

Subventions

Department of Youth Authority ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS

ITEM 456 of the Budget Bill

Budget page 954

FOR SUPPORT OF ASSISTANCE TO COUNTIES FOR CONSTRUCTION OF JUVENILE HOMES AND CAMPS FROM THE GENERAL FUND

Amount requested ----- \$55,000

RECOMMENDED REDUCTIONS ----- None

ANALYSIS

The 1957 Legislature enacted legislation and allocated \$600,000 for state participation in the cost of construction of juvenile homes, juvenile ranch camps or forestry camps established after July 1, 1957.

The amount requested, together with the initial appropriation, will finance the State's share of construction cost of 250 additional bed units in county juvenile facilities in the current year.

The present law stipulates that project cost shall be approved by the Youth Authority. However, no limitation has been placed on county construction cost per bed unit. Estimates submitted by various counties reflect considerable variance in the construction cost per bed unit, ranging from \$3,667 to \$7,210 per bed unit for new facilities and from \$3,889 to \$8,447 per bed unit for additions to existing facilities.

The department reports that they are cognizant of this problem and basic construction standards for county camps will be established in conjunction with the Division of Architecture to provide additional bed units at county facilities at minimum cost.

We recommend approval of the item.

APPENDIX

DEPARTMENT OF EMPLOYMENT

ITEM 457 of the Budget Bill

Budget page 1003

FOR SUPPORT OF DISABILITY AND HOSPITAL BENEFITS PROGRAM FROM THE UNEMPLOYMENT COMPENSATION DISABILITY FUND

Amount requested ----- \$5,086,123

Estimated to be expended in 1957-58 Fiscal Year ----- 4,562,938

Increase 11.5 percent ----- \$523,185

Summary of Increase

	Total Increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages -----	\$429,218	\$429,218	---	1012 6
Operating expense -----	87,700	87,700	---	1012 7
Equipment -----	6,267	6,267	---	1012 8
Total increase -----	\$523,185	\$523,185	--	1012 10

RECOMMENDED REDUCTIONS ----- None

GENERAL SUMMARY

The disability and hospital benefits program is a state-financed program administered by the Department of Employment in conjunction with its administration of the federally financed unemployment insurance and employment service programs.

Appendix

Department of Employment—Continued

The purpose of the program is to compensate in part for the wage loss sustained by individuals unemployed because of sickness or injury, and in addition to pay costs of hospitalization. Persons entitled to unemployment insurance benefits for the same period are not entitled to disability insurance benefits, nor are those entitled to workmen's compensation, except to the extent of any excess of any amount due under disability insurance over any amount due under workmen's compensation.

Under certain conditions and under general state supervision, disability insurance with private carriers, under so-called "voluntary plans," can be substituted for coverage under the state plan. At present about 55 percent of the total eligible employees are covered by the state plan and 45 percent by voluntary plans with private carriers.

Benefit payments made during the calendar year 1956 for claims which terminated during that year under the two plans were as follows, in millions of dollars:

State plan:		
Basic benefits	-----	\$43.3
Hospital benefits	-----	6.9
Total	-----	\$50.2
Voluntary plans:		
Basic benefits	-----	\$31.8
Hospital benefits	-----	6.3
Total	-----	38.1
Total	-----	\$88.3

As of January 1, 1958, pursuant to 1957 legislation, maximum weekly benefits under the state plan were increased from \$40 per week to \$50 per week, while hospital benefits were increased from \$10 per day for a maximum of 12 days to \$12 per day for a maximum of 20 days. This will have a marked effect on total benefit payment, during future years, as indicated in Table 2.

The increase of \$523,185 in the amount requested for 1958-59 is due entirely to an anticipated increase in workload which will result from an increase in the labor force due to population increases.

The budget of the Department of Employment is compiled on the basis of allocations of staff time between programs, supported by a complete system of cost records, and there are many individuals in the agency whose time is distributed between two major programs. As a consequence, it is possible, only to a limited extent, to identify budget increases with particular positions, except as to the Division of Disability and Hospital Benefits, Budget page 1011. This division is budgeted for 50 additional positions. The overall increase, in terms of man-years, is as follows, and is shown on Budget page 1012, line 6.

Estimated filled positions, 1958-59	-----	775.5
Estimated filled positions, 1957-58	-----	699.6
Increase	-----	75.9

Appendix

Department of Employment—Continued

The extent of the participation of the various organizational units in the Department of Employment in the disability and hospital benefits program, as well as the increases, by units, is shown in the following table:

**Table 1. Expenditures for Disability and Hospital Benefits Program
by Organizational Unit**

<i>Organizational unit</i>	<i>1957-58</i>	<i>1958-59</i>	<i>Increase or decrease</i>
Office of the Director and Deputy Director	\$7,797	\$8,993	\$1,196
Legal Section	19,645	20,887	1,242
Public Information Section	11,005	10,633	—372
Research and Statistics Section	55,866	59,465	3,599
Investigation Section	13,422	13,823	401
Division of Appeals	159,065	173,731	14,666
Division of Public Employment and Benefit Payments	157,451	169,781	12,330
Division of Accounts and Tax Collections	124,475	175,794	51,319
Office of Assistant Director—Comptroller	1,230	1,231	1
Standards and Methods Section	12,941	11,995	—946
Accounting Section	300,314	363,241	62,927
Tabulating Section	216,235	221,503	5,268
Administrative Services	158,396	179,436	21,040
Division of Disability and Hospital Benefits	3,325,096	3,675,610	350,514
Totals	\$4,562,938	\$5,086,123	\$523,185

Table 2 is a summary of the transactions in the Unemployment Compensation Disability Fund for the past, current, and budget years, in thousands of dollars.

**Table 2. Summary of Unemployment Compensation Disability
Fund in Thousands of Dollars**

	<i>Actual 1956-57</i>	<i>Estimated 1957-58</i>	<i>Proposed 1958-59</i>
Surplus, beginning of year	\$142,322	\$142,427	\$132,157
Revenues:			
Employee contributions	55,964	56,853	69,709
Other interest, etc.	4,987	6,240	5,333
Total revenues	\$60,951	\$63,093	\$75,042
Total resources	\$203,273	\$205,520	\$207,199
Expenditures:			
Administration, including retirement	\$4,023	\$4,859	\$5,419
Benefit payments	56,823	68,504	84,595
Total expenditures	\$60,846	\$73,363	\$90,014
Surplus, end of year	\$142,427	\$132,157	\$117,185

Not included in the foregoing are amounts on deposit in the Unemployment Trust Fund which are available for either unemployment insurance benefit payments or disability benefit payments. As of July 1, 1957, these amounts were \$103,243,116 principal and \$25,405,810 interest, or a total \$128,648,926.

Appendix

Department of Employment—Continued

Efficiency and Economy

In answer to our request for a statement of any administrative changes made during the year in the interests of efficiency and economy, the agency submitted a rather impressive list of 18 such accomplishments, which includes the following:

1. Improved procedures for paying unemployment insurance benefits to federal employees at less cost.

2. Centralized bank reconciliation for local office "bank payment system" which substitutes one bank reconciliation for a number of separate reconciliations and eliminates the need to maintain balances in a number of separate branch banks.

3. Use of coded telegrams.

4. Development of standardized signs for all field offices by use of a modification of the decal process.

5. Accelerated the "fast deposit" process used in connection with handling tax collections in order to give more priority to depositing the larger individual collections first and thus increase interest earnings. *This appears to be a procedure which merits study by other tax agencies.*

6. Numerous improvements in manuals, handbooks and forms.

7. Use of State Central Records Depository for storage of inactive records.

8. Expansion of specialized employment service procedures for groups requiring specialized services such as minority groups, handicapped older workers, veterans, alien refugees, etc.

9. Started participation in a nationwide employment service network for placement of applicants for professional and managerial occupations.

10. Started a training program for hospital personnel and medical secretaries designed to facilitate the processing of claims for disability and hospital benefits by eliminating errors in their preparation in the first instance.

DEPARTMENT OF EMPLOYMENT

ITEM 458 of the Budget Bill

Budget page 1003

FOR ADDITIONAL SUPPORT OF DEPARTMENT OF EMPLOYMENT FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested	\$41,256
Estimated to be expended in 1957-58 Fiscal Year	40,796
Increase (1.1 percent)	\$460

Summary of Increase

	Total Increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages	\$233	\$233	--	1012 14
Operating expense	227	227	--	1012 15
Total increase	\$460	\$460	--	1012 17

RECOMMENDED REDUCTIONS None

Department of Employment—Continued
GENERAL SUMMARY

The Department of Employment Contingent Fund is a state fund created effective January 30, 1945, to receive revenue from interest, penalties and fines collected on contributions from employers and employees less interest paid on refunds and judgments. It can be used for administration of the Department of Employment but only to the extent of activities for which federal funds are not available and not as a substitute for federal grants (Section 1587, Unemployment Insurance Code).

The only program in the department in which the Contingent Fund is participating is the community employment program which involves planning and developing programs for the development of job opportunities and the stabilization of employment in which the State and the Federal Government participate on a 50-50 basis.

The equivalent of about seven full-time people are working on this program, an employment security officer grade VI and a clerk in each of the three area offices and one person in headquarters, of which one-half of the salaries and related expenses are charged to the Contingent Fund.

A summary of the expenditures, charged to the Contingent Fund by organizational units is as follow:

<i>Organizational unit</i>	<i>1957-58</i>	<i>1958-59</i>	<i>Increase</i>
Division of Public Employment Offices and			
Benefit Payments -----	\$26,280	\$26,496	\$216
Tabulating Section -----	1,012	1,015	3
Administrative Services -----	13,504	13,745	241
Total -----	\$40,796	\$41,256	\$460

No change in the program is involved between the current and budget years.

SAN FRANCISCO WORLD TRADE CENTER

ITEM 459 of the Budget Bill

Budget page 993

**FOR SUPPORT OF SAN FRANCISCO WORLD TRADE CENTER FROM
 THE SAN FRANCISCO HARBOR IMPROVEMENT FUND**

Amount requested -----	\$61,000
Estimated to be expended in 1957-58 Fiscal Year -----	45,916
Increase (32.9 percent) -----	\$15,084

Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$33,252	--	\$33,252	993 43
Operating expense -----	20,418	--	20,418	993 54
Equipment -----	1,000	--	1,000	993 56
Retirement -----	1,250	--	1,250	993 57
Total increase -----	\$15,084	--	\$15,084	

RECOMMENDED REDUCTIONS ----- No recommendations

Appendix

San Francisco World Trade Center—Continued ANALYSIS

The San Francisco World Trade Center was established by Chapter 1508, Statutes of 1947. The purpose of the statute was to create World Trade Center Authorities for both San Francisco and Los Angeles and permit the issuance of revenue bonds. The bond proceeds were to be used for the construction and operation of buildings which would house agencies that would foster and promote world trade activities. The proponents of the original legislation aimed at providing a self-supporting activity through subscriptions from private business and revenues to be derived from rentals in the proposed World Trade Center buildings. Subsequently, Chapter 1189, Statutes of 1949, provided for a loan of \$300,000 from the San Francisco Harbor Improvement Fund for the purposes of carrying out the provisions of the World Trade Centers Authority Act which would include the payment of expenses for surveys, plans, estimates, preliminary engineering and other expenses incident to the acquisition, construction, financing, promotion and operation of the World Trade Center in San Francisco. While Section 1 of Chapter 1189 provided that the Director of Finance could require the repayment of this amount from the proceeds of the sale of the revenue bonds proposed to be issued for construction of the World Trade Center building, this was not required as part of the agreement. It is our understanding that the San Francisco World Trade Center Authority did not issue the bonds for the construction of the building. However, the San Francisco Board of Harbor Commissioners issued approximately five million dollars in bonds of which in excess of two million dollars was used to construct the World Trade Center. As a result, all revenues derived from the leasing of space in the World Trade Center building are required to service the bond issue of the San Francisco Board of Harbor Commissioners. The World Trade Center operation dates from March, 1956, and has been managed by the San Francisco Bay Area Council Incorporated under a contract which is due to expire in 1958. Under the terms of the contract, local business enterprises are contributing 50 percent of the cost of operation, while the San Francisco World Trade Center Authority has contributed the other 50 percent from the balance of the \$300,000 authorized by Chapter 1189 of the Statutes of 1949.

Since the San Francisco World Trade Authority has no firm commitments for revenues from private sources, it has requested the \$61,000 that would be provided by this item to serve as insurance in the event it is unable to obtain other financing.

It would appear that this item raises several important policy questions since we are under the impression that originally the Legislature envisioned this function as a self-supporting activity. We would also question the propriety of providing this amount of money from the San Francisco Harbor Improvement Fund when the harbor operation itself is financially so marginal. This is a quasi-proprietary activity and the revenues from the San Francisco harbor operations go into the San Francisco Harbor Improvement Fund. Was it legislative intent that this trade promotion activity should be self-supporting from the

Appendix

San Francisco World Trade Center—Continued

rentals charged in the building and from industry contributions? Or was it the intent that the activity should create a by-product of harbor activity which would add to the Harbor Improvement Fund and revenues into that fund could be relied upon to support the promotion activity?

STATE OFFICE BUILDINGS FINANCED BY LOANS FROM TREASURY FUNDS

ITEM 460 of the Budget Bill

Budget page 987

FOR CONSTRUCTION OF AN OFFICE BUILDING IN THE CITY OF SACRAMENTO FROM THE PUBLIC BUILDING CONSTRUCTION FUND

RECOMMENDATIONS

Amount budgeted	\$12,789,900
Legislative Analyst's recommendation	Inadequate estimate
Reduction	Indeterminate

ANALYSIS

This item would provide for the construction of a multi-story office building in the City of Sacramento to be financed by the issuance of bonds or certificates in accordance with the State Building Construction Act of 1955. It is our understanding that the amount requested covers both the construction cost, which includes fixed equipment, and interest charges during the construction period. Beyond this we have comparatively little knowledge of the project since we have participated in no conferences concerning it.

Chapter 1587 of the Statutes of 1957 authorized \$6,126,600 for the same purpose but for what was obviously a smaller building. The present proposal is for a substantially larger building, the details of which are not known to us. Consequently, we can make no recommendation at this time.

ITEM 461 of the Budget Bill

Budget page 987

FOR CONSTRUCTION OF A GARAGE IN THE CITY OF LOS ANGELES PAYABLE FROM THE PUBLIC BUILDING CONSTRUCTION FUND

RECOMMENDATIONS

Amount budgeted	\$2,855,700
Legislative Analyst's recommendation	2,855,700
Reduction	None

ANALYSIS

The Budget Act of 1957 provided \$200,000 from the Capital Outlay and Savings Fund for the working drawings of a garage immediately adjacent to the new state office building in Los Angeles, and for the construction of its foundations only. It is now proposed to revert the \$200,000 appropriation to the Capital Outlay and Savings Fund and to provide the entire sum necessary for the working drawings, construction, and interest by the use of bonds or certificates against state trust funds.

Appendix

State Office Buildings Financed by Loans From Treasury Funds—Continued

The present cost estimate is \$2,756,000 for working drawings, construction and fixed equipment. The balance would be for interest charges during the construction period. This will provide a building having a total of seven stories, two below grade and five above, with a capacity for 900 cars plus service and maintenance facilities for state cars. The foundations will be designed to carry an additional two stories in the future which will provide capacity for approximately 250 more cars. It should be pointed out that the gross cost of the building including interest would approximate \$3,170 per car. However, this is somewhat misleading in view of the fact that a substantial area of the building will be devoted to maintenance facilities for state vehicles and to some office space for employees identified with the operation of the garage and the state car pool. On this basis, the cost per car space for actual storage area would probably run between \$2,000 and \$2,500 per car. For a multi-story building of a design which will conform reasonably with the modern architecture of the new state office building and other civic buildings of the downtown area of Los Angeles, the cost appears to be reasonably in line. Consequently, we recommend approval.

ITEM 462 of the Budget Bill

Budget page 987

FOR CONSTRUCTION AND EQUIPMENT OF AN OFFICE BUILDING IN THE CITY OF SAN BERNARDINO PAYABLE FROM THE PUBLIC BUILDING CONSTRUCTION FUND

RECOMMENDATIONS

Amount budgeted	\$1,386,000
Legislative Analyst's recommendation	1,386,000
Reduction	None

ANALYSIS

The Budget Act of 1957 appropriated \$1,334,200 payable from the Capital Outlay and Savings Fund for the construction of an office building in San Bernardino, having approximately 51,700 gross square feet of area. It is now proposed to revert the original appropriation to the Capital Outlay and Savings Fund and to finance the construction of the building by the issuance of bonds or certificates against state trust funds. The indicated increase in cost of approximately \$50,000 is for interest and other charges during the construction period. In view of the fact that the Legislature has already approved the construction of this building, and in view of the already established policy whereby state office buildings may be constructed by the use of borrowing from trust funds, it seems appropriate that this charge be made with respect to this project. Consequently, we recommend approval.