

SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

ITEM 417 of the Budget Bill

Budget page 1049

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

Amount requested	\$71,518
Estimated to be expended in 1960-61 fiscal year	68,705
Increase (4.1 percent)	\$2,813

TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

The San Francisco World Trade Center Authority was established by Chapter 1508, Statutes of 1947. The mission of the authority was to construct and operate a building which would house agencies which would foster and promote world trade activities. The original legislation was designed to provide for a self-supporting activity through subscriptions from private business and revenues to be derived from rentals from the then proposed World Trade Center Building. Subsequently, Chapter 1189, Statutes of 1949, provided for a loan of \$300,000 from the San Francisco Harbor Improvement Fund to be used in constructing the building. The building was completed in March 1956, and was managed from that time until 1958 by the San Francisco Bay Area Council under a contract. In 1959 support for this function was provided from the San Francisco Harbor Improvement Fund as it has been since.

ANALYSIS

The San Francisco World Trade Center proposes to continue at the same level of service as is available currently. The \$2,813 increase results from merit salary increases and minor increases in categories of operating expense.

We recommend approval of the item as requested.

DEPARTMENT OF EMPLOYMENT

ITEM 418 of the Budget Bill

Budget page 1066

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

Amount requested	\$6,220,713
Contribution to State Employees' Retirement System	366,871
Total	\$6,587,584
Estimated to be expended in 1960-61 fiscal year	6,099,445
Increase (8.0 percent)	\$488,139

TOTAL RECOMMENDED REDUCTION	None
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Table 1—Support and Benefit Appropriations, 1961-62—Department of Employment Funds

<i>Function</i>	<i>Unemployment compensation disability</i>	<i>Department of Employment contingent</i>	<i>Unemployment</i>	<i>Unemployment administration (federal)</i>	<i>Total</i>
Support					
Salaries and wages -----	\$4,703,472	\$44,440	---	\$32,133,148	\$36,881,060
Operating expense -----	1,464,873	181,283	\$25,500	6,835,665	8,507,321
Equipment -----	52,368	---	---	100,000	152,368
Reimbursement -----	---	---	---	-76,965	-76,965
Subtotal -----	\$6,220,713*	\$225,723*	\$25,500*	\$38,991,848	\$45,463,784
Contribution to Employee Retirement -----	366,871	3,466	---	2,500,382	2,870,719
Totals, support -----	\$6,587,584	\$229,189	\$25,500	\$41,492,230	\$48,334,503
Benefit payments -----	123,200,000	---	480,000,000	---	603,200,000
Additional, extended duration -----	---	---	28,930,000	---	28,930,000
Total -----	\$129,787,584	\$229,189	\$508,955,500	\$41,492,230	\$680,464,503

* These amounts require legislative approval.

Department of Employment—Continued
ANALYSIS

The Department of Employment derives its support in the amounts and from the sources shown in Table 1, which represents our recapitulation of all proposed expenditures for fiscal year 1961-62. Budgeting for the department is on a performance basis, utilizing a time reporting and historical cost data system, which is reviewed by the federal government.

This appropriation, in support of the Disability and Hospital Benefits program, provides funds for each administrative activity in the Department of Employment in an amount corresponding to the extent of involvement in this program. These amounts are included in Table 2.

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. Contributions are made by employees, as opposed to unemployment insurance contributions made by employers. California is one of four states which has this program.

As shown on Table 2, the only portion of this appropriation which is not substantially comingled with other funds is that for the Division of Disability and Hospital Benefits, which derives 99.3 percent of its support from this source.

Currently authorized staff for that division is 527.5 man years. The workload projections indicate a requirement for 45 additional positions. Operating expense and equipment figures reflect this increase also. In addition to the central office staff, this division maintains 19 district offices, separate from the field offices of the Department of Employment involved in the administration of federally financed unemployment insurance and employment service programs.

Table 2—Support Expenditures—Department of Employment,
By Division, 1961-62

Division	Unemploy- ment compen- sation disability	Department of Employ- ment contingency	Un- employ- ment	Unemployment adminis- tration (federal)	Total
Office of the Director ----	\$11,255	\$10,860	--	\$76,830	\$98,945
Governor's Advisory Council -----	1,989	--	--	13,311	15,300
Legal Section -----	24,952	--	--	111,682	136,634
Public Information -----	8,342	--	--	41,711	50,053
Research and Statistics --	67,634	--	--	355,819	423,453
Investigation Section --	8,245	--	--	713,376	721,621
Division of Appeal -----	160,783	--	--	1,551,049	1,711,832
Division of Public Employment Offices and Benefit Payments ----	260,532	31,661	--	21,629,246	21,921,439
Division of Accounts and Tax Collection -----	186,584	--	--	2,675,302	2,861,886
Office of Assistant Director-Comptroller --	775,102	183,202	\$25,500	11,788,819	12,772,623
Division of Disability and Hospital Benefits ----	4,715,295	--	--	34,703	4,749,998
Total -----	\$6,220,713	\$225,723	\$25,500	\$38,991,843	\$45,463,784

Department of Employment—Continued

As this budget is developed along the same lines as the federally financed programs and the department does not utilize increased appropriations unless workload develops as projected, *we recommend approval of the budget as submitted.*

In addition to financing costs of administration of the program, the Unemployment Compensation Disability Fund also finances benefit payments, and as indicated in the following summary of fund condition benefit payments have been exceeding total revenues in each year since 1956-57.

Table 3—Summary of Transactions, Unemployment Compensation Disability Fund 1955-56 to 1961-62
(millions)

	Revenues	Expenditures		Ending balance
		Benefits payments	Costs of administration	
1955-56 -----	\$56.7	\$47.5	\$3.6	\$142.3
1956-57 -----	60.9	56.8	4.0	142.4
1957-58 -----	62.3	69.8	4.5	130.4
1958-59 -----	74.3	85.8	4.7	114.2
1959-60 -----	80.8	97.3	5.2	92.5
1960-61 (Estimated) -----	93.6	116.4	6.0	63.7
1961-62 (Estimated) -----	100.8	123.2	6.6	34.7

The reason for the condition illustrated in the foregoing table is that benefit payments have been liberalized in recent years while revenues, which consist chiefly of employee contributions, have not increased proportionately.

Not included in the balance shown in Table 3 is money on deposit with the federal government in the Unemployment Trust Fund, which is available for either unemployment insurance payments or disability insurance payments. This amounted to \$136,978,001 on June 30, 1960.

Elsewhere in this Analysis (Item 274 Subsequent Injuries), we have recommended that the existing state liability for subsequent injuries, now financed from the General Fund, be financed from the Unemployment Compensation Disability Fund, from amounts determined to be excess contributions available for refund but unclaimed. In this connection we have recommended enactment of legislation which will provide for a transfer into the fund of unclaimed refunds accumulated by self-insurers as well as those collected by the State which are already in the fund. If this legislation is enacted, the gain to the Disability Fund will still be greater than the amount of the appropriation required to finance the State's liability for subsequent injuries awards.

DEPARTMENT OF EMPLOYMENT

ITEM 419 of the Budget Bill

Budget page 1066

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

Amount requested	\$225,723
Contribution to State Employees' Retirement System	3,466
Total	\$229,189
Estimated to be expended in 1960-61 fiscal year	254,332
Decrease (9.9 percent)	\$25,143

TOTAL RECOMMENDED REDUCTION..... \ None

ANALYSIS

This appropriation is for support of certain activities in the Department of Employment for which the federal authorities have taken the position that funds will not be provided through federal grants, and is similar to an appropriation made for 1960-61 for like purposes.

The details of the activities are as follows:

Activity	Amount
Office of the Director:	
Assistant to the director	\$10,860
Division of Public Employment Offices and Benefit payments:	
50 percent of salaries and expenses for the community employment program	31,661
Office of the Assistant Director-Comptroller:	
Miscellaneous expense	\$650
Actuarial services	5,000
Pro rata fiscal administration, contingent fund	16,083
Community employment program	5,454
Charges under Chapter 1844, Statutes of 1959	156,015
	183,202
Total	\$225,723

Chapter 1844, Statutes of 1959, amended Section 11270 of the Government Code to include in the definition of administrative costs which are prorated among the various state agencies, amounts expended by the Legislature and the Secretary of State, and certain other items.

We recommend approval as budgeted.

Transfer from Department of Employment Contingent Fund
to General Fund

Section 3 of the Budget Act of 1960 reads as follows:

"That portion of the unencumbered balance of the Department of Employment Contingent Fund which at any time during the 1960-61 fiscal year exceeds one hundred thousand dollars (\$100,000) is hereby appropriated for transfer to the General Fund, such transfer to be made from time to time upon order of the State Controller."

We recommend that a similar section be included in the current Budget Bill, since it appears from the statement of condition of the Department of Employment Contingent Fund which appears on budget page 799, line 57, that \$1,084,236 will be available for such a transfer during 1961-62.

This recommendation follows a legislative policy which was first put into the Budget Act of 1954. Since that time transfers to the General Fund have been made in the following amounts:

Subventions**Item 420****Department of Employment—Continued**

1954-55	\$2,374,443
1955-56	1,288,297
1956-57	1,430,454
1957-58	
1958-59	2,310,730
1959-60	830,843
Total	\$8,234,776

These transfers have been made on the basis that the excess amounts in the Department of Employment Contingent Fund are not needed for administration of unemployment insurance, since these costs of administration are a proper charge to, and are fully supported by, federal funds for this activity, and the balance may be used for other needed State purposes.

DEPARTMENT OF EMPLOYMENT**ITEM 420 of the Budget Bill****Budget page 1066****FOR ADDITIONAL SUPPORT OF DEPARTMENT OF EMPLOYMENT
FROM THE UNEMPLOYMENT FUND**

Amount requested	\$25,500
Estimated to be expended in 1960-61 fiscal year	19,000
Increase (34.2 percent)	\$6,500

TOTAL RECOMMENDED REDUCTION None**ANALYSIS**

This appropriation is from funds made available to the agency under Section 903 of the Social Security Act as amended (Reed Act) and is to provide for costs of the audit by the Department of Finance of the unemployment insurance and employment service programs in the Department of Employment during 1961-62, as required under Section 13294 of the Government Code.

The federal authorities have taken the position that funds for this purpose will not be provided out of grants for administration.

A corresponding appropriation for \$19,000, was made for 1960-61.

We recommend approval as budgeted.

CONTROL SECTIONS

Sections 4 through 36 of the budget bill are the so-called "control sections" which place limitations upon the expenditure of certain appropriations, extend the availability of certain specified prior appropriations, define the authority of the Director of Finance with respect to reductions and transfers within and between categories of expenditure, and contain the usual severability and urgency clauses.

Although significant fiscal policy is contained in these sections, particularly with respect to extending the availability of prior appropriations, these sections have not been received by us in time to permit adequate review for purposes of recommendations to be incorporated in this Analysis. These control sections will be analyzed and a recommendation thereon made to the committees in hearings on the budget bill.