

DEPARTMENT OF EMPLOYMENT

ITEM 442 of the Budget Bill

Budget page 1102

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

Amount requested	\$10,164,701
Estimated to be expended in 1962-63 fiscal year	9,258,298
Increase (9.8 percent)	\$906,403

TOTAL RECOMMENDED REDUCTION _____ **None**

ANALYSIS

Expenditures for support and benefit payments in the Department of Employment's proposed budget, 1963-64, are presented in Table 1 in relation to the several funds contributing to the department's programs.

The Disability Insurance and Hospital Benefits program administered by the State of California is one of four such programs currently in effect throughout the 50 states. The program is conducted exclusively by the State of California and receives no support from the federal government. Because of its ongoing system of records and facilities, the Department of Employment was originally selected to administer the Disability Insurance and Hospital Benefits program. Costs for administration and services are met through proportionate allocation to the various divisions of the Department of Employment that are partially involved in the disability program.

The Unemployment Compensation Disability Fund (UCD) which provides all support for the Disability Insurance and Hospital Benefits program is supported entirely by employee payroll contributions. As of January 1, 1963, there were approximately four million persons covered under the program.

Chapter 2154, Statutes of 1961, relating to adverse insurance risks was enacted in the 1961 General Session and has changed considerably the ratio of voluntary insurance to state plan coverages under this program. While the private or self-insured plans covered about 22 percent of insured employees at the last writing of our analysis, the current coverage amounts to approximately 7.5 percent. Included in this legislation was a revised schedule of earned wage ceilings upon which the employee tax is based. The new scale, which increases the ceiling annually to a maximum \$5,600 in 1965, is expected to remedy the precarious balance of the UCD fund that existed at the time the measure was adopted.

The Department of Employment requests \$10,164,701 for fiscal year 1963-64, representing an increase of \$906,403 (or 9.8%) over estimated expenditures for the current year.

We recommend approval as budgeted.

Budgeting for the department is based entirely on a workload basis using estimated work units and applying to these the correlative unit time factors as developed from previous work records. Budgets are reviewed and analyzed by federal auditors and appropriations are not made available unless actual workloads develop.

Table 1. Support and Benefit Appropriations, Department of Employment
By Funds, 1963-64

<i>Function</i>	<i>Unemployment Administration (federal)</i>	<i>Unemployment</i>	<i>Unemployment Compensation Disability</i>	<i>Department of Employment Contingent</i>	<i>Totals (all funds)</i>
Support:					
Salaries and wages -----	\$41,779,654		\$7,313,254	\$47,926	\$49,140,834
Operating expenses -----	8,728,673		2,130,503	244,647	11,103,823
Equipment -----	365,000		98,112	--	463,112
Reimbursement -----	—62,015		--	--	—62,015
Subtotal -----	\$50,811,312		\$9,541,869	\$292,573	\$60,645,754
Contributions to:					
Retirement -----	\$3,195,420		\$559,938	\$3,671	\$3,759,029
Health and welfare -----	358,752		62,894	412	422,058
Total, support -----	\$54,365,484		\$10,164,701	\$296,656	\$64,826,841
Benefit payments -----	--	\$392,700,000	\$184,438,000	--	\$577,138,000
Additional payments -----	--	23,200,000 ¹	26,700 ²	75,000 ³	23,301,700
Total expenditures ----	\$54,365,484	\$415,900,000	\$194,629,401	\$371,656	\$665,266,541

Items in italic type are subject to legislative approval.

¹ Extended duration benefits.

² Interest payment on loans.

³ Support, Commission on Automation and Technological Developments (contingent upon enactment of legislation to be proposed in the 1963 General Session).

DEPARTMENT OF EMPLOYMENT

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

Amount requested	\$296,656
Estimated to be expended in 1962-63 fiscal year	279,626
Increase (6.1 percent)	17,030
TOTAL RECOMMENDED REDUCTION	\$24,062

Summary of Recommended Reductions

	Amount	Page	Line
Pro rata charges, Department of Finance audit	\$24,062	1112	36

ANALYSIS

As in previous years, the Department of Employment's budget for 1963-64 includes a request from the contingent fund for additional support of departmental activities that are not provided for through federal grants. These include expenditures for the following:

Community employment program	\$52,026
Salaries and wages	\$47,926
Operating	4,100
General operating expenses	5,500
Pro rata charges	235,047
Fiscal administration	\$14,628
Legislature	183,317
Imputed charges	13,040
Department of Finance audit	24,062
Contributions to	4,083
Health and welfare	412
Retirement	3,671
	\$296,656

The community employment program is directed on a cost-sharing basis with the federal government. Its objectives are to promote local employment programs and to co-operate with employers and prospective employers in the development of industrial projects.

Among the pro rata charges listed in the foregoing table is the cost of reimbursing the Department of Finance for its annual audit of the Department of Employment. In our analysis of the 1962-63 Budget Bill we pointed out the extent to which the Department of Employment is currently subject to audit. We repeat that statement:

"The Department of Employment is subject to audit by two agencies of the federal government, the Bureau of Employment Security and the General Accounting Office, and by two state agencies, the Auditor General and the Department of Finance. In addition the department has its own internal audit staff consisting of eight auditors."

We recommend a reduction of \$24,062, budget page 1112, line 36, representing pro rata charges for costs of the Department of Finance audit out of the Department of Employment Contingent Fund.

We have been informed by the Department of Employment that federal funds are made available to the various states for support of audit

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programs, providing there is no duplication of audit by an outside agency. For this reason, the internal audit staff of the Department of Employment keeps the scope of its audit below that of the Department of Finance.

We are advised that the Department of Employment would become eligible for federal grants to support an expanded scope of its internal audit, providing the Department of Finance discontinues its present audit program. In such event, the audit reports produced by the Department of Employment staff would be available to the Department of Finance for review and analysis.

While we are aware that the Department of Finance under Section 13294 of the Government Code has a statutory responsibility to "...examine and expert the books of the several state agencies, at least once every two years. . . ." we believe that a review by that department, of audit reports prepared by internal auditors of the Department of Employment, might fulfill this requirement, provided the audit performed by these auditors were expanded in scope to the present coverage of audits now made by the Department of Finance.

DEPARTMENT OF EMPLOYMENT

ITEM 444 of the Budget Bill

Budget page 1116

FOR SUPPORT OF COMMISSION ON AUTOMATION AND TECHNOLOGICAL DEVELOPMENTS FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested	\$75,000
Estimated to be expended in 1962-63 fiscal year	None
Increase	\$75,000

TOTAL RECOMMENDED REDUCTION..... Unresolved

ANALYSIS

The Department of Employment requests \$75,000 for the fiscal year 1963-64, budget page 1116, line 22, as support for the Commission on Automation and Technological Developments.

This commission does not exist at the present time. The appropriation is requested in anticipation of the passage of legislation to create the commission. Without full knowledge of the powers and duties of the commission we are in no position to analyze this item.

Therefore, we can make no recommendation at this time.

DEPARTMENT OF EMPLOYMENT

ITEM 445 of the Budget Bill

Budget page 1102

FOR INTEREST PAYMENTS ON LOANS FROM THE
UNEMPLOYMENT COMPENSATION
DISABILITY FUND

Amount requested	\$26,700
Estimated to be expended in 1962-63 fiscal year	None
Increase	\$26,700

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The remedial legislation, Chapter 2154, Statutes of 1961, discussed in connection with the Unemployment Compensation Disability Fund, Item 443, does not appear to have been enacted in sufficient time to ward off a brief period of low cash in the UCD fund during April of 1964, according to current predictions. In order to maintain the fund at that time a loan of \$8 million will be necessary. The Department of Employment requests \$26,700, budget page 1102, line 14, representing the cost of interest on this loan at 4 percent per annum for a 30-day period.

We recommend approval as budgeted.

CONTROL SECTIONS

Sections 3.5 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.