

United Spanish War Veterans Commission—Continued

desirability of maintaining the precedent for a commission to pursue the presumed special needs or interests of a specific small group.

We, therefore, recommend deletion of the entire amount.

ADVISORY COMMISSION ON INDIAN AFFAIRS

ITEM 270 of the Budget Bill

Budget page 872

FOR SUPPORT OF THE ADVISORY COMMISSION ON INDIAN AFFAIRS FROM THE GENERAL FUND

Amount requested -----	\$32,272
Estimated to be expended in 1964-65 fiscal year -----	27,994
Increase (15.3 percent) -----	\$4,278

TOTAL RECOMMENDED REDUCTION -----	None
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PROGRAM PLANS AND BUDGET

The Advisory Commission on Indian Affairs plans to continue its function of studying the problems of American Indians residing in California in order to propose possible revisions in the California code relative to the status of Indians and the four relocation centers in the state. This will be the commission's last full year of operation as the final report of the commission is due on or by September 18, 1966.

The commission proposes a total expenditure of \$32,372 for 1965-66 which is to be entirely supported by a General Fund appropriation. This represents an increased level of expenditure of 15.3 percent from the 1964-65 fiscal year. The 1965-66 budget request proposes no new or expanded services.

With an administrative reduction of 0.1 temporary help, the commission is requesting funds for an authorization of 2.2 positions in 1965-66.

REVIEW OF AGENCY ACCOMPLISHMENTS

The commission expended a total of \$16,188 in fiscal 1963-64 in its activities related to the study and review of Indian problems, with a total staff authorization of 2.3 positions. A total of \$25,000 was appropriated by 1963 legislation for the activities of this commission. Activities of the commission in 1963-64 were centered around the identification of problems and possible solutions in the field of Indian affairs in preparation for its final report in 1966.

ANALYSIS AND RECOMMENDATIONS

The major item of the increased proposed expenditures is the printing item for \$3,500. The increased expenditure for printing is to finance the cost of printing the commission's final report.

We recommend approval of the total proposed expenditure as budgeted.

CALIFORNIA ARTS COMMISSION

ITEM 271 of the Budget Bill

Budget page 873

FOR SUPPORT OF THE CALIFORNIA ARTS COMMISSION
FROM THE GENERAL FUND

Amount requested	\$52,197
Estimated to be expended in 1964-65 fiscal year	60,530
Decrease (13.8 percent)	\$8,333
TOTAL RECOMMENDED REDUCTION	None

PROGRAM PLANS AND BUDGET

The California Arts Commission was established by Chapter 1742, Statutes of 1963. The purpose of the commission as stated in the chapter is "to insure that the role of the arts in the life of our community will continue to grow and to play an ever more significant part in the welfare and educational experience of our citizens, and establish the paramount position of this state in the nation and in the world as a cultural center."

The commission is composed of 15 members appointed by the Governor, plus two assemblymen and two senators, broadly representing all fields of the performing and visual arts.

The statute sets forth the programs to be carried out by the commission as follows:

1. Make a comprehensive survey of public and private institutions engaged within the state in artistic and cultural activities, including but not limited to music, theater, dance, painting, sculpture, architecture and allied arts and crafts, and of such other cultural resources in the state as are contemplated by this chapter.
2. Determine the legitimate needs and aspirations culturally and artistically of our citizens in all parts of the state.
3. Ascertain how these resources, including those already in existence and those which should be brought to existence, are to serve the cultural needs and aspirations of the citizens of the state.
4. Assist the communities within the state in originating and creating their own cultural and artistic programs.
5. Submit a report to the Governor and to the Legislature not later than 10 calendar days following the commencement of each general session of the Legislature concerning such studies it has made and such actions it has taken and recommending such legislation and other action as is necessary for the implementation and enforcement of this chapter.

The budget proposes a total expenditure of \$52,197 for the 1965-66 fiscal year which is \$8,333 or 13.8 percent less than that which is anticipated to be expended during the current year.

During the current year 3 permanent positions and 1.2 temporary help positions were provided administratively to carry out the programs outlined in the law. The same positions are shown as proposed new positions for the 1965-66 fiscal year.

California Arts Commission—Continued

REVIEW OF AGENCY ACCOMPLISHMENTS

This commission was established in 1963 and the executive secretary did not take office until May of 1964. A questionnaire designed to accumulate information as to organizations, programs, and art facilities in California has been initiated. It is too soon to report the results of the survey, however, or other significant activity on the part of the commission or its staff.

In compliance with the law the commission, in January 1965, submitted a report to the Governor and the Legislature on its activities. This report chronicles the meetings held by the committee, its goals, and a recommended program the financing of which is not included in this budget but which calls for an initial expenditure of \$125,000 in 1965-66.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the budget as proposed.

BOARD OF HARBOR COMMISSIONERS FOR HUMBOLDT BAY

ITEM 272 of the Budget Bill

Budget page 875

FOR SUPPORT OF BOARD OF HARBOR COMMISSIONERS
FOR HUMBOLDT BAY FROM THE GENERAL FUND

Amount requested	\$2,800
Estimated to be expended in 1964-65 fiscal year	2,765
Increase (1.2 percent)	\$35
TOTAL RECOMMENDED REDUCTION	\$2,800

Summary of Recommended Reductions

	Amount	Page	Line
From amount requested to maintain existing level of service:			
Delete General Fund support	\$2,800	875	79

PROGRAM PLANS AND BUDGET

The Board of Harbor Commissioners for Humboldt Bay was created by the Statutes of 1945, Chapter 179, to take over all of the duties and responsibilities then vested in the Department of Public Works with respect to Humboldt Bay and Eureka Harbor. The subject of the duties, powers and responsibilities is covered by Sections 3800 through 3881 of the Harbors and Navigation Code. In effect the legislation is a statement in which the state accepts responsibility for the bay and port.

The commission thus created consists of three members appointed by the Governor with the consent of the Senate, each member having a four-year term. The Governor is also directed to designate one of the appointees to act as ex officio surveyor of the port and secretary of the board. The code also directs that the salary of the surveyor-commissioner be \$1,800 annually and that of each of the other two commissioners \$500 annually.

The basic purpose of the board is to insure that the Corps of Engineers maintains the harbor in accordance with standards adopted in 1953 and to pursue the need for any improvements or changes in harbor conditions. Principally, therefore, this goal is for the general benefit of

Board of Harbor Commissioners for Humboldt Bay—Continued

the Eureka Harbor, none of which is owned or operated by the state or for the state's immediate benefit.

The total budget proposal involves merely the salaries mentioned above totaling \$2,800. No other expenses are included.

ANALYSIS AND RECOMMENDATIONS

In previous analyses we have pointed out that San Diego Harbor at one time had such a commission which was abolished in 1945. San Francisco Harbor is almost wholly owned by the state and is a self-supporting operation which takes care of problems of this nature. In the case of the Eureka Harbor the state receives no direct benefit and it would seem to be a matter of equity that the area or the facilities receiving the benefit of the services of this commission should support it locally.

In view of the history of legislative action on this appropriation and the absence of any supporting workload data justifying a state expenditure of this amount, we recommend deletion of the proposed appropriation.

In the 1954-55 Budget an appropriation of \$2,000 was requested to operate the Board of Harbor Commissioners of Humboldt Bay. This item was deleted by the Legislature on the basis of audit reports indicating the low workload required in recording activities for the harbor. The harbor received no state appropriation from that year until it was reestablished administratively by action of the Governor in providing an emergency fund allocation in September of 1962. During all these intervening years the recordkeeping of the harbor activities was supplied by the local office of the Department of Public Works. No budget justification has been supplied which indicates why this minimum service cannot continue to be supplied on a local basis.

POLICY OPTION

Deletion of the proposed appropriation would, of course, have the effect of making the Board of Harbor Commissioners inactive as it was between the years 1954 and 1962. Although this action could be taken by the Legislature without amendments of the Harbors and Navigation Code a desirable policy option and one which we would recommend would be the repeal of the provisions establishing the Harbor Commissioners for Humboldt Bay as a state commission leaving it entirely to the local area to establish as a municipal function.

PERSONAL SERVICES NOT ELSEWHERE REPORTED

ITEM 273 of the Budget Bill

Budget page 876

**FOR THE STATE'S CONTRIBUTION FOR THE COST OF
A BASIC HEALTH PLAN FOR ANNUITANTS
FROM THE GENERAL FUND**

Amount requested	\$1,013,700
Estimated to be expended in 1964-65 fiscal year	845,000
Increase (19.9 percent)	\$168,000
TOTAL RECOMMENDED REDUCTION	None

Personal Services Not Elsewhere Reported—Continued

ANALYSIS AND RECOMMENDATION

A sum of \$1,013,700 is proposed as the state's contribution for health and welfare benefits for annuitants of retirement systems to which the state contributes. This amount is \$168,700, or 19.9 percent more than is estimated to be expended during the current fiscal year.

The state pays \$6 per month plus 5 percent of the total cost of premiums for annuitants of the various retirement systems to which state employees belong in accordance with the provisions of the Meyers-Geddes State Employees' Medical and Hospital Care Act.

The increase for the budget year is based on an estimated 21 percent increase in the number of enrolled annuitants.

We recommend approval as budgeted.

REFUNDS OF TAXES, LICENSES AND OTHER FEES

ITEM 274 of the Budget Bill

Budget page 877

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

Amount requested	\$20,000
Estimated to be expended in 1964-65 fiscal year	20,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This item is used to refund fees paid to state agencies as a necessary prerequisite to receiving permits, taking examinations and making filings and inspections and also to refund overpayments into certain revolving funds in the State Treasury to assist individuals who are under the jurisdiction or care of state agencies. These refunds are described in Sections 13140-5 of the Government Code. The refunds are non-controversial and use of this fund avoids the necessity of Board of Control action and inserting items in the claims bill. In addition, funds are made available from this item to pay prior judgments, liens or encumbrances under Government Code Section 12516.

We recommend approval as budgeted.

LOS ANGELES WORLD TRADE CENTER AUTHORITY

ITEM 275 of the Budget Bill

Budget page 878

FOR SUPPORT OF THE LOS ANGELES WORLD TRADE
CENTER AUTHORITY FROM THE GENERAL FUND

Amount requested	\$10,000
Estimated to be expended in 1964-65 fiscal year	10,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	\$10,000
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Summary of Recommended Reductions

	Amount	Budget Page	Line
From amount requested to maintain existing level of service:			
Delete General Fund support—L.A. World Trade Center	\$10,000	878	29

Los Angeles World Trade Center Authority—Continued

ANALYSIS AND RECOMMENDATIONS

The budget includes \$10,000 from the General Fund for unitemized expenditures by the Los Angeles World Trade Center Authority. The authority was created in 1947 and for many years was carried in the budget with a proposed cost of \$10,000, but there have been no actual expenditures, and in the budgets for 1963-64 and 1964-65, the item was dropped entirely. The Budget Act of 1964 provided \$10,000 for the support of the authority in 1964-65, but to date there have been no expenditures. It is our understanding the authority is now formulating a program for 1965-66 and will probably request that the item be augmented by about \$32,000.

In line with our recommendation on Item 276, we recommend elimination of the item as the goals of the authority are essentially of regional rather than statewide interest and would be more properly financed from regional sources. The regional nature of the authority's objectives is demonstrated by the existence of the San Francisco World Trade Center Authority which has similar powers and authorities, including, as a primary goal, the development of trade for the benefit of a particular region. The San Francisco World Trade Center Authority was financed from the San Francisco Harbor Improvement Fund until 1964-65 when it was changed to General Fund support. We are also recommending that those activities of the San Francisco World Trade Authority which are primarily of regional, rather than statewide, interest be restored to non-General Fund financing.

SAN FRANCISCO WORLD TRADE CENTER AUTHORITY

ITEM 276 of the Budget Bill

Budget page 880

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

Amount requested	\$166,252
Estimated to be expended in 1964-65 fiscal year	171,168
Decrease (2.9 percent)	\$4,916
TOTAL RECOMMENDED REDUCTION	\$88,552

Summary of Recommended Reductions

	Amount	Budget Page Line	
From amount requested to maintain existing level of service:			
Delete General Fund support—S.F. World Trade Center...	\$88,552	881	39

ANALYSIS AND RECOMMENDATIONS

The San Francisco World Trade Center Authority has as its stated objective the encouragement of domestic and international trade. The authority consists of the Director of Public Works, the Director of Finance, the President of the San Francisco Port Authority and eight public members appointed by the Governor. In addition to its other activities, it manages the World Trade Center located in the Ferry Building, San Francisco.

The proposed 1965-66 activities of the San Francisco World Trade Center Authority would consist of the following two programs.

San Francisco World Trade Center Authority—Continued

1. World Trade Development Program. Under this program, representatives are maintained in foreign countries to expand overseas markets for California products, to stimulate interest in California products and markets among foreign businessmen and to develop tourism for the benefit of the state. This program was authorized for the first time in 1963-64 when \$50,238 was appropriated from the General Fund. The program was continued in 1964-65 and for 1965-66, \$77,700 is requested from the General Fund. An office was established in Mexico City in 1963-64 and by the end of 1965-66 it is proposed to have additional offices operating in the Orient, probably in Tokyo, and Europe, probably Paris. *We recommend approval as budgeted on the basis that if General Fund support is to be used for trade development this part of the program is of more statewide interest.*

2. San Francisco World Trade Center Program. The authority serves as a foreign trade information source for both domestic and foreign businessmen and works with foreign government trade missions. The San Francisco Ferry Building is managed by the authority and a world trade library is maintained at that location. This program has been in existence for many years and until 1964-65 was financed entirely from the San Francisco Harbor Improvement Fund. In 1964-65, support of this activity was transferred to the General Fund. The proposed expenditures for 1965-66 are \$88,552, all from the General Fund.

We recommend that this item be reduced by \$88,552 and that the San Francisco World Trade Center program be restored to the method of funding which existed prior to 1964-65. This portion of the authority's activity is more regional than statewide in content and would be more appropriately financed by San Francisco harbor funds as was the situation prior to the Budget Act of 1964. The local or regional character of the program is emphasized by the plans of a comparable body, the Los Angeles World Trade Center Authority, to become active in 1964-65 and to embark on a full program in 1965-66. Under this recommendation, the San Francisco Port Authority would have the option of resuming or not resuming the financial support of the trade center program.

A comparable recommendation for the funding of the Los Angeles World Trade Center Authority is contained in our analysis of that item.

INTEREST PAYMENTS ON LOANS TO GENERAL FUND

ITEM 277 of the Budget Bill

Budget page 885

FOR INTEREST PAYMENTS ON LOANS TO GENERAL FUND FROM THE GENERAL FUND

Amount requested	\$483,336
Estimated to be expended in 1964-65 fiscal year.....	1,477,295
Decrease (105.6 percent)	\$993,959
TOTAL RECOMMENDED REDUCTION.....	None

**Interest Payments on Loans to General Fund—Continued
ANALYSIS**

It is necessary for the General Fund to borrow at certain times during the year for short periods of time in order to meet cash disbursements pending receipt of certain revenues.

This appropriation, which is similar to that made by Item 296 of the Budget Act of 1964, provides for payment of interest on temporary borrowings by the General Fund from any special fund, other than the Division of Architecture Revolving Fund, which is subject to investment. The rate of interest as specified in Section 16310.5 of the Government Code is the maximum allowed on interest bearing time deposits in banks at the time the money is borrowed. For loans of more than 90 days this is currently 4 percent.

The amount proposed for 1965-66 is calculated at a rate of 1 percent on proposed borrowings on the theory that existing law will be amended at the 1965 Session of the Legislature to permit use of such a reduced rate. If this legislation is not enacted the budget is understated by approximately \$1 million.

We recommend approval as budgeted.

RESERVE FOR CONTINGENCIES—EMERGENCY FUND

ITEM 278 of the Budget Bill

Budget page 888

**FOR SUPPORT OF THE EMERGENCY FUND TO BE EXPENDED
ONLY UPON WRITTEN AUTHORITY OF THE DEPARTMENT
OF FINANCE FROM THE GENERAL FUND**

Amount requested	_____	\$1,000,000
Appropriated by the 1964 Budget Act	_____	1,000,000

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS AND RECOMMENDATIONS

The Emergency Fund provides a source from which the Department of Finance can allocate funds to state agencies for expenses which result from unforeseen contingencies and which are not covered by appropriations made by law. The item also includes a proposal, as it has in prior years, for authority for \$500,000 to make loans to agencies whose operations would be curtailed due to delayed receipt of reimbursements or revenues. Interest would be charged on loans made to special funds.

The amount proposed, \$1,000,000, amounts to a token request since total allocations from the fund have exceeded the budgeted amount in eight of the last ten years, including every year since 1959-60, and deficiency appropriations have been necessary. For the current year, the Department of Finance indicates a deficiency appropriation of \$4,500,000 will be requested to augment the \$1,000,000 appropriated for the fund in the budget act of 1964. The history of funds appropri-

Reserve for Contingencies—Emergency Fund—Continued

ated, amounts allocated to agencies and deficiency appropriations for the last 10 years is shown below:

Contingency Fund, Appropriations and Allocations, 1954-55 to 1964-65

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
1954-55 -----	\$1,614,858	\$806,840	---
1955-56 -----	1,000,000	879,777	\$220,234
1956-57 -----	1,000,000	1,089,345	500,000
1957-58 -----	1,500,000	561,342	---
1958-59 -----	1,000,000	995,925	---
1959-60 -----	1,000,000	2,123,785	1,325,839
1960-61 -----	1,000,000	1,212,920	340,000
1961-62 -----	1,000,000	3,675,690	3,200,000
1962-63 -----	1,000,000	2,010,668	1,500,000
1963-64 -----	1,000,000	4,297,640	4,750,000
1964-65 -----	1,000,000	4,968,378 (est.)	4,500,000 (est.)
1965-66 -----	1,000,000 (prop.)	---	---

For 1964-65, it is expected that allocations from the fund will total \$4,968,378. Of this amount, \$4,791,843, or 96.4 percent, would be for state operations, \$85,236, or 1.7 percent, for capital outlay, and \$91,299, or 1.8 percent, for local assistance. Loans would total \$241,300. The major expense items, those for over \$100,000, account for more than 78 percent of the allocations expected in 1964-65. These are listed below:

San Fernando Valley State College, Enrollment increase -----	\$123,084
Board of Equalization, Administrative cost of revised auto use tax law -----	100,533
Hospitals for mentally ill, Unrealized salary savings -----	591,500
Department of Social Welfare, Reduction of available federal funds -----	158,009
Department of Justice, Rent and moving expenses -----	137,000
Department of Conservation, Emergency fire suppression and detection -----	1,500,000
Payment of Interest on General Fund Loans, Rate increase -----	1,389,795
Total -----	\$3,899,921

None of the expenditures being financed in 1964-65 from the emergency fund have been subject to legislative review. Where appropriate, we comment upon expenditures by individual agencies in the analysis of the budget request of the agency.

We recommend approval as budgeted.

DATA PROCESSING EQUIPMENT

ITEM 279 of the Budget Bill

Budget page 894

**FOR AUGMENTATION OF AGENCY BUDGETS FOR PURCHASE
OF DATA PROCESSING EQUIPMENT FROM THE GENERAL
FUND**

Amount requested	\$108,617
Estimated to be expended in 1964-65 fiscal year	117,797
Decrease (8.5 percent)	\$9,180

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This is a new item which was amended into the Budget Act of 1964 for the purchase of rented data processing equipment where it appeared purchase would be less costly to the state than continued rental. The amount of the item was \$117,797 of which \$99,180 has been allocated by the Department of Finance to agencies thus far in 1964-65 for equipment purchase. We are informed by the Department of Finance that it is anticipated the remaining balance of \$18,617 will be allocated during the balance of 1964-65 and total allocations will be \$117,797, the amount of the appropriation.

For 1965-66, \$108,617 is requested for allocation to agencies for this purpose. *We recommend the item be approved as budgeted for 1965-66.*

We further recommend that in the future these funds be included in the support budget requests of the particular agencies which are to purchase the equipment rather than as a separate item. The allocation of the requested funds to be made among agencies is known in advance to the Department of Finance when the budget is being prepared. In the subsequent year, the actual allocations are shown in the budget. This method of budgeting serves no useful purpose and tends to obscure the full proposed costs for particular agencies and programs.

TORT LIABILITY CLAIMS

ITEM 280 of the Budget Bill

Budget page 895

**FOR THE ADMINISTRATION AND PAYMENT OF TORT
LIABILITY CLAIMS FROM THE GENERAL FUND**

Amount requested	\$7,050,000
Estimated to be expended in 1964-65 fiscal year	795,773
Increase	\$ 6,254,227

TOTAL RECOMMENDED REDUCTION	\$6,300,000
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ANALYSIS AND RECOMMENDATIONS

For 1965-66 the state plans to follow a program of noninsurance for tort liability claims of up to \$1 million and to carry risk insurance for claims from \$1 million to \$5 million. This plan went into effect on September 20, 1964, for all state agencies excepting those having special liability problems and the University of California.

This method of protection is consistent with the recommendations of consultants retained in 1963 by the state to advise on how best to

Tort Liability Claims—Continued

meet the insurance problem posed by tort claims liability. The problem came into being as a result of a 1961 court decision which removed from the state the defense of sovereign immunity. In 1963, legislation was enacted defining the conditions of the state's liability and, on the effective date of the legislation, September 20, 1963, the state acquired comprehensive insurance coverage from commercial carriers as interim protection.

Under the comprehensive insurance coverage acquired in 1963, the insurance carriers were to settle substantially all claims and be reimbursed by the state for losses and administrative costs. It was the recommendation of the consultants, submitted in January 1964, that the state discontinue this coverage and adopt a plan of noninsurance with insured protection for catastrophe-type losses only.

For 1965-66 most of the proposed appropriation of \$7,050,000 would be for settlement of \$6,300,000 in claims as a result of the Yuba City flood disaster of 1955. Administrative costs are proposed at \$178,688 of which \$170,470 would be allocated to the Department of Justice and \$8,218 to the Board of Control. The balance of \$571,312 would be for other losses. In addition, \$500,000 would be appropriated from special funds for losses. The Department of Public Works is under the plan but its expenditures are not included under this item. When the administrative costs related to special fund losses are known, these costs will be allocated to the particular funds.

Payment of the flood claims is a far-reaching policy decision, based on a superior court decision, not appealed by the state, which may throw into doubt the whole program of flood control expenditures by the state. We cannot recommend approval of this item without full legislative inquiry into the facts surrounding the decision and its implications to the state's future liabilities. For further discussion, see the analysis of Item 259.

Specifically the Legislature should be apprised fully as to the reasons why the state was at fault so that efforts may be made to avoid the potential liability to which it will apparently be exposed in undertaking future public works.

Pending clarification of this issue we recommend disapproval of the amount of \$6,300,000.

LEGISLATIVE CLAIMS

ITEM 281 of the Budget Bill

Budget page 896

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

Amount requested.....	\$73,244
Estimated to be expended in 1964-65 fiscal year.....	228,117
Decrease	<u>\$154,873</u>

ANALYSIS

This item includes claims which have been approved by the Board of Control and the Governor up to October 20, 1964. These claims are generally one of two types: claims for which settlement is provided

Legislative Claims—Continued

for by law but for which no funds are available or; claims for which settlement is not otherwise provided for by law. These claims were filed with the board and approved under the provisions of Government Code Sections 905.2 and 912.8.

The amount shown in the budget, \$73,244, overstates the amount of the claims actually approved by the Board of Control as of October 20, 1964, by \$49,830. The amount included in the \$73,244 for claims against the State Highway Fund is \$50,000 but we are informed by the Board of Control that actual claims approved against the fund total \$169.31. It is our understanding the Department of Finance will make the appropriate adjustment. With this adjustment, the total expenditure in the budget will be \$23,414.

The summary of claims, by class, is shown below:

Summary of Claims Approved by the Board of Control, by Class	
I. Outlawed checks, invoices, warrants and unclaimed deposits (1-24)	\$2,304
II. Refund of taxes, penalties and fees (25-40)	6,098
III. Shortages (41-72)	3,740
IV. Compensation for services rendered (73-81)	2,205
V. Compensation for services rendered under contract or service agreement (82-84)	363
VI. Damage to or loss of property (85-96)	2,035
VII. Injuries (97)	835
VIII. Travel expenses (98)	36
IX. Moving and relocation expenses (99-109)	2,762
X. Unclassified (110-117)	3,036

Total all claims approved by Board of Control to and including October 20, 1964	\$23,414
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In addition to those discussed above, individual legislative claim bills are often filed which, if approved by the Legislature, may be added to this appropriation or may be the subject of special appropriations. Individual claims bills and Board of Control claims heard and approved subsequent to October 20, 1964, but prior to final passage of the 1965 Budget Act, less board-approved claims not approved by the Legislature, will be amended into the Budget Bill. For this reason, the \$23,414 discussed above does not necessarily reflect the amount which will appear in the Budget Act as enacted.

WORKMEN'S COMPENSATION BENEFITS FOR STATE EMPLOYEES

ITEM 282 of the Budget Bill

Budget page 897

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

Amount requested	\$3,010,000
Estimated to be expended in 1964-65 fiscal year	3,000,000

Increase (.03 percent)	\$10,000
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TOTAL RECOMMENDED REDUCTION	None
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PROGRAM PLANS AND BUDGET

The program provides workmen's compensation payments for industrial injuries to state employees of all General Fund supported agencies.

Workmen's Compensation Benefits for State Employees—Continued

Included in the total cost is the service or overhead charge of the State Compensation Insurance Fund of 12.5 percent of the total claims paid. The state fund administers the program under a master agreement with the Department of Finance. Special Fund supported agencies include similar costs as a line item in their budget requests titled "compensation insurance" or "accident and death claims." These funds are either administered in the same manner as the General Fund appropriation, by agreement, or paid as premiums on regular policies issued by the state fund. In addition, some few state agencies' overhead costs for services provided by the State Compensation Insurance Fund are at higher rates than that indicated above. An amount of \$3,010,000 is requested for support of this program for fiscal year 1965-66, an increase of \$10,000, or 0.3 percent over the current year.

REVIEW OF ACCOMPLISHMENTS

In fiscal year 1963-64 under the master agreement covering state employees of General Fund agencies, the state fund performed 28,643 transactions involving the payment of industrial injury or death benefits of \$2,427,847. The service charge on these benefits amounted to \$302,577. These expenditures were charged to the appropriation of \$3 million for this purpose thus resulting in an unexpended or over-budgeted balance of \$269,876.

Under similar agreements providing the same services for state employees of Special Fund agencies, the fund executed 17,012 transactions pertaining to payment of benefits of \$1,385,212 for which the service charges amounted to \$192,377.

The above expenditures, totaling \$4,308,013, funded the benefits of an estimated 11,300 claims.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The state fund advises it has made this budget proposal on the basis of what it believes to be valid current trends in workmen's compensation claims but if consideration is given to the average annual increase (10.4 percent) in this item over the past three years of actual cost experience, it appears there is a real danger of the amount being insufficient to meet the costs by approximately \$240,000 thus necessitating a deficiency appropriation in the middle year.

We recommend that funds for this purpose be included in each departmental budget as a line item and that the state, in its role as a self-insurer, fix responsibilities in respect to the standards of management performance desired and the control to be exercised at the departmental level in the use, disbursement and future justification of these funds.

The present manner of budgeting these state costs of industrial accidents for General Fund agencies as a lump sum administered by the state fund without specific departmental management control responsibility being exercised can only result in excessive costs.

We note that with the exception of the unexplainable drop in claims for fiscal year 1962-63, the percent of annual increase in claims over

Benefits and Service Charges

	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65*	1965-66*
General Fund -----	\$1,675,064	\$2,027,245	\$2,225,195	\$2,415,750	\$2,730,424	\$2,880,000	\$3,010,000
Increase over prior year-----	22.5%	21.0%	9.7%	8.5%	13.0%	5.4%	4.5%
Special fund -----	948,720	1,034,301	1,134,667	1,400,930	1,577,589	1,686,000	1,762,000
Increase over prior year-----	22.5%	21.0%	9.7%	23.5%	12.6%	6.9%	4.5%
Total -----	\$2,150,243	\$2,623,714	\$3,061,546	\$3,359,862	\$4,308,013	\$4,566,000	\$4,772,000
Increase over prior year-----	10.7%	22.0%	16.7%	9.7%	28.2%	5.9%	4.5%
Injury claims -----	9,635	10,396	11,026	10,491	11,300*	--	--
Cumulative incurred costs on 6/30---	\$2,816,000	\$3,504,000	\$6,303,000	\$7,202,285	\$5,500,000*	--	--

* Estimated

Workmen's Compensation Benefits for State Employees—Continued

the past five years has consistently been in excess of the percentage increase in the number of state employees. Whether this difference in ratio of increase is due to lack of observance of proper safety precautions or an increased awareness of the program is not known but it is beyond all doubt proving more costly to the state, thus, we reemphasize our position that a vigorous and workable safety program be initiated at the departmental directorate level with the end view of reducing industrial injuries and costs.

POLICY OPTIONS

At present, state employees are covered for workmen's compensation benefits by two different procedures: (1) by agreement with the state fund, with the state in a self-insurer role, and benefits being paid from funds appropriated for this purpose; and (2) by regular policies with the state fund. In the first instance, the state agency does not participate in premium dividends nor exercise any administrative control, as the agreement may generally be described as a program of self-insured cost plus percent of total benefits paid. The second instance concerns some Special Fund agencies in which regular policies are written to cover those employees whose entire salaries are funded from proprietary funds or revenues and in these cases the agencies participate in premium dividends in the same manner and degree as other state fund policy holders.

Which of these plans is to the best advantage of the state on a long-range basis cannot be precisely stated at this time. It would appear that the high premiums and reserves which would have to be established should all state employees be covered by agency-type policies, as well as the additional paperwork which would be involved, may rule out this approach on a statewide basis, but some segments of state government might be insured profitably in this manner.

It may be desirable to initiate a comprehensive study of this problem to determine criteria which could be applied to employee segments (either division, departmental, civil service classes, etc.) of state government to determine which approach would be most economical in the long run.

WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

ITEM 283 of the Budget Bill

Budget page 898

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

Amount requested	\$775,000
Estimated to be expended in 1964-65 fiscal year	770,000
Increase (0.6 percent)	\$5,000
TOTAL RECOMMENDED REDUCTION	None

Workmen's Compensation Benefits for Subsequent Injuries—Continued**PROGRAM PLANS AND BUDGET**

This appropriation is made to support payment of industrial injury compensation claims for workers who have suffered prior industrial injuries. The purpose is to reduce or mitigate the liability of employers for indemnification of industrially injured employees of this type and thus provide an incentive for their continued employment. An amount of \$775,000 has been requested for this purpose and will be administered by the State Compensation Insurance Fund. The Attorney General represents the state in all hearings, investigations and proceedings related to subsequent injury claims.

REVIEW OF ACCOMPLISHMENTS

The State Compensation Insurance Fund paid out a total of \$670,740 in fiscal year 1963-64 under this program. This total cost may be broken down in the approximate percentages as follows: benefits, 76 percent; services of the Attorney General, 20 percent; and administrative service charges, 4 percent. The total number of claims reported in fiscal 1963-64 were 102 and the total cumulative outstanding benefits at the end of the fiscal year amount to \$8,758,446.

Since the inception of the program in 1947-48 through the last actual expenditure year (a 16-year period) there have been 1,131 claims reported and the total expenditures amount to \$6,002,819 of which \$3,348,186 were made in the past five actual expenditure years.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

We note that the costs of this program appear to have stabilized at approximately \$670,000 over the past five actual expenditure years.

POLICY OPTIONS

A number of states fund similar programs for payment of subsequent injury indemnities from the death benefits due workers who have no heirs; that is, if a worker dies as a result of an industrial injury and no heirs can be found, the workmen's compensation insurance death benefit due his heirs will be paid to a state fund established for the purpose of payment of subsequent injury indemnities.

Such a procedure has been declared unconstitutional in California, therefore such death benefits need not be paid by the insurer.

At the 1961 General Session, ACA 72, which by amendment of Section 21, Article XX of the Constitution, would have provided for the establishment of the funding procedures described above in California, was passed and placed on the ballot as Proposition 5 at the following general election (1962). A simple majority was required for passage and it failed by 8.7 percent or 407,459 of the votes cast.

Consideration might again be given to the introduction of an identical constitutional amendment to be placed before the people for the purpose of relieving the General Fund of this annual expenditure. A comprehensive report recommending the basic proposal contained in the 1961 proposed constitutional amendment was made by this office in 1960.

TEMPORARY LOANS TO GENERAL FUND FROM CALIFORNIA WATER FUND
ITEM 284 of the Budget Bill

ANALYSIS

This item, which is similar to Item 305 of the Budget Act of 1964, would authorize temporary transfers from the California Water 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. This section also provides that no transfers can be made which will interfere with the object for which a special fund was created.

Section 16310.5, added by Chapter 1861, Statutes of 1961, provides, in effect, that interest must be paid by the General Fund on any such temporary transfers from the California Water Fund at the maximum rate of interest allowed by banks on interest bearing time deposits at the time of the transfer. An appropriation to cover such interest payments is made by Item 277 of the current budget bill.

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

LOCAL ASSISTANCE

Department of Agriculture
COUNTY AGRICULTURAL COMMISSIONERS

ITEM 285 of the Budget Bill

Budget page 902

FOR SUPPORT OF SALARIES OF COUNTY AGRICULTURAL
COMMISSIONERS FROM THE GENERAL FUND

Amount requested	\$171,600
Estimated to be expended in 1964-65 fiscal year	171,556
Increase	\$44

TOTAL RECOMMENDED REDUCTION----- None

ANALYSIS AND RECOMMENDATIONS

This item appropriates funds under the authority of Section 63.5 of the Agriculture Code, which authorizes the Director of Agriculture to enter into cooperative agreements with any county for the purpose of increasing the salary of the county agricultural commissioner in recognition of enforcement of the provisions of the Agricultural Code at the county level. The state's contribution is limited to two-thirds of each salary or \$3,300, whichever is less. Fifty-two counties are now participating in this program, and the funds requested in this item provide the maximum contribution of \$3,300 to the salary of each commissioner.

Approval is recommended.