additional office space is reasonable, the requested level of funding is not. Our calculations indicate that OAL may need up to \$40,000 on an annual basis to acquire the

**OFFICE OF ADMINISTRATIVE LAW—Continued**

additional office space, but will need no more than \$10,000 in 1985–86 for additional rent costs. This is because, according to OSM, it takes at least nine months to relocate an agency. Consequently, the office needs at maximum three month's in additional rent support.

For this reason, we conclude that \$20,000 is a more reasonable estimate of total budget-year costs to relocate OAL (\$10,000 for additional space and \$10,000 for moving costs). Accordingly, we recommend a General Fund reduction of \$55,000 from Item 8910-001-001.

**Printing Budget Is Excessive**

*We recommend that \$14,000 of the \$60,000 requested from the General Fund for printing be deleted because it is not necessary to reprint existing publications.*

The budget proposes \$60,000 for OAL's printing expenses in 1985–86. This amount represents a 10 percent reduction from estimated current-year expenditures (\$67,000), but a 150 percent increase over actual printing expenditures in 1983–84 (\$24,000).

We have several concerns regarding the amount requested. First, our review of the agency's printing budget for 1985–86 indicates that some of the requested funds would be used to *reprint* publications that are being produced for the first time in the current year. For example, OAL is spending \$10,500 in 1984–85 for three brochures (4000 copies each) and one new publication, none of which will be available until May or June 1985. The budget, however, proposes approximately \$10,000 for reprinting these publications, even though the *original* distribution of these documents will probably not take place until 1985–86.

The budget also proposes to spend:

- \$1,000 to reprint an OAL flowchart, even though there is no indication that the current supply will be exhausted in 1985–86, and
- \$3,000 to increase publication of a general-interest newsletter from four to six times a year, even though thus far in the current year the office has yet to publish even *one* newsletter.

Accordingly, we conclude that only \$46,000 of the \$60,000 requested for printing is justified, and therefore recommend a General Fund reduction of \$14,000 in the office's printing budget.

**Agency Should Submit Report Before Ordering New Office Automation System**

*We recommend that the Legislature adopt Budget Bill language prohibiting the Office of Administrative Law from spending any funds for an office automation system until 30 days after it has submitted to the Legislature a feasibility study report approved by the Department of Finance.*

The budget requests \$111,000 for the development and installation of an office automation system in 1985–86. The request involves the acquisition of additional equipment that, in conjunction with the agency's current word-processing equipment, would permit OAL attorneys to use desk-top terminals to review, draft and edit documents. In addition, the system would (1) provide spreadsheet capability to management staff and (2) improve current OAL procedures relating to the agency's maintenance of the California Administrative Code.

Existing law provides specific guidelines and procedures that agencies must observe prior to acquiring sophisticated electronic data processing

systems. Generally, a project of the scope being proposed by OAL must be justified in advance by a Feasibility Study Report (FSR) approved by the Office of Information Technology in the Department of Finance. The FSR formally identifies specific goals, plans, costs, and expected savings associated with a proposed automation project.

As of early February 1985, OAL had not submitted its FSR for the proposed office automation system. According to OAL staff, the FSR should be completed by April. The Department of Finance has notified OAL that no expenditures for OAL's office automation system may be incurred until the proposal has been approved.

In order to maintain legislative control over expenditures for this project, we recommend that Item 8910-001-001 of the Budget Bill be amended to include the following provision, which will give the Legislature an opportunity to review the approved FSR before any funds for the project are spent.

Up to \$111,000 of the funds appropriated in category (b) of this item are to be used exclusively for the development and operation of an office automation system and shall be expended no sooner than 30 days after the fiscal committees and the Joint Legislative Budget Committee receive a copy of a feasibility study report for the system as approved by the Department of Finance.

#### Technical Overbudgeting Issues

*We recommend a General Fund reduction \$9,000 to eliminate funding for overbudgeted expenditures, as follows:*

- **Contingency Budgeting for Consultants.** The budget includes \$5000 for the "possibility" of unidentified consulting expenses. Without a clear identification of need, this request constitutes contingency budgeting, which impedes legislative control over the budget.
- **Double-Budgeted Office Relocation Expenses.** The agency's request for moving expense was inadvertently duplicated in part by including \$4000 for this purpose in the agency's baseline budget.

### MILITARY DEPARTMENT

Item 8940 from the General

Fund and Federal Trust Fund

Budget p. GG 151

Requested 1985-86 .....	\$18,218,000
Estimated 1984-85.....	17,469,000
Actual 1983-84 .....	15,969,000
Requested increase (excluding amount for salary increases) \$749,000 (+4.3 percent)	
Total recommended reduction .....	93,000

#### 1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	\$18,126,000
8940-001-130—Support	AWOL Abatement	2,000
8940-001-890—Support	Federal Trust	(12,499,000)
8940-011-001—Armory improvement	General	90,000
Reimbursements		(1,276,000)
Totals		\$18,218,000

**MILITARY DEPARTMENT—Continued****SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
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1. *CSTI Operations Costs. Reduce Item 8940-001-001 by \$93,000 (General Fund).* Recommend elimination of funds for maintenance and utilities at CSTI because the funds should be included in OES budget.

**GENERAL PROGRAM STATEMENT**

The functions of the Military Department are to (1) protect the lives and property of the people in the state during periods of natural disaster and civil disturbances, (2) perform other duties required by the California Military and Veterans Code, or as directed by the Governor, and (3) provide military units ready for federal mobilization.

The Military Department consists of three major units: the Army National Guard (21,084 authorized officers and enlisted personnel), the Air National Guard (5,541 authorized personnel), and the Office of the Adjutant General. Staffing funded through the budget totals 619.3 personnel years in 1984-85.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes appropriations of \$18,218,000 from the General Fund (\$18,216,000) and the AWOL Abatement Fund (\$2,000) for support of the Military Department in 1985-86. This is an increase of \$749,000, or 4.3 percent, above estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year for the department's civil service (nonuniformed) employees.

The budget does not include any funds for General Fund inflation adjustments for operating expenses and equipment (\$24,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The total proposed budget for the Military Department, including state and federal funds, is approximately \$274 million—an increase of \$10 million, or 3.8 percent, above estimated current-year expenditures (see Table 1). Of the \$255 million in federal funds, \$12 million is appropriated through the Budget Bill. The remainder is administered directly by the federal government. The proposed General Fund appropriation accounts for 6.6 percent of the department's total proposed expenditures in 1985-86.

Table 1  
Military Department  
Budget Summary  
1983-84 through 1985-86  
(dollars in thousands)

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change from 1984-85 to 1985-86	
				Amount	Percent
Army National Guard .....	\$159,840	\$168,810	\$177,215	\$8,405	5.0%
Air National Guard.....	97,069	87,833	92,290	4,457	5.1

Adjutant General					
undistributed .....	1,314	1,260	1,333	73	5.8
(distributed) .....	(3,431)	(4,122)	(4,475)	(353)	8.6
Support to Civil Authority .....	1,255	2,893	—	-2,893	-100.0
Military Retirement .....	1,692	1,837	1,813	-24	-1.3
State Military Reserve .....	—	240	240	—	—
Farm and Home Loan .....	72	72	72	—	—
Impact Program .....	831	1,265	1,426	161	12.7
Unallocated General Fund Reduction .....	—	—	-24	-24	NMF
Totals .....	\$262,073	\$264,210	\$274,365	\$10,155	3.8%
<i>Funding Sources</i>					
General Fund .....	\$15,969	\$17,467	\$18,216	\$749	4.3%
Federal funds .....	244,954	244,596	254,871	10,275	4.2
AWOL Abatement Fund .....	—	2	2	—	—
Reimbursements .....	1,150	2,145	1,276	-869	-40.5
General Fund share of total .....	6.1%	6.6%	6.6%	—	—

NMF: not a meaningful figure.

## ANALYSIS AND RECOMMENDATIONS

### Operating Costs for CSTI Should Be Budgeted in OES

*We recommend that funds budgeted for utilities and maintenance costs for the California Specialized Training Institute be deleted because these funds should be included in the OES budget, for a General Fund savings of \$93,000 (Item 8940-001-001).*

Last year the Legislature approved the transfer of funding for the California Specialized Training Institute (CSTI) from the Military Department to the Office of Emergency Services (OES). The CSTI, which is located at the department facilities at Camp San Luis Obispo, provides a training program primarily for planning and emergency management in connection with earthquakes, hazardous materials, fire, and other disasters, as well as peace officer safety and field tactics. The Military Department has continued to operate CSTI during the current year under a contract with OES, but plans to transfer control of the institute to OES in the budget year. Consequently, the department proposes to eliminate 20 positions that currently operate CSTI and reduce reimbursements from OES by \$968,000 in 1985-86.

The OES budget includes only \$13,500 for CSTI's facilities operations, although the Military Department has identified utilities and maintenance costs of approximately \$106,000. The remaining amount (approximately \$93,000) is funded from the Military Department's General Fund support appropriation for Camp San Luis Obispo.

Because all costs associated with CSTI should be reflected in the budget for OES, we recommend that the department's General Fund request be reduced by \$93,000 (Item 8940-001-001).

We have identified several concerns regarding the budget request for the CSTI. We discuss these concerns in our analysis of the OES budget, where we withhold recommendation pending review of OES's final plans for operating CSTI (please see our analysis of Item 0690).

**MILITARY DEPARTMENT—CAPITAL OUTLAY**

Item 8940-301 from the General  
Fund, Special Account for  
Capital Outlay and the Fed-  
eral Trust Fund

Budget p. GG 159

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Requested 1985-86 .....	\$18,065,000
Recommended approval .....	14,567,000
Recommended reduction .....	2,980,000
Recommendation pending .....	518,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
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1. Withhold recommendation on the following three projects, pending receipt of additional information: 1615
  - Item 8940-301-036 (2), Off-street Improvements, Fresno Armory (\$113,000).
  - Item 8940-301-036 (3), Armory Building, Fairfield (\$107,000).
  - Item 8940-301-036 (5), Storm Drains, Sacramento (\$298,000).
2. *Project Planning of Projects Financed from Federal Funds. Reduce by \$50,000.* Recommend that the amount budgeted for project planning, working drawings, and supervision of construction to be financed from federal funds be reduced, because a portion of the request is premature. 1616
3. *Armory Building Acquisition—San Jose. Reduce by \$2,930,000.* Recommend that acquisition funds requested to finance a new site for the San Jose Armory be deleted because (1) the department has not provided adequate information to establish the need for replacing this facility and (2) the amount budgeted for acquisition is excessive, given property values in the area. 1616
4. *Armory Fund Loan.* Recommend that prior to budget hearings, the Department of Finance provide a cash flow analysis for the Armory Fund indicating the availability of funds to repay loan funds appropriated from the SAFCO under Item 8940-301-036. 1617

**ANALYSIS AND RECOMMENDATIONS**

The budget contains \$4,042,000 from the General Fund, Special Account for Capital Outlay (SAFCO), under Item 8940-301-036 and \$14,023,000 from the Federal Trust Fund under Item 8940-301-890 for capital outlay projects to be undertaken by the Military Department. Table 1 summarizes the department's request. Budget Bill language specifies that \$3,448,000 of the funds requested from the SAFCO would be provided in the form of a *loan* to the department, to be repaid using the proceeds from disposal of unused armories received by the Armory Fund. The language appropriates sufficient funds from the Armory Fund to repay principal and interest on the loan.

**Table 1**  
**Military Department**  
**1985-86 Capital Outlay Program**  
**(dollars in thousands)**

<i>Project</i>	<i>Phase<sup>a</sup></i>	<i>SAFCO<sup>b</sup></i>	<i>Federal Trust Fund</i>	<i>Total</i>
Project Planning, Working Drawings and Supervision of Federally Financed Construction .....	pw	\$336	—	\$336
Fairfield Armory .....	pw	107 <sup>c</sup>	\$40	197
Fresno Armory, off-site improvements .....	pwc	113 <sup>c</sup>	—	113
San Jose Armory .....	a	2,930 <sup>c</sup>	—	2,930
Sacramento Storm Drains .....	wc	298	—	298
Minor Projects .....	pwc	258	—	258
Other Federal Construction Funds .....	c	—	13,983	13,983
Totals .....		\$4,042	\$14,023	\$18,065

<sup>a</sup> Phase symbols indicate: a = acquisition; p = preliminary plans; w = working drawings and c = construction.

<sup>b</sup> General Fund, Special Account for Capital Outlay

<sup>c</sup> Loan from SAFCO; to be repaid from Armory Fund

### PROJECTS RECOMMENDED FOR APPROVAL

The budget includes \$258,000 under Item 8940-301-036(6) for minor capital outlay projects (\$200,000 or less per project) for the Military Department. The funds would be used to provide paving of vehicle storage compounds at four armories in the state. We recommend approval of the requested funds.

Item 8940-301-890 appropriates \$14,023,000 from the Federal Trust Fund for various capital outlay projects to be financed from federal funds. The request includes \$11,530,000 for projects at Air National Guard facilities located at Fresno, March Air Force Base, Miramar Naval Air Station and Moffett Field. The projects range in cost from \$150,000 for a refueling office at March AFB to \$5 million for an operations center at Miramar. In addition, \$2,493,000 is proposed for eight projects at Army National Guard facilities. The projects range in cost from \$73,000 for improving the maintenance shops at Oroville to \$1 million for renovations at Camp Roberts. We recommend approval of the requested funds.

### PROJECTS FOR WHICH RECOMMENDATION IS WITHHELD

*We withhold recommendation on Item 8940-301-036(2), (3), and (5), pending receipt of additional project scope and cost information.*

The budget includes funds for three projects for which we withhold recommendation, pending receipt of additional project scope and cost information. The requested projects, and the additional information that is needed, are as follows:

- *Item 8940-301-036(2), working drawings and construction for off-site improvements for the new Fresno Armory (\$113,000).* This work represents off-site improvements related to a previously approved project—construction of a new armory in Fresno. The Department of Finance indicates that although the requested amount would provide 100 percent state funding of the improvements, federal funds may become available to finance a portion of the project. Pending a determination of the federal government's participation in this project and receipt of detailed project cost information, we withhold recommen-

**MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**

- dation on the \$113,000 requested in the budget.
- *Item 8940-301-036(3), preliminary plans and working drawings for an armory building, Fairfield (\$107,000).* We withhold recommendation, pending receipt of project scope and cost information that is being developed by the Office of State Architect (OSA).
  - *Item 8940-301-036(5), working drawings and construction for storm drains, Sacramento (\$298,000).* We withhold recommendation on requested funds, pending receipt of additional project scope and cost information that is being developed by OSA.

**RECOMMENDED REDUCTIONS/DELETIONS****Project Planning—Statewide**

*We recommend that Item 8940-301-036(1), \$336,000 for project planning, working drawings, and supervision of construction to be financed from federal funds, be reduced by \$50,000 because a portion of the request is premature.*

Item 8940-301-036(1) contains \$336,000 for (1) project planning, working drawings, and supervision of construction for projects financed from federal funds (\$248,000) and (2) advanced planning for other improvements to department facilities (\$88,000). The federal government provides only partial funding for architectural/engineering (A/E) services for Military Department projects. Consequently, the budget typically provides state funds to finance the remaining costs.

Our analysis indicates that a portion of this request is premature. The request includes \$50,000 to fund A/E services for a new maintenance shop at San Jose. This facility would be located on a new site proposed for the San Jose Armory, discussed later in this analysis. The department indicates, however, that federal funding of the proposed construction is not anticipated until 1987–88.

Because there is no basis for determining whether or not federal financing will be available for the San Jose project in 1987–88, the request for state funds for A/E services on this project is premature.

The balance of funds proposed under this item relate to projects which are proposed for funding in 1986–87. These funds should be approved. We therefore recommend that Item 8940-301-036(1) be reduced by \$50,000 to delete funds associated with the San Jose project.

**San Jose Armory Acquisition**

*We recommend deletion of Item 8940-301-036(4), \$2,930,000 for acquisition funds for a new armory in San Jose, because (1) the department has not provided adequate information to establish a need for replacement of the existing facility, and (2) the amount proposed for acquisition is excessive, given land value in the area.*

The budget includes \$2,930,000 for the acquisition phase of a proposal to relocate the San Jose Armory. The department indicates that this amount would fund the first phase of a program under which an armory in a "highly desirable" location (commercial or civic) would be sold, and the proceeds used to fund the state share of a replacement facility in the same locale. The department anticipates that because of the high value of the existing armory parcel for commercial or civic development, sufficient funds will be generated from the sale to fund both the replacement armory and another new armory elsewhere in the state.



The proposed new facility would include a 39,500 square foot building on a six-acre site. The estimated future cost for preliminary plans, working drawings and construction of the new facility is \$3,114,000 to be funded from a combination of federal (\$2,070,000) and state (\$1,044,000) funds.

The department has not provided any information to indicate why the existing facility is inadequate or cannot be remodeled to meet the needs of the department. Moreover, no information has been developed to indicate the potential revenues to be generated if the existing facility is sold. We therefore have nothing to confirm the need for relocation of this armory, and consequently we recommend deletion of the proposed acquisition funds, for a reduction of \$2,930,000.

**Acquisition Costs Excessive.** Our review of land costs for major industrial and business park development in the San Jose area indicates that acquisition costs for a new armory could range between \$5 per square foot for parcels in outlying areas to \$13 per square foot for highly desirable commercial land. The department's request reflects a potential cost of over \$11 per square foot. In view of the fact that the purpose of the department's request is to relocate the armory from highly desirable commercial and civic areas, we would expect costs for a new site to fall toward the low end of the cost range for land in the area. In order to provide the necessary acquisition cost data for legislative consideration of this request, the department needs to develop budget estimates based on appraisals of potential sites. The department should retain the services of the Department of General Services, Office of Real Estate Services, to develop this information.

#### **Armory Funds To Repay SAFCO**

*We recommend that prior to legislative hearings on the budget, the Department of Finance provide a cash flow analysis of funds which will be available in the Armory Fund to repay the proposed loan from the General Fund, Special Account for Capital Outlay.*

The Budget Bill indicates that \$3,448,000 requested from the SAFCO for the Fresno, Fairfield, and San Jose armories would be provided in the form of a loan, to be repaid using the proceeds from disposal of unused armories received by the Armory Fund. A similar provision contained in the 1984 Budget Act requires that a \$615,000 loan for construction of the Fresno armory be repaid. All repayments are to include interest based on the rate earned by the state in the Pooled Money Investment Fund.

The Armory Fund was created by Chapter 296, Statutes of 1983. All proceeds from disposal of unused armories are to be deposited in the fund, and are available for acquisition or construction of new or replacement armories once these amounts are appropriated by the Legislature. Money in the fund that is not appropriated for armory purposes is also available for appropriation for other purposes.

The Governor's Budget does not include a "Fund Condition Statement" for the Armory Fund. Consequently, there is no basis on which to determine whether or not sufficient funds will be available in the fund to repay the previous and proposed loans from SAFCO. We recommend that prior to budget hearings, the Department of Finance provide the Legislature with (1) a fund condition statement for the Armory Fund and (2) a cash flow analysis for repayment of these loans.

**MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued****Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

**SENIOR CITIZENS' PROPERTY TAX ASSISTANCE**

Item 9100-101(a) from the General Fund

Budget p. GG 160

Requested 1985-86 .....	\$8,120,000
Estimated 1984-85.....	8,120,000
Actual 1983-84 .....	9,068,000
Requested increase—None	
Total recommended reduction .....	695,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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page

1. *Senior Citizens' Property Tax Assistance. Reduce Item 9100-101(a) by \$695,000.* Recommend reduction to correct for overbudgeting. 1618

**GENERAL PROGRAM STATEMENT**

The Senior Citizens' Property Tax Assistance program provides partial reimbursement for property taxes paid by homeowners with less than \$12,000 of household income who are (1) 62 years old and over, or (2) totally disabled, regardless of age. Assistance varies inversely with income, and ranges from 96 percent of the tax for homeowners with household incomes not exceeding \$3,000, to 4 percent of the tax for those with incomes between \$11,500 and \$12,000. The state provides senior citizens' property tax assistance only for taxes paid on the first \$34,000 of property value, after taking into account the \$7,000 homeowners' property tax exemption. Assistance provided in 1985-86 will be based on taxes paid in 1984-85.

**OVERVIEW OF THE BUDGET REQUEST**

The Governor's Budget proposes that \$8,120,000 be appropriated for the cost of this program in 1985-86—the same amount as in the current year. The budget assumes that participation in the program will remain constant at 88,000 persons.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that this item be reduced by \$695,000 to correct for overbudgeting.*

Table 1 shows the number of approved claimants and the total assistance these claimants received in the years 1981-82 through 1984-85. The table also presents data on the average income, the average property taxes, and the average assistance received by all claimants. The 1984-85 data is based on actual claims filed with Franchise Tax Board (FTB) through December 31, 1984.