

Department of Youth Authority—Continued

\$2,952. On the basis of these estimates, the average state subvention will be \$2,727 per bed unit for new facilities and \$1,476 per bed unit added to existing facilities.

We recommend approval of the amount requested.

DEPARTMENT OF EMPLOYMENT

ITEM 416 of the Budget Bill

Budget page 961

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

| | |
|--|-------------|
| Amount requested | \$5,099,650 |
| Estimated to be expended in 1958-59 Fiscal Year..... | 4,717,218 |
| Increase (8.1 percent) | \$382,432 |

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

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.

The total staff of the Department of Employment by programs and fiscal years for an eight-year period is shown in Table 1.

Table 1—Department of Employment Staff, by Program and Fiscal Year
1952-53 to 1959-60

| Fiscal year | Federally financed | State financed | | Total staff |
|------------------------|-----------------------|-------------------------------------|-------------------------|----------------|
| | | Disability and hospital benefits | Community employment | |
| 1952-53 (actual) | 3618.1 | 551.3 | 7.5 | 4176.9 |
| 1953-54 (actual) | 3397.7 | 561.8 | 5.8 | 3965.3 |
| 1954-55 (actual) | 3481.2 | 578.6 | 2.5 | 4062.3 |
| 1955-56 (actual) | 3506.7 | 581.2 | 2.5 | 4090.4 |
| 1956-57 (actual) | 3979.5 | 609.5 | 2.6 | 4591.6 |
| 1957-58 (actual) | 4714.0 | 655.3 | 2.5 | 5371.8 |
| 1958-59 (estimated) .. | 5116.6 | 718.0 | 3.7 | 5838.3 |
| 1959-60 (estimated) .. | 4560.9 | 765.2 | 3.7 | 5329.8 |

The community employment program is financed by a separate appropriation from the Department of Employment Contingent Fund, item 417.

The purpose of the disability and hospital benefits 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.

Local Assistance

Department of Employment—Continued

During 1957-58, 58.2 percent of claims for benefits were filed under the state plan and 41.8 percent under "voluntary plans."

The budgetary process in the Department of Employment for both the federally-financed and the state-financed programs is geared directly to workload. Total personnel requirements are estimated on the basis of unit times per operation multiplied by the number of operations to be performed, and the resulting total hours are converted into units of personnel required, which in turn are converted into money at the average annual salary rate.

The budget for each program 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 among several 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 968. This division is budgeted for 37 additional positions.

These additional positions appear to be justified on a workload basis.

Unemployment insurance benefits are paid out of the Unemployment Fund held in trust in the Federal Treasury, on requisition by the Director of the Department of Employment. A statement of the condition of this fund appears on budget page 971. Disability insurance benefits are paid out of the Unemployment Compensation Disability Fund in the State Treasury, a statement of the condition of which appears on budget page 970. The Unemployment Fund receives most of its revenue from employer contributions imposed upon California employers under the provisions of the California Unemployment Insurance Code while the Disability Fund receives most of its revenues from a one-percent tax on wages and is paid by the employees. Both funds also receive substantial amounts of interest from investment of surpluses. Table 2 shows benefits paid from both funds, by years, from 1947-48 to 1959-60, as shown by the various printed budgets.

Table 2—Benefit Payments by Funds and Fiscal Years, 1947-48 to 1959-60

| <i>Fiscal year</i> | <i>Unemployment Fund</i> | <i>Disability Fund</i> | <i>Total</i> |
|---------------------------|------------------------------|----------------------------|---------------|
| 1947-48 (actual) ----- | \$128,660,669 | \$19,242,744 | \$147,903,413 |
| 1948-49 (actual) ----- | 210,152,660 | 23,243,619 | 233,396,279 |
| 1949-50 (actual) ----- | 242,819,265 | 25,164,331 | 267,983,596 |
| 1950-51 (actual) ----- | 112,283,610 | 25,146,125 | 137,429,735 |
| 1951-52 (actual) ----- | 102,584,258 | 25,964,753 | 128,549,011 |
| 1952-53 (actual) ----- | 94,850,316 | 31,759,690 | 126,610,006 |
| 1953-54 (actual) ----- | 124,993,158 | 38,195,311 | 163,188,469 |
| 1954-55 (actual) ----- | 125,456,971 | 46,601,781 | 172,058,752 |
| 1955-56 (actual) ----- | 94,323,362 | 47,572,589 | 141,895,951 |
| 1956-57 (actual) ----- | 116,572,984 | 56,822,511 | 173,395,495 |
| 1957-58 (actual) ----- | 277,328,924 | 69,849,411 | 347,178,335 |
| 1958-59 (estimated) ----- | 303,300,000 | 87,300,000 | 390,600,000 |
| 1959-60 (estimated) ----- | 233,980,000 | 91,900,000 | 325,880,000 |

Local Assistance

Department of Employment
ITEM 417 of the Budget Bill

Budget page 961

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

| | |
|---|-------------|
| Amount requested | \$43,087 |
| Estimated to be expended in 1958-59 Fiscal Year | 41,256 |
| Increase (4.4 percent) | \$1,831 |

TOTAL RECOMMENDED REDUCTION..... None

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 has participated for a number of years 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 and one-half full-time people are working on this program, and no change in the program is involved between the current and budget years.

A summary of the expenditures charged to the Contingent Fund for this program, by organizational units, is as follows:

| Organizational unit | 1958-59 | 1959-60 | Increase |
|---|--------------|--------------|-------------|
| Division of Public Employment Offices | | | |
| and Benefit Payments | \$26,496 | \$26,509 | \$13 |
| Office of Assistant Director-Comptroller .. | 14,760 | 16,578 | 1,818 |
| Total | \$41,256 | \$43,087 | \$1,831 |

The total appropriation for support of the Department of Employment from the Department of Employment Contingent Fund for 1959-60, as shown on budget page 970, line 5, is included in two separate budget bill items, as follows:

| Item | Amount |
|-----------------|---------------|
| 417 | \$43,087 |
| 417.1 | 206,288 |
| Total | \$249,375 |

Local Assistance

Department of Employment

ITEM 417.1 of the Budget Bill

Budget page 961

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

| | |
|---|-----------|
| Amount requested ----- | \$206,288 |
| Estimated to be expended in 1958-59 Fiscal Year ----- | None |

| | |
|----------------|-----------|
| Increase ----- | \$206,288 |
|----------------|-----------|

| | |
|--|------------------|
| TOTAL RECOMMENDED REDUCTION ----- | \$206,288 |
|--|------------------|

GENERAL SUMMARY

This appropriation is to reimburse the Unemployment Administration Fund for costs of post-audits by the Department of Finance of Unemployment Insurance, Employment Security Administration funds for the following periods:

| | |
|--------------------------|------------------|
| 1947-48 to 1958-59 ----- | \$190,608 |
| 1959-60 ----- | 15,680 |
| Total ----- | \$206,288 |

ANALYSIS

Summary of Reductions

| | Amount | Budget Page | Line |
|---------------------------|-----------|----------------|------|
| Cost of post-audits ----- | \$206,288 | 970 | 7 |

We recommend deletion of the entire appropriation of \$206,288.

Under Section 13294 of the Government Code, the Department of Finance " * * * shall examine and expert the books of the several state agencies at least once every two years and as often as the director deems necessary." Prior to a 1955 amendment to this section, examinations were required " * * * at least once in each year."

The Department of Finance has made audits of the activities of the Department of Employment which are financed from federal grants since 1947-48 and has been reimbursed for the costs thereof. The federal authorities have taken exception to these reimbursements for a number of years and have now formally requested that the funds expended for this purpose be replaced. The position of the Federal Bureau of Employment Security is that post-audits conducted by its own audit staff adequately protect administrative funds for the purposes of those clauses of the federal legislation which govern the expenditure of federal grants.

We believe that the state administration also has the responsibility to make any audits which it deems necessary under state law and that the cost of such audits are a proper charge against federal grants.

A summary of the transactions of the Department of Employment Contingent Fund is given on budget page 728, which indicates that all accumulated surplus in excess of \$100,000, at June 30, 1960; namely, \$557,421, is to be transferred to the General Fund of the State. If budget bill item 417.1 is disapproved an additional amount of \$206,288 would be available for such transfer.

SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

ITEM 418 of the Budget Bill

Budget page 951

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

| | |
|---|----------|
| Amount requested | \$78,900 |
| Estimated to be expended in 1958-59 Fiscal Year | 75,550 |
| Increase (4.4 percent) | \$3,350 |

| | |
|-----------------------------------|------|
| TOTAL RECOMMENDED REDUCTION | None |
|-----------------------------------|------|

ANALYSIS

The San Francisco World Trade Center was established in 1947 by Chapter 1508 which authorized two such trade centers, one in San Francisco and one in Los Angeles. The act also permitted the issuance of revenue bonds, the proceeds of which were to be used for the construction and operation of buildings to house various agencies that would foster and promote world trade activities. Subsequently, Chapter 1189, Statutes of 1949, made provision for a loan of \$300,000 from the San Francisco Harbor Improvement Fund, which was to be expended for the payment of expenses in connection with surveys, plans, preliminary engineering and other expenses incident to the acquisition, construction, financing, promotion and operation of the World Trade Center in San Francisco. In lieu of issuing its own bonds, the authority obtained in excess of \$2,000,000 from a \$5,000,000 bond issue that the San Francisco Board of Harbor Commissioners issued for harbor improvements. Since the Harbor Commission provided the construction funds for the World Trade Center Building, all revenues of the facility derived from the leasing of space to various agencies have been used to help amortize the bonds of the Harbor Commission. The World Trade Center went into operation in March of 1956 and was managed by the San Francisco Bay Area Council, a corporation which operated under a contract that expired in 1958. The contract provided that local business enterprises were to contribute 50 percent of the cost of operating the facility while the World Trade Center Authority would contribute the other 50 percent from a balance that was available from the \$300,000 authorized by Chapter 1189 of the Statutes of 1949. This balance was expended in 1958 and as a result the World Trade Center Authority had to seek new revenues to continue operating. The 1958-59 budget request reflected this in that \$61,000 was requested from the San Francisco Harbor Improvement Fund for that fiscal year. For the 1959-60 Fiscal Year, \$78,900 is being requested as the total support for this activity. Since the operation of the World Trade Center is largely a promotional activity which is related to the harbor function, and that function is financed out of harbor revenue, we recommend approval of this item as requested.