

Water Pollution Control Board—Continued

It is apparent from a proposed addition to the Administrative Code dealing with statewide policy for control of water pollution that the State board is giving attention to this problem of the formulation of discharge requirements. The board is to be commended for moving in a direction which places emphasis on the maintenance of water quality and the standardization and integration of waste discharge requirements. The Department of Finance and the Department of Water Resources as well as the state board are also collecting and analyzing data which may eventually lead to some solution of the above problems.

Miscellaneous

WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES

ITEM 273 of the Budget Bill

Budget page 687

FOR SUPPORT OF WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES, FROM THE GENERAL FUND

Amount requested	\$1,950,000
Estimated to be expended in 1960-61 fiscal year	1,750,000
Increase (11.4 percent)	\$200,000

TOTAL RECOMMENDED REDUCTION..... None

GENERAL SUMMARY

In the provision of workmen's compensation insurance for state employees the State is a self-insurer. Costs entailed include compensation, hospitalization, and medical care for state employees injured in line of duty and whose salaries are paid from the General Fund. The State Compensation Insurance Fund administers the details of processing claims and paying benefits.

ANALYSIS

Expenditures requested for the budget year are scheduled at \$1,950,000, an increase of \$200,000 or 11.4 percent over estimated payments for the current year.

We recommend approval as budgeted. The requested increase is consistent with annual increases in past years.

We must, however, call attention, as we have in our previous two analyses, to the compensable injury experience of the Department of Mental Hygiene.

The consistently high cost of payments for employee injuries in this department as compared to the total of the remainder of the General Fund agencies is illustrated by the following table:

<i>Fiscal year</i>	<i>Total payments for all General Fund agencies</i>	<i>Payments Department of Mental Hygiene only</i>	<i>Department percentage of total payments</i>
1956-1957	\$1,000,522	\$550,798	55.0
1957-1958	1,280,308	760,270	59.3
1958-1959	1,367,023	814,535	59.5
1959-1960	1,675,064	892,355	53.2

The foregoing table includes the four-year period for which we have readily available detailed lists of payments made in behalf of General Fund agencies. During the 1959-1960 fiscal year authorized positions in the department totaled 19,221 out of the 74,976 authorized positions in

Workmen's Compensation Benefits for State Employees—Continued

General Fund agencies, or 25.6 percent. Yet during this fiscal year and, in the previous years tabulated, the department accounted for more than 50 percent of the total payments made.

When compared with the payment experience demonstrated by the remaining General Fund agencies the department's disproportionate costs may reflect either an inconsistency in the administration of the program or serious deficiencies in the application of safety principles.

We suggest that if the State were not a self-insurer and if the department's payments were covered under a policy with a private insurer such a high loss experience would undoubtedly be the subject of an immediate and serious review.

Even though it has been called to the department's attention the high 50 percent or more level of payments from the General Fund has continued. There is no evidence of anticipated reduction in the present budget request. This matter should be given top administrative priority by the Department of Mental Hygiene and a concerted effort be made either to explain such level of cost or reduce it through better safety practices. This is not only a matter of dollars to be saved but equally important, a matter of reducing the unnecessary personal and physical suffering attendant upon preventable accidents.

We know of no obstacle to the securing of competent advice for the development of an adequate safety program. Immediate resort can be had to the accident prevention and safety specialist staffs of the state fund who are available to the department for consultation as are also the safety engineers of the Division of Industrial Safety of the Department of Industrial Relations.

Miscellaneous**WORKMEN'S COMPENSATION FOR SUBSEQUENT INJURIES**

ITEM 274 of the Budget Bill

Budget page 687

FOR SUPPORT OF PAYMENTS FOR ADDITIONAL WORKMEN'S COMPENSATION FOR SUBSEQUENT INJURIES FROM THE GENERAL FUND

Amount requested	\$875,000
Estimated to be expended in 1960-61 fiscal year.....	820,000
Increase (6.7 percent).....	\$55,000

TOTAL RECOMMENDED REDUCTION.....	None
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GENERAL SUMMARY

The subsequent injuries fund is established to pay workmen's compensation benefits for permanent disabilities resulting from industrial injuries to employees who have previously suffered another specific permanent disability. The intent of the law is to encourage the employment of handicapped persons by relieving the employer of liability for the effects of a combination of injuries, some of which do not result from the hazards of his particular business.

ANALYSIS

Expenditures proposed for the budget year are scheduled at \$875,000, an increase of \$55,000 or 6.7 percent over estimated expenditures for the current year.

Workmen's Compensation for Subsequent Injuries—Continued

Approval of the amount budgeted is recommended. However, we recommend a change in the method of financing.

We have, in previous budget analysis, called attention to the ever increasing liability which this program imposes on the General Fund and to the desirability of financing this obligation by some other appropriate means.

Reports issued by this office have described the California law and procedure dealing with subsequent injuries under workmen's compensation, have reviewed the situation under which the subsequent injury phase of workmen's compensation is, in California, a General Fund obligation, rather than being supported by employer contributions, and have recommended that a different source of financing be used to fund this liability.

Forty-five of the fifty states have subsequent injury fund laws and the great majority have adopted methods of financing which place the fiscal support on employers. By far the most popular is the no-dependency death benefit payment, used in 26 states. Only in California and Pennsylvania is the cost an obligation of the General Fund rather than the employer.

Although most of the states finance subsequent injuries awards from a special fund created by contributions by employers made on behalf of employees who have no surviving dependent, legislation in 1929 intended to accomplish this in California was declared to be unconstitutional by the State Supreme Court.

In the face of this and later court decisions, the State since 1945 has provided for subsequent injury awards as an obligation of the General Fund paid from general taxes. This direct cost and current liability has been increasing rapidly as will be seen from the following tabulation of amounts appropriated, claims paid and outstanding liability for awards since the present program was instituted.

**Annual Appropriations and Expenditures for Additional Workmen's
Compensation for Subsequent Injuries**

	<i>Appropriation</i> ¹	<i>Payments</i> ²	<i>Liabilities at end of year</i>
1945-46-----	\$100,000	---	---
1946-47-----	100,000	---	---
1947-48-----	100,000	\$4,573	\$205,546
1948-49-----	100,000	17,542	313,823
1949-50-----	75,000	41,918	318,754
1950-51-----	75,000	47,759	544,130
1951-52-----	87,000	59,218	1,133,797
1952-53-----	130,000	115,505	1,711,780
1953-54-----	170,000	155,001	2,232,204
1954-55-----	257,000	256,189	2,886,672
1955-56-----	343,000	342,985	4,063,260
1956-57-----	448,700	443,704	4,921,609
1957-58-----	610,000	572,001	5,419,905
1958-59-----	860,000	598,236	5,966,525
1959-60-----	885,000	708,275	6,037,651
1960-61-----	850,000 Est.	820,000 Est.	³
1961-62-----	875,000 Est.	875,000 Est.	³

¹ Includes allocations from the Emergency Fund.

² Includes Attorney General costs and State Fund administrative charges.

³ Accurate estimates cannot be made until additional liability actually accrues during major portion of year.

The table does indicate however, an increase from year to year.

Workmen's Compensation for Subsequent Injuries—Continued

Because of this mounting cost for subsequent injury awards and the fact that this program is essentially a part of workmen's compensation which is universally and constitutionally a liability of the employer, with the employees as beneficiaries of the program, we believe that this program should be financed from some source of funds which represent contributions of employers or employees rather than general funds. In our opinion, an appropriate and sufficient source of funds to finance this liability exists in the form of the unclaimed refunds which accumulate annually under the State's disability insurance program. The amounts, the uses, and the circumstances under which these unclaimed refunds accumulate are described as follows.

Under the Unemployment Insurance Code wage earners are required to contribute 1 percent of wages received up to \$3,600 per year (prior to January 1, 1958, the limit was \$3,000) to the Disability Fund, the employers are required to collect these amounts as payroll deductions and pay them to the Department of Employment. Employers operating under voluntary plans make comparable deductions, except that the amount need not be as great and the deductions are not paid to the State.

The law requires each employer to deduct up to \$36 from each employee regardless of any amounts which may have been deducted by some other employer for the same employee during a given calendar year, the result being that where an employee works for more than one employer during the year, and earns in excess of \$3,600 in the aggregate, his payroll deductions will exceed \$36. Under these circumstances the law provides that the employee may file a claim for refund for the excess, such claim to be filed prior to July 1 of the following year. All refunds are made from the Disability Fund and the voluntary plan insurance carriers are assessed by the State for their pro rata share.

A recent study completed by the Department of Employment of wage earner claims for refunds of excess worker contributions for the years 1950 to 1958, inclusive, indicated that during the nine-year period the total amount subject to refund was estimated at \$54.9 million, of which only \$19.8 million, or 36 percent, was claimed by workers and refunded. The remainder, or \$35.1 million, was not claimed and was retained either by the State or by a private voluntary plan insurance carrier, whichever received the contribution in the first instance. It appears probable that about half of this amount, or approximately \$17.5 million, was collected and retained by the voluntary plan carriers, while the remaining half was collected and retained by the State.

An analysis of the foregoing report of the Department of Employment indicates that from 1950 to 1958 an average of approximately \$1,950,000 per year in excess payments of worker contributions under disability insurance are not claimed for refund and remain in the Disability Fund. It is estimated that a somewhat comparable amount is not claimed for refund from employers operating under voluntary plans.

Workmen's Compensation for Subsequent Injuries—Continued

The total unrefunded amounts subject to refund by both the voluntary plans and the State are estimated at \$5.8 million for 1957 wages and \$4.8 million for 1958 wages.

These unclaimed refunds are sufficient in amount to finance the State's liability annually for subsequent injuries and if used would relieve the General Fund of a requirement which will soon be approaching \$1,000,000 annually. *For this reason we recommend the enactment of legislation at the 1961 General Session which would authorize the payment of subsequent injuries awards by transfers from the amounts in the Disability Fund representing unclaimed refunds and for assessment of the voluntary plan insurance carriers for their pro rata share.* It is our understanding that no constitutional nor federal question would be involved in this method of financing and that it could be authorized by action of the Legislature, and thus reduce the State's General Fund budget.

The use of these unclaimed refunds under disability insurance for the payment of subsequent injury awards appears to be entirely appropriate from the standpoint of public policy, since both programs are accident and medical programs of interest to labor, with employees as the source of the contributions, and employees as the principal beneficiaries.

REFUND OF TAXES, LICENSES AND OTHER FEES

ITEM 275 of the Budget Bill

Budget page 684

**FOR REFUND OF TAXES, LICENSES AND OTHER FEES
FROM THE GENERAL FUND**

Amount requested	\$11,000
Estimated to be expended in 1960-61 fiscal year	10,000
Increase (10.0 percent)	\$1,000
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The heading and description of this item as printed in the budget does not precisely define the purpose of the appropriation. Actually, no refunds of taxes are made therefrom, but only those refunds described in Sections 13140-5 of the Government Code, i.e.,

1. Fees imposed or collected for or as a condition precedent to the issuing, making, taking or securing of any permit, filing, examination, or inspection.
2. Overpayments received by a state agency in connection with a revolving fund in the State Treasury maintained by such an agency for the purpose of assisting persons under the jurisdiction or care of the agency, or providing for the welfare of such persons.

The procedure is designed to allow expeditious refunds of non-controversial amounts erroneously paid and deposited in other than "feeder funds," thereby avoiding the necessity of filing a claim with the State Board of Control and inserting the item in a claims bill. For

Refund of Taxes, Licenses and Other Fees—Continued

example, fees erroneously paid for retail sales tax permits are not included as they are refunded by the State Board of Equalization out of the "feeder" retail sales tax fund. On the other hand, fees paid to the Corporation Commissioner are deposited directly into the General Fund and the item is mainly used to allow this and comparable agencies to certify refunds directly to the Controller for payment out of the special appropriation.

We recommend approval of this item as budgeted.

LEGISLATIVE CLAIMS

ITEM 276 of the Budget Bill

Budget page 682

**FOR SUPPORT OF CLAIMS OF THE STATE BOARD OF CONTROL
FROM THE SEVERAL FUNDS**

Amount requested	\$48,166
Estimated to be expended in 1960-61 fiscal year	110,128
Decrease (56.3 percent)	\$61,962

TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

This item represents claims filed with and approved by the State Board of Control and the Governor. Such claims are of two general types in accordance with the following provisions of the Government Code:

Section 620:

"There shall be presented to the board and it shall audit claims against the State for which settlement is provided by law but for which:

- (a) No appropriation has been made,
- (b) No fund is available, or
- (c) An appropriation or fund has been exhausted.

"Upon approval of such a claim by unanimous vote of the board, it shall with the consent of the Governor be transmitted to the Legislature with a brief statement of the reasons for approval."

Examples of claims under this section are lost or otherwise uncashed state warrants not replaceable by the issuing agency because of lack of funds, and state employees' wages for work performed for an agency which had exhausted its appropriation.

Section 621:

"Any person having a claim against the State, the settlement of which is not otherwise provided for by law, shall present it to the board at least four months before the meeting of the Legislature. . . ."

Section 622:

". . . It may hear evidence for and against them and, with the approval of the Governor, report to the Legislature such facts and recommendations concerning them as it deems proper."

Examples of claims under these sections are injuries caused by the negligence of state employees engaged in governmental activities (for which the State may not be sued except for motor vehicle accidents), and claims for tax refunds excusably filed after the statute of limitations had run.

Legislative Claims—Continued

In addition, individual legislative claim bills are often filed which, if approved by the Legislature, may be added to and paid out of this appropriation, or may be the subject of special appropriations.

ANALYSIS

The \$48,166 represents claims that were approved by the Board of Control up to October 18, 1960. Individual claims bills and Board of Control claims heard and approved subsequent to this date, but prior to final passage of the 1961 Budget Act, less Board of Control claims not approved by the Legislature, will be amended into the Budget Bill. Accordingly, such amount of \$48,166 does not truly reflect the figure which will finally appear in the Budget Act.

ITEM 277 of the Budget Bill**ANALYSIS**

Chapter 2099, Statutes of 1957, provides that the State shall reimburse, where possible, persons whose boats, nets, and other fishing equipment have been rendered valueless by legislation which prohibited the use of nets in Fish and Game District 12B, which generally includes the area between the major confluence of the Sacramento and San Joaquin rivers and the Carquinez Straits bridge, and that all persons so affected may file claims with the Board of Control for reimbursement for all boats, nets and other fishing equipment and facilities rendered useless by such legislation, which boats, nets and fishing equipment shall become property of the State on payment of such claims.

Item 266 of the Budget Act of 1958 as originally approved by the Legislature appropriated \$594,089 from the Fish and Game Preservation Fund for payment of these claims. This amount was reduced to \$350,000, by the Governor at the time he approved the Budget Bill on the basis that this would be sufficient for valid and properly audited claims, and claims amounting to \$350,000 have been paid to date.

This item appropriates from the Fish and Game Preservation Fund, to the Secretary of the State Board of Control for payment of such claims an amount equal to the sum derived or to be derived from the sale by the State of boats, nets and fishing equipment and thereafter credited to the Fish and Game Preservation Fund.

To date none of the property acquired by the State pursuant to Chapter 2099, Statutes of 1957 has been sold and it is not anticipated that any substantial sum will be received from the sale of such property.

We recommend approval of the item subject to the condition that the money be used only for payment of valid claims.

Department of Corrections

CORRECTIONAL INDUSTRIES REVOLVING FUND

ITEM 278 of the Budget Bill

Budget page 684

FOR SUPPORT OF THE CORRECTIONAL INDUSTRIES REVOLVING FUND FROM THE GENERAL FUND

Amount requested ----- \$500,000

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The Correction Industries Revolving Fund was established to provide funds for operation of various prison industries.

The requested augmentation of \$500,000 to the Correctional Industries Revolving Fund is to provide initial equipment to establish a shoe factory and knitting mill at the new East Facility—California Men's Colony. These new industries located at this new institution will provide employment to inmates and provide needed shoes and knitted wear to some other state institutions. *We recommend approval.*

PURCHASING REVOLVING FUND

ITEM 279 of the Budget Bill

Budget page 684

FOR AUGMENTATION OF THE PURCHASING REVOLVING FUND FROM THE GENERAL FUND

Amount requested ----- \$256,000

TOTAL RECOMMENDED REDUCTION ----- \$256,000

ANALYSIS

Five groups of activities are financed by the Purchasing Revolving Fund, central stores, radio maintenance, office machine repairs, rented buildings, and a state automotive pool operation. The state automotive pool includes state garages in Sacramento, Los Angeles, San Francisco, Oakland and Fresno which provide storage, gas and oil, automotive repairs and inspection services.

The only source of operating income for the fund consists of amounts included in the support appropriations made to other state agencies for services of the type furnished by Purchasing Revolving Fund activities.

The working capital and equipment needed to carry on the operations of the fund have been supplied by advances from money appropriated from the General Fund to augment the Purchasing Revolving Fund, which totaled \$2,558,954 at June 30, 1960, as shown on budget page 1025, line 76, and equipment transferred from other agencies, which totaled \$697,548 at June 30, 1960, as shown on budget page 1025, line 77. The equipment, which consists largely of automobiles, is set up at appraised value at time of transfer.

An augmentation of \$256,000 is requested for 1961-62, calculated as follows:

Purchasing Revolving Fund—Continued

	Amount	Budget	
		Page	Line
Changes in "net available budget assets" during 1961-62:			
Decreases:			
Central stores -----	—\$23,051	1026	74
Radio maintenance -----	—82,094	1027	13
State automotive pool -----	—192,710	1027	18
Total decreases -----	—\$297,855		
Increases:			
Office machine repair -----	\$1,820	1026	81
Rented buildings -----	914	2,734	1027
			8
Net decrease -----	—\$295,121	1027	23
Available from 1959 appropriation -----	39,000	1026	61
Remainder -----	—\$256,121		

It is stated that \$23,051 is needed for initial costs of a new warehouse in Los Angeles for Central Stores, \$82,094 for implementation of the increased servicing by Radio Maintenance due to expansion of the state-owned microwave system, and \$192,710 for the State Automotive Pool to finance the difference between the cost of replacing vehicles and the depreciation reserve and for initial costs of new state garages in Oakland, Fresno and Los Angeles.

We recommend disapproval of the proposed augmentation of \$256,000 for the Purchasing Revolving Fund.

Our reason for this recommendation is that we are not able to determine from available information the actual needs of the fund for an increase in capital investment.

The amounts shown in the justification are the decreases in "net available budget assets" for 1961-62. These decreases have no direct relationship to the need for additional capital since they are due in part at least, to operating losses, as shown in Table 1, which in turn are due to failure to charge agencies for the full cost of the services rendered.

It will be noted, from Table 1, that the net operating loss for the three-year period shown is \$261,881, which is the approximate amount of the augmentation requested. This leads us to conclude that in all probability the requested augmentation is in reality, a request to cover an operating deficit, rather than to provide for needed additional capital.

A governmental revolving fund activity, such as that of the Purchasing Revolving Fund, is essentially a commercial type operation, conducted along the same lines, and with the same type of an accounting system as a commercial enterprise furnishing similar types of services, with two differences:

(1) It is not intended to operate at either a profit or a loss, but strictly on a break-even basis.

Purchasing Revolving Fund—Continued

Table 1—Summary of Operations of Purchasing Revolving Fund,
by Activity, 1959-60 to 1961-62

<i>Activity</i>	<i>Sales</i>	<i>Operating expenses</i>	<i>Profit or (—) loss</i>
<i>1959-60 Actual</i>			
Central stores	\$2,976,481	\$2,981,169	—\$4,688
Radio maintenance	724,041	719,041	5,000
State automotive pool	2,476,746	2,613,296	—136,550
Office machine repair	82,707	81,208	1,499
Rented buildings	58,897	57,983	914
Total	\$6,318,872	\$6,452,697	—\$133,825
<i>1960-61 Estimated</i>			
Central stores	\$2,860,000	\$2,897,003	—\$37,003
Radio maintenance	844,423	839,423	5,000
State automotive pool	3,238,524	3,252,428	—13,904
Office machine repair	99,159	97,659	1,500
Rented buildings	62,260	61,346	914
Total	\$7,104,366	\$7,147,859	—\$43,493
<i>1961-62 Proposed</i>			
Central stores	\$3,210,950	\$3,238,114	—\$27,164
Radio maintenance	980,570	975,570	5,000
State automotive pool	3,533,514	3,598,327	—64,813
Office machine repair	112,912	111,412	1,500
Rented buildings	62,260	61,346	914
Total	\$7,900,206	\$7,984,769	—\$84,563
Totals 1959-60 to 1961-62			
Total Losses			—\$284,122
Total Profits			22,241
Total Net Loss			—\$261,881

(2) Additional working capital or additional equipment needed for expanded operations should accordingly be supplied, not from profits to be plowed back into the business, as in a commercial enterprise, but from money received from outside sources, in this case, augmentations supplied from General Fund appropriations, or, to a limited extent, from usable equipment, such as automobiles, transferred to it from outside sources, in this case other state agencies.

We believe that it follows from the foregoing that:

(1) If the operations are being conducted consistently at either a profit or a loss, *they are not being properly managed.*

(2) Augmentations to the funds should not be made to cover operating deficits, since these would not occur if the charges for goods and services were sufficient to cover all operating costs.

Proper accounting for an operation such as this contemplates that charges to agencies should include depreciation on all assets having a useful life of more than one year. Since these depreciation charges do not represent an immediate cash outlay, payment of these charges by the agencies billed, should have the effect of creating a cash reserve sufficient to replace the assets *at their original cost* at time of replacement. Any increase in cost of replacement, over the amount of the reserve so created, would of course require additional capital, and would justify an augmentation.

Purchasing Revolving Fund—Continued

Likewise *additional* equipment required for expanded services would justify an augmentation. We do not believe, however, that anticipated increases in operating expenses, including an increase in staff, would justify an augmentation, since these should be covered by increased revenues.

Reporting

While the reporting for the Purchasing Revolving Fund in the current budget is more complete than in past budgets, we still believe there is room for clarification and improvement, and accordingly we repeat the recommendation made under Item 121, namely that *a study be made by appropriate agencies in the Department of Finance, in collaboration with the Auditor General, looking toward the development of better methods of presentation of the transactions of revolving funds such as those of the Printing Fund and the Purchasing Revolving Fund, in the printed budget for the 1962-63 fiscal year.*

Past Operations of Purchasing Revolving Fund

The Purchasing Revolving Fund exists under the authority of Sec. 13373 of the Government Code which provides that the fund is under the control of the Department of Finance "and shall be used for the purchasing and selling of materials, supplies and equipment, and the rendering of services to other state agencies and, in connection therewith, for the employment and compensation of necessary personnel and expenses."

The first complete report on the fund appeared in the printed budget for 1951-52, and indicated that, for the 1949-50 fiscal year the fund had a beginning surplus of \$150,376, income of \$242,925, expenditures of \$216,278, and an ending surplus of \$177,023.

At June 30, 1955, the earned surplus had increased to \$729,067, and during 1955-56, \$427,066, which represented the accumulated surplus from radio maintenance operations to date, was refunded to purchasers.

Since that date the earned surplus has steadily declined until at June 30, 1960, it represents —\$32,873, or a deficit, as shown on budget page 1025, line 78.

ITEM 280 of the Budget Bill**ANALYSIS**

This item is identical to Item 272 of the Budget Act of 1960. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section 2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. These funds shall be available for augmentation of the Purchasing Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement of or purchase of additional automobiles may be used to augment the Revolving Fund which finances the Department of Finance car pool.

We recommend approval.

ITEM 281 of the Budget Bill

ANALYSIS

This item, which is similar to Item 273 of the Budget Act of 1960, would authorize temporary transfers from the California Water Fund (formerly the Investment Fund) to the General Fund in the event the cash position of the General Fund would require such transfers. Under the terms of Section 16310 of the Government Code transfers made from special funds to the General Fund, upon a determination of necessity by the Governor, Controller, and Treasurer, are to be returned to the fund from which transferred as soon as there is sufficient money in the fund to return it.

Since this authorization is in the nature of temporary, contingent financing only, *we recommend approval.*

CAPITOL BUILDING AND PLANNING COMMISSION

ITEM 282 of the Budget Bill

Budget page 690

FOR SUPPORT OF THE CAPITOL BUILDING AND PLANNING COMMISSION FROM THE GENERAL FUND

Amount requested	\$19,030
Contribution to State Employees' Retirement System	970
Total	\$20,000
Estimated to be expended in 1960-61 fiscal year	30,000
Decrease (33.3 percent)	\$10,000
TOTAL RECOMMENDED REDUCTION	\$4,870

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1 Junior-intermediate stenographer-clerk	\$4,512	689	7
0.1 Temporary help	358	689	9
Plus adjustments in operating expenses and retirement.			

GENERAL SUMMARY

The Capitol Building and Planning Commission, consisting of 13 members, was created in 1959 for the purposes of establishing a master plan for the development of future state buildings and other facilities in the capitol area of the City of Sacramento. While the 13 members are appointed by the Governor to serve at his pleasure, the City and County of Sacramento each have the privilege of nominating three members, the balance of seven members being solely at the discretion of the Governor.

The ultimate master plan produced by this commission would require adoption by the Legislature and subsequently the commission could recommend to the Legislature changes or revisions to the plan. Initially, the overall expenses of this commission were to be borne by a \$15,000 allocation from each of the City and County of Sacramento and \$30,000 from the State's General Fund.

The operational plan of this organization was originally based on the idea that most of its work would be accomplished through the use of contracts with appropriate technical organizations, both public and

Capitol Building and Planning Commission—Continued

private. During the current fiscal year, \$41,000 is estimated to be committed to contract services. However, in addition, two full-time positions and some temporary help were established for part of the year, presumably to facilitate the development of a master plan. These positions would also eliminate need for further contractual services. The budget for the 1961-62 fiscal year proposes to make these two positions permanent for the purposes of creating a permanent staff to serve the commission and to maintain the necessary liaison with pertinent organizations to assure that the master plan ideas and proposals will be carried out as closely as possible.

ANALYSIS

The total expenditures for the current fiscal year are estimated at \$58,891, including contributions to the Employees' Retirement Fund. This will be abated to the extent of \$28,891 from the contributions made by the City and County of Sacramento so that the net state expenditure would be \$30,000. The bulk of this expenditure, as previously pointed out, consists of \$41,000 for contract services. It is to be assumed from the proposal that the major problem of developing a master plan will have been accomplished by these contractual services and that, henceforth, the two permanent positions requested would merely serve to staff the commission and carry out the master plan.

In the first place, we seriously question whether the problem of "riding herd" on the master plan justifies the employment of a full-time staff co-ordinator. However, assuming that there might be sufficient workload to justify the position we suggest that an appropriate place for such a position would be in the "Construction Analysis" section of the Budget Division of the Department of Finance. In this location such a co-ordinator would be in far more intimate contact with all of the proposals concerning future state developments in the City and County of Sacramento and could function more effectively.

The proposal for a permanent stenographer-clerk provides a one-to-one ratio between executive and stenographer. This is substantially higher than the statewide average. By integrating the co-ordinator's position within the section mentioned, clerical help already in existence would be available to that position and thereby help to eliminate the need for this additional stenographic help. *We recommend, therefore, that the junior-intermediate stenographer-clerk be eliminated at a savings of \$4,512.*

By the same token, the need for additional temporary help could be obviated by the availability of other help within the Budget Division generally. *We, therefore, recommend the elimination of this request at a savings of \$358.*

The act which established this commission made no provisions for expenses of the members of the commission and specifically required that they serve without compensation otherwise. The budget as presently proposed would provide \$1,450 for in-state traveling, presumably to compensate the members of the commission in connection with their monthly meetings. Other operating expenses for office, printing and accounting services appears somewhat questionable and we believe they

Capitol Building and Planning Commission—Continued

should be scaled down to be commensurate with the need that would arise when and if the co-ordinator position is integrated into the Department of Finance. If the stenographer position is disallowed, this would require downward adjustments in the contributions to the State Employees' Retirement Fund.

Reserves for Contingencies

EMERGENCY FUND

ITEM 283 of the Budget Bill

Budget page 690

**FOR THE EMERGENCY FUND TO BE EXPENDED ONLY ON WRITTEN
AUTHORIZATION OF THE DEPARTMENT OF FINANCE
FROM THE GENERAL FUND**

Amount requested	\$2,000,000
Estimated to be expended in 1960-61 fiscal year	1,000,000
Increase (100 percent)	\$1,000,000
TOTAL RECOMMENDED REDUCTION	\$1,000,000

GENERAL SUMMARY

This item provides for an emergency fund available upon written approval of the Director of Finance for allocation to state agencies for contingencies for which no appropriation, or insufficient appropriation has been made by law.

ANALYSIS

Within recent years the sum of \$1,000,000 has been made available as an emergency fund and we have recommended approval of this amount to provide a single contingency fund in a reasonable amount and thus avoid the necessity of a large number of contingency items in individual agency budgets. The request for 1961-62 is in the amount of \$2,000,000, or twice the amount that has been made available by the item of appropriation in recent years.

The budget indicates that \$806,089 has already been allocated from the Emergency Fund for 1960-61, leaving a balance of \$193,911 to be allocated in the remainder of the year. Major items have been as follows: Governor's office, eight new positions, \$47,078; Department of Corrections, Nalline Testing Program, \$57,420; Trustees State College System, \$159,565; Division of Forestry, emergency fire suppression, \$410,000; Fresno State College, air-conditioning unit, \$76,000.

We recommend that the item be appropriated in the amount of \$1,000,000, thus reducing the requested amount by \$1,000,000. Our reasons for this recommendation are as follows:

1. The sum of \$1,000,000 appears to be a reasonable contingency fund in the light of past experience. This has been the legislative policy for each year except one since 1954.

2. This amount should provide for all contingencies except major emergency expenditures such as have occurred in connection with forest fire suppression. These major emergencies, should they arise, can be met, and more appropriately so, by specific deficiency appropriations by the 1962 Legislature.

Emergency Fund—Continued

3. The existence of an emergency fund, twice the size of that made available in recent years, will increase pressures for allocations which are not genuine emergencies and which could otherwise be dealt with by adjustments in budgets, or by requests for legislative approval of funds for the subsequent fiscal year.

4. Some of the allocations made in the current year are obviously not emergencies at all, and this year's experience offers no basis for any increase.

5. The increased emergency fund is requested on the basis that deficiency appropriation measures may not be presented at budget sessions. Even though it may be determined that deficiency appropriations may not be made in the budget bill, they may be made concurrently with the budget session by being placed on the call for a special session, as was done in the Budget Session of 1960 and in previous years.