Secretary of State—Continued

Revenues

	Actual 1965–66	Estimated 1966–67	Proposed 1967–68	Change from 1966–67
Domestic corporation fees	$814,331	$822,760	$822,760	--
Foreign corporation fees	521,816	489,846	489,846	--
Notary public fees	124,430	120,865	120,665	*$—200*
General fees	132,844	138,000	138,000	--
Certificates and copies	90,445	120,018	130,056	10,038
Financing statements	330,767	289,554	304,277	14,723
Miscellaneous income	4,701	4,700	4,700	--
Total Revenues	$2,019,334	$1,985,743	$2,010,304	$24,561

ANALYSIS AND RECOMMENDATIONS

The amount requested for fiscal year 1967–68 is $1,010,327 which is a decrease of $139,875 over the estimated expenditures for the current year. This decrease is due in part to expenditures occurring in the current year and not recurring in the coming fiscal year. The amount of $25,744, available from prior year balance in accordance with Chapter 1632, Statutes of 1965, is estimated to be expended in fiscal year 1966–67 for a records preservation program which is expected to be completed in the current year and is not included as an expenditure in the proposed budget for 1967–68. The functions of the Central Records Depository have been transferred as of January 1967 to the Department of General Services, and staff and operating expenses in the amount of $46,964 estimated to be expended by the Secretary of State for fiscal year 1966–67 will be reflected in the budget of the Department of General Services.

There are no proposed new positions in the budget request for 1967–68. The amount of $16,064 is being charged to the Secretary of State for rental of space occupied by Administration and Archives. This amount was formerly in the budget of the Department of General Services.

The amount of $2,661, increase to recognize full workload change, is in operating expenses and consists of minor amounts needed for workload and price increases.

DEPARTMENT OF AGRICULTURE

ITEM 54 of the Budget Bill Budget page 90

FOR SUPPORT OF THE DEPARTMENT OF AGRICULTURE FROM THE GENERAL FUND

Amount requested in Budget Bill		$11,863,125
Budget request before identified adjustments	$13,056,258	
Increase to recognize full workload change	124,991	
Budget as adjusted for workload change	$13,181,249	
Adjustment—undetailed reduction (10 percent)	1,318,124	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		$2,072,862
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		$754,738

Department of Agriculture—Continued

Summary of Recommended Reductions

	Amount	Budget Page	Budget Line
1. Eliminate General Fund support for the Bureau of Dairy Service and make self-supporting	$350,000	95	36
2. Reduce poultry inspection $460,000 to eliminate inspection of small plants	460,000	95	36
3. Transfer to federal government or reduce meat inspection by a minimum of $514,000 and develop schedule of inspection fees to reimburse $514,000 or 30 percent of the bureau's inspection costs	514,000	95	36
4. Reduce plant quarantine inspection program by transferring port inspection to federal government and reducing scope of border stations	621,200	99	82
5. Discontinue poultry standardization inspections at wholesale establishments	32,000	101	59
6. Discontinue supervision of county seed inspections	46,740	101	59
7. Eliminate three regional coordinator positions	48,922	91	59

Needed Administrative Improvements

1. Revise pesticide control program by tightening requirements for registration and placing greater emphasis on public safety.
2. Reduce ratio of district supervisors to dairy inspectors in the dairy service program.

GENERAL PROGRAM STATEMENT

The Department of Agriculture is organized into nine functional divisions consisting of 16 bureaus and a number of "staff services" that are not accorded bureau status. This organization is designed to protect, regulate, and promote the agricultural industry as prescribed in the policy statement of Section 30 of the Agricultural Code. Some of the department's programs serve a broad public interest as indicated in Section 19.5 of the Agricultural Code.

The department's responsibilities are varied, involving the control of pests and diseases that affect plants and animals; the fiscal supervision of 50 district agricultural association fairs, 24 county fairs, and 2 citrus fruit fairs; the supervision of marketing programs for numerous agricultural products; the licensing of certain activities; the administration of milk price control laws; the enforcement of standards of quality and cleanliness in agricultural and certain other products; and the administration of a livestock identification program. The department employs approximately 2,100 people, most of whom work in the field.

Operating revenues for the department are derived from two major sources, the General Fund and the Department of Agriculture Fund, the latter consisting of approximately 30 accounts representing fees and assessments paid by various agricultural groups for which special services are performed. The support costs for the Division of Fairs and Expositions of the department are paid by an appropriation from the Fairs and Exposition Fund, which fund consists of horseracing revenues accruing to the state. A minor portion of the department's budget is federal matching money for marketing research activities in which the federal government has an interest. In addition, the department collects and expends annually approximately $11,324,000 under mar-

Department of Agriculture—Continued

keting order programs established at industry request. These marketing order expenditures do not appear in the Governor's Budget.

As indicated in the expenditure table below, the department's expenditures have remained relatively constant for the past several years, except for normal increases in operating expenses, seasonal fluctuations in some of the produce inspection programs, and outbreaks of plant and animal pests and diseases that require immediate control measures. Overall, the budgetary increases for the department have been modest, reflecting principally the higher costs of maintaining existing levels of service within the framework of present programs.

Table I

Department of Agriculture—Support Expenditures

Source of Funding	*1963–64*	*1964–65*	*1965–66*	*Estimated 1966–67*	*Proposed 1967–68*
General Fund	$11,118,108	$11,536,143	$12,067,246	$12,958,898	$11,949,883 [2]
Department of Agriculture Fund	7,617,142	8,988,495	9,222,509	10,080,891	10,154,358
Fairs and Exposition Fund	117,534	164,086	179,732	199,444	207,039
Federal Funds	120,693	117,902	125,111	172,480	153,087
Total as shown in Governor's Budget	$18,973,477	$20,806,626	$21,594,598	$23,411,713	$22,464,367
Reimbursements [1]	673,671	689,018	728,369	775,327	754,539
Total of all expenditures	$19,647,148	$21,495,644	$22,322,967	$24,187,040	$23,218,906

[1] Reimbursements do not appear in the department's budget totals. They consist principally of charges for administrative services to industry-supported trust fund programs; testing fees; and payments for overime inspection work at meat packing plants.

[2] Total after applying adjustment factors.

ANALYSIS AND RECOMMENDATIONS

The total proposed 1967–68 operating budget for the department, after an increase of $124,991 to recognize full workload change, is $23,792,131. Included in the total budget is $192,796 of federal-state matching funds, the state's portion of which appears in a separate item in the Budget Bill.

The General Fund portion of the department's support budget, including the $124,991 workload adjustment factor mentioned above, is $13,181,249. After applying the percentage reduction of 10 percent, the Governor's Budget proposes a General Fund appropriation of $11,863,125 for support of the department. No details are available on the $124,991 allowed for workload change, but presumably it represents higher operating costs rather than workload increases, since no new positions are included for General Fund functions. The 10 percent reduction in the General Fund portion of the budget (amounting to $1,318,124) has not been evaluated because, to date, the administration has not detailed how the reduction is to be distributed among the department's programs.

For the past two years, the department has prepared an informational program budget as a supplement to the traditional line item budget. A program budget provides more meaningful information on the relationships among programs, objectives, and expenditures than is

Department of Agriculture—Continued

available in the usual line item budget because it places the emphasis on individual programs and activities rather than on the items of expenditure. This year, however, the department has not had time to prepare a program budget adjusted to the proposed reduced expenditure level. Hence, it is difficult to evaluate the department's proposed budget because it shows costs on a division basis instead of detailing them at the bureau level where the work programs can be identified. The department has been able, however, to formulate approximations of proposed budget-year costs for those major programs we have reviewed in detail in this analysis.

For a number of years, the ratio of support between the General Fund and the Department of Agriculture Fund has been approximately 56 percent and 42 percent, respectively, with the remaining 2 percent derived from federal matching funds and an appropriation from the Fairs and Exposition Fund which supports the Division of Fairs and Expositions. These ratios prevail in the budget year before the 10 percent reduction is applied, but they may not prevail after the 10 percent is applied.

Funding Relationships

A useful framework for describing the program-funding relationships in the department results from classifying the department's functions into three groups. In one group are programs concerned with the prevention, control, and eradication of crop and livestock pests and diseases, which account for approximately one-third of the department's total operating budget and receive almost 100 percent of their support from the General Fund. Estimated expenditures for these activities in the budget year will be on the order of $7,600,000. The major programs in this group involve animal health testing and plant quarantine inspections.

A second group of activities, representing another one-third of the department's budget, provides inspection and certification services for various agricultural and certain other products to assure that standards of wholesomeness and quality are maintained. These programs, which will cost about $7,100,000 in the budget year, are supported approximately 57 percent by the General Fund. Some of the programs in this category narrowly benefit or protect the agricultural industry and are financed by the industry groups requesting the service. Examples of these industry-supported programs are inspection of fertilizing materials, inspection of feed and livestock remedies, inspection of pesticides to determine accuracy of labeling and composition, and inspection of livestock to protect ownership. The benefits of other programs in this category are somewhat broader; hence, the work is financed by the General Fund, although the quality and wholesomeness standards that the work maintains also are of benefit to the industry. The principal programs of this nature are dairy service inspections, poultry inspection, and meat inspection.

The third group of activities provides assistance to producers and handlers in the marketing of agricultural products. These programs, which represent the remaining one-third of the department's budget,

Department of Agriculture—Continued

will cost approximately $8,750,000 in the current year, of which about 17 percent is paid by the General Fund. Most of the major programs in this category, such as canning tomato inspection and canning cling peach inspection, have been established at industry request to facilitate the movement of agricultural products from producers to processors by inspecting and certifying the quality or condition of the commodities at the time of sale. This work is financed by inspection fees. The General Fund costs in this category are for support of programs involving the compilation and dissemination of market news, production statistics and forecasts.

Funding Problems

While the pattern by which departmental costs are allocated indicates that some effort has been made to weigh cost-benefit considerations, the assigning of costs in several major programs appears somewhat arbitrary and inconsistent with the usual state policy that programs of special benefit to industry segments should be paid for by those who benefit from them. Three major bureaus within the department present serious problems in this regard. These bureaus—Dairy Service, Poultry Inspection, and Meat Inspection—comprise most of the Division of Animal Industry and represent a combined General Fund expenditure of approximately $2,562,000 in the proposed workload budget. A fourth major problem area is the inspection program conducted by the Bureau of Plant Quarantine, which has a proposed General Fund expenditure of approximately $2,025,000 in the budget year.

Two years ago the Governor's Budget, as submitted to the Legislature, eliminated all General Fund support for the dairy, poultry, and meat inspection programs and proposed that the Legislature make them entirely self-financing. The Legislature rejected the proposed funding changes and restored the traditional pattern of General Fund support for the programs. However, the Conference Committee on the Budget Bill requested this office to study the programs and report on the relative interests of the general public and the industries in the benefits and financing of the work. In our analysis of the 1966–67 Budget Bill, we summarized the results of our study (which was published separately) and stated a number of recommendations and policy options on program modifications and funding changes which, if adopted, would have reduced the department's General Fund costs up to $1,530,000. In view of the increasing emphasis on budget reductions, we have updated and restated as recommendations some of the policy options we presented last year.

One of the principal considerations that influences our evaluation of funding for these three programs is that they provide substantial benefits to the industry as well as to the general public, yet, with some exceptions in the dairy inspection program, these industry benefits have not been recognized in the allocation of inspection costs. The public interest in these programs is measured by the extent to which inspection assures a wholesome or "safe" product; and indeed the industry is interested in these assurances too. However, the department's inspection programs go beyond the goal of simply assuring wholesomeness and are

concerned, in addition, with enforcing composition and quality standards, inspecting labels, and in the case of dairy service, spot-checking the shelf life of products in retail stores.

While these activities undoubtedly reduce the occurrence of consumer fraud by guarding against false labeling and the use of undesirable ingredients and additives (some of which could be injurious to public health), they also provide major economic benefits to the industry. For example, a major objective of the dairy inspection program is to determine that the bacterial counts in milk are within legal limits as a means of assuring proper taste and normal storage life. In our view, this aspect of the inspection work has far more economic value to the dairy industry than health significance to the consumer, since the consumer would not continue to purchase an odorous brand of milk that quickly spoils in the refrigerator even though it is wholesome when purchased. Similarly, the meat inspection program prohibits the use of certain additives in meat products. While some of these additives may lower the quality of the finished product, they do not impair wholesomeness or endanger public health. However, it is in the overall economic interest of the industry to assure that unscrupulous packers do not use low quality additives for the purpose of achieving an unfair trade advantage over their competitors.

Dairy Inspections (Dairy Service)

Two significant advantages enjoyed by the California dairy industry have influenced our evaluation of that industry's financial interest in the dairy inspection program: (1) The industry presently has very little out-of-state competition because of California's geographic location and general inaccessibility to producers in neighboring states, and (2) the California milk price control program assures a profit on the sale of market milk to all "reasonably" efficient producers and distributors. The Department of Agriculture determines the minimum prices which producers receive for their market (grade A) milk as well as the minimum prices which distributors and retailers may charge for market milk. These prices are established for designated marketing areas within the state where the conditions affecting production, distribution, costs, and sales of milk are similar as shown by continuing cost studies and audits of selected producers and distributors. The studies and audits cover every identifiable factor comprising the total cost of producing, processing, and distributing milk including, where applicable, any fees which are charged to finance milk inspections. Thus, the dairy industry would not absorb the added costs of milk inspection, but would pass these costs on to the milk consumers through the operation of the milk price control program in much the same fashion as an excise tax is passed on to the general public.

The various inspection, testing, and special service functions administered by or under the supervision of the dairy service program are presently financed by combinations of state, local, and industry funds. Of total expenditures exceeding $2,234,378 in 1965–66, $384,149, or approximately 17.2 percent, came from the state's General Fund;

Department of Agriculture—Continued

$846,658, or 37.8 percent, from local general funds; and $1,003,571, or 45 percent, from industry fees and assessments. Approximately $396,755 of these industry fees and assessments was paid into the Department of Agriculture Fund to pay for certain inspections performed by the bureau, and the balance was paid to local governments that conduct milk inspections on a reimbursable basis. The department estimates that the General Fund costs will increase to $415,000 in the budget year to maintain the present level of service, and the Department of Agriculture Fund costs will increase to $447,000.

The General Fund pays for pesticide residue inspections; mastitis inspections; pasteurization and adulteration tests. The General Fund also pays for inspections of cheese, imitation dairy products, evaporated milk, dried milk, buttermilk, modified milk, and miscellaneous dairy products, but these inspection costs are offset partially by approximately $29,000 in license fees which is collected annually as General Fund revenue from manufacturers and handlers of these products. The department has not been able to identify the net costs to the General Fund for this inspection work but has indicated that the inspection costs substantially exceed the $29,000 in revenue. This revenue is derived from the following types of licenses: milk products plants; oleomargarine (manufacturers, bakeries, and restaurants); imitation milk (manufacturers, retail, wholesale, bakeries, and restaurants); imitation cream (manufacturers, retail, bakeries, and restaurants); imitation ice cream (manufacturers, wholesale); samplers and weighers; pasteurizers; testers; technicians; modified milk; and diabetic or dietetic factory.

Two types of market milk inspection programs exist under the general jurisdiction of the bureau: an "approved" milk inspection program, which is maintained by a city or county or group of either, and "established" milk inspection services, which are authorized by the director and executed by bureau personnel on request of a majority of the producers and distributors in areas not provided with local inspections. There are 34 approved and 17 established services. According to information prepared last year by the Department of Agriculture, the 34 approved services inspect 98.4 percent of all market milk produced in California, with the remaining 1.6 percent being inspected by bureau personnel in the 17 established areas.

The approved services are financed either by processors' fees or by local general funds; some counties use a combination of these two methods of financing. Market milk inspections in areas established by the director are financed by producers, distributors and processors, and subdistributors under a fee schedule provided in Section 509 of the Agricultural Code.

Although all of the direct costs of market milk inspection in approved areas are borne either by local general funds or by statutorily authorized local assessments, state supervision costs are paid by the General Fund. The department estimates that these supervision costs are approximately $65,000 or 17 percent of the total General Fund budget allocated to the dairy program. Most of this money finances the super-

visory activities of the program's 17 district supervisors, who devote an average of 25 percent of their time to the local inspection programs. However, the amount of time spent on the local programs by individual supervisors varies greatly, from less than 10 percent in some instances to about 50 percent in others. Supervisors with fewer local supervisory responsibilities spend a higher portion of their time on other activities, such as frozen milk products inspection and market milk inspection in established areas. Last year, we questioned the bureau's utilization of supervisory personnel for nonsupervisory functions, and noted that some savings could be made by reducing the number of supervisors to a level commensurate with the requirements for supervision of local inspection services and other bureau programs. Since that time, the bureau has eliminated three supervisory positions but routine inspection work, which could be done at lower cost by dairy inspector positions, still comprises a high percentage of the remaining 17 supervisors' workloads. Thus, with better utilization of personnel, the present costs of the bureau could be reduced.

As the above discussion indicates, most of the direct costs of milk inspection are already paid by the industry (with considerable help from local government), but these industry costs are, in effect, reimbursed by milk consumers through the price control program administered by the Department of Agriculture. There remain, however, substantial net General Fund costs of approximately $350,000 annually for specialized testing work, overall supervision, and for imitation and miscellaneous dairy products inspection.

Since the imitation miscellaneous dairy products inspection work is readily susceptible to self-financing through adjustments in fees for the licenses listed earlier, we recommend that the Department of Agriculture ascertain the cost of this activity by time-cost studies or other means necessary to accomplish this objective and that appropriate adjustments be made in the fee schedules to make the function self-supporting.

In addition, we recommend that all dairy inspection activities be placed on a self-supporting basis, thus reducing General Fund costs approximately $350,000. Although part of the General Fund expenditures support testing activities which determine wholesomeness and safety, rather than quality, and are therefore public health oriented, these costs can be justifiably assessed to the processors and passed on the consumer who benefits through the milk price control program. To implement this recommendation, a schedule of fees would have to be included in the Agricultural Code.

Poultry Inspection

The major feature of the poultry inspection program is the training and supervision by state personnel of one or more poultry employees to act as inspectors at poultry slaughtering and processing plants. These plant inspectors are expected to examine each fowl for defects that indicate unwholesomeness or detract from retail storage life or consumer appeal. Depending on the nature of the defect, the bird either is discarded or appropriately trimmed. Generally, the bureau-trained,

Department of Agriculture—Continued

processor-employed inspector functions full time as an inspector, but in some of the smaller plants additional responsibilities are assigned by the plant management. In plants that function seasonally or part time, the owner frequently is licensed to perform the inspections.

From a practical viewpoint the plant inspector is an "agent" of the bureau and is trained and supervised by its personnel. However, it is evident that the effectiveness of the inspection program is largely dependent on the competence and reliability of the plant-employed inspectors, since full-time state supervision is not provided except at large plants and at plants with recurring wholesomeness and sanitation problems.

The Bureau of Poultry Inspection, which is supported entirely by the General Fund, expended $578,488 in 1965–66 to supervise the operations of 351 poultry plants which were licensed in that year. This General Fund expenditure represents an average annual inspection cost of approximately $1,600 per plant. The department estimates that this program will cost $591,000 in the budget year. The bureau has a staff of 42 positions, consisting of 2 chiefs, 3 veterinarians IV, 7 veterinarians III, 8 veterinarians II, 2 veterinarians I, 1 supervising plant sanitary inspector, 12 senior plant sanitary inspectors, 6 plant sanitary inspectors, and 2 clerical positions.

Some 450 growers supply these state-inspected plants, as well as about 60 plants in interstate commerce which are inspected by the U.S. Department of Agriculture. According to an estimate of the State Department of Agriculture, these California growers produce approximately 25 to 30 percent of the fryers consumed annually in California. Imported fryers, particularly from the south central states, supply 70 to 75 percent of the California market. Some of these imported birds are further processed by about 200 of the plants under state inspection.

While fryer processing is the major activity of most of the state-inspected plants, the exact number of fryers which they handle cannot be ascertained because the production records maintained by the plants indicate only the pounds of meat processed and provide no detailed breakdown of the number and types of birds handled. However, the department estimates that about 55 percent of the California-grown fryers are killed in state-inspected plants and 45 percent are killed in the 60 federal-inspected plants. According to the bureau, most of the birds killed in the federal plants are consumed in California, but the plants qualify for federal inspection because some of their birds are sold in neighboring states or to federal installations.

There are four main problems of a continuing nature that contribute to the rather high costs of the bureau. First, large-scale slaughtering and processing of chickens presents a daily sanitation problem which necessitates frequent bureau inspections if reasonable standards of sanitation are to be maintained. Secondly, the nature of poultry processing makes the training and retaining of competent inspectors somewhat difficult.

The third problem is organizational in nature, arising from the dependence of the program on plant-employed inspectors. According to

the bureau, there is a tendency for some employee-inspectors to liberalize the standards governing wholesomeness and quality in deference to the wishes of their employers when bureau personnel are not present. Hence, the bureau finds it necessary to make frequent inspections of certain plants to determine whether the employee-inspectors are doing an adequate job and not passing poultry that should be rejected.

The fourth factor that affects the cost of bureau inspections is the unstable financial condition of some of the processing plants subject to state jurisdiction. This financial condition has prevented some processors from adapting their plants to the most modern processing methods, thus presenting bureau personnel with the high-cost task of achieving and maintaining adequate standards of wholesomeness and sanitation in plants unable to afford the advantages of complete and modern facilities. Thus, considerable upgrading of facilities is needed in many of the 351 plants currently operating if there is to be any significant reduction in the cost of bureau supervision. Most of the bureau's expense is attributable to the large number of small, inadequately equipped plants, many of which could not continue to operate if the program were made entirely self-supporting.

According to the bureau, one of the large plants under state supervision currently kills approximately 60 percent of the California-grown fryers which are processed in state-inspected plants. This plant and 19 others presently process about 85 percent of the California birds. The bureau indicates that while these 20 plants require the time of five or six of the bureau's field personnel, another group of 120 plants, with about 15 percent of the state's fryer production, requires approximately 18 positions. The workload of the remaining 14 field positions relates primarily to inspecting approximately 210 plants that specialize in further processing operations (i.e., deboning, cutting, packaging, etc.).

Although we should emphasize that the figures used above are estimates, since precise, statistical data are not available, they do illustrate the high cost of inspecting the small, low-volume plants and pose the question whether this expense should be continued.

We have considered three methods by which the bureau's costs could be either substantially reduced or entirely eliminated, but each method presents problems that would make implementation somewhat difficult. First, all but the largest 20 or so plants could be exempted from inspection, thereby reducing personnel requirements of the bureau to seven or eight positions. This would provide inspections for most of the poultry meat processed in California at a fraction of the cost of the present program and, theoretically, return the exempt plants to the jurisdiction of the local health departments. The bureau maintains, however, that poultry inspection was inadequate under the local agencies prior to the state's entry into the field and for this reason should not be returned to them. While there may be validity to this objection, it does not necessarily follow that significant public health problems would result because most of the exempt plants would be engaged mainly in further processing operations involving poultry that already have received a prior inspection, either by the U.S. Department of Agriculture in the

case of imported birds or by state-inspected slaughtering plants for California birds. Although contamination can occur during further processing, the potential hazard to public health is substantially diminished because the poultry received for processing is initially free from disease or organic deficiencies that pose the greatest threat to public health against which the consumer is least able to protect himself. Moreover, most of the poultry consumed in California is not inspected at the further processing level anyway because it is imported under federal inspection and processed in large retail stores which are not closely supervised by bureau personnel.

Thus, the state could discontinue the costly inspections of the relatively small volume of poultry meat that is handled by the small plants engaging in both initial processing and further processing without greatly impairing the effectiveness of the overall program which, even now, does not provide positive protection against contamination.

If inspection is limited to the large plants as discussed above, a fee system could then be developed for them which would reimburse the state for the costs of that inspection. The bureau states that while these large plants would be able to finance such a program, they probably would avoid state inspection fees by selling some poultry in out-of-state markets to qualify for "free" federal inspection. If true, we see no problem in this connection because, as a practical matter, it would eliminate the need for a state program.

A second alternative to the present program would be a fee system applicable to all plants to make all of the present program entirely self-supporting. The problem with this approach is that it would be difficult to establish an equitable schedule of fees, since a flat fee on birds processed would result in a few plants paying a much higher proportion of the inspection costs than is attributable to them, and a fee not based on production volume would be too expensive for the small plants. We believe, therefore, that a self-supporting program would be impractical because of the difficulties of equitably distributing the costs to the industry. In other words, to secure adequate financing for the present inspection program, it would be necessary for the larger plants to pay most of the costs of inspecting the smaller plants. In this event, the large plants most likely would secure federal inspection, leaving the state with the problem of financing inspection of the small plants. The end result would be a greatly reduced revenue base and a program only slightly reduced in operating cost.

A cost-sharing formula by which the industry could reimburse a portion of the bureau's inspection costs is the third method for reducing the General Fund expenditures, but it would still involve the cost distribution problems accompanying a fully self-supporting program.

Thus, the economic weaknesses of the poultry industry makes any effort to achieve full self-support somewhat difficult. The issue ultimately presented is a policy question concerning the willingness of the state to continue high-cost inspection of a segment of the industry which handles a relatively minor volume of poultry meat, much of which has

Department of Agriculture—Continued

received a prior inspection at the slaughtering level. We believe that the high cost of supervising these small plants is not warranted in terms of the percentage of production which they represent.

There remains a third and quite different possible solution to the problem of poultry inspection which should be fully explored. Section 5 of the Federal Poultry Inspection Act (Public Law 85-172) provides that the Secretary of Agriculture shall provide poultry inspection services in any "major consuming area" where, in the opinion of the secretary, "poultry or poultry products are handled or consumed in such volume as to affect, burden, or obstruct the movement of inspected poultry products in interstate commerce." To determine the applicability of this section, the secretary is required to hold a public hearing on the request of any state or local agency or appropriate local poultry industry group. If the secretary finds that the area in question qualifies for federal inspection in accordance with Section 5, inspection services can become effective six months after the notice is published in the Federal Register.

The California Department of Agriculture advises us that it has discussed with federal poultry inspection authorities the possible application of Section 5 to California. It is the department's understanding that the federal government believes the entire State of California would qualify as a "major consuming area" as defined in Section 5 and would therefore be eligible for 100 percent federal poultry inspection if proper application is made for this service.

On the basis of the foregoing discussion, we recommend that the Department of Agriculture be instructed to initiate immediately all necessary steps to obtain extension of the federal poultry inspection program in California in accordance with Section 5 of the Federal Poultry Inspection Act. Because of the uncertainty of securing federal inspection and pending disposition of the matter, we further recommend that the state's poultry inspection laws be amended to exempt from mandatory inspection (1) all establishments where poultry meat is further processed and (2) all poultry slaughtering plants with a production volume not exceeding a specified minimum. From our discussions with the Department of Agriculture, we would anticipate that on this basis approximately 20 plants would remain subject to mandatory inspection. The budgetary requirements for a program of this nature should not exceed $130,000 for seven or eight positions and related support costs to provide inspections for approximately 85 percent of the poultry slaughtered under the state's jurisdiction. In contrast, the prospective 1967–68 budget year expenditures of the present program will be on the order of $590,000, or some $460,000 higher than the reduced program we are recommending. The difference in costs of $460,000 between the two programs represents the recommended savings in additional expense of inspecting plants that slaughter about 15 percent of the California-grown poultry, or approximately 2.5 percent of the total amount of fryers consumed in California.

Department of Agriculture—Continued

Meat Inspection

The Bureau of Meat Inspection, one of the largest in the department, employs a staff of 137 positions (down from 143 one year ago) consisting of 48 veterinarians (46 of whom are field personnel engaged in slaughterhouse inspections and supervision), 4 supervising meat inspectors, 23 senior meat inspectors, 57 meat inspectors, and 5 clerical assistants. Unlike the poultry inspection program in which the inspection work is performed by plant-employed inspectors under bureau supervision, personnel in the Bureau of Meat Inspection do all the inspection work in plants under state jurisdiction. One or more veterinarians provide continuous inspections in slaughterhouses when killing is in progress, while the lay meat inspectors are used primarily to supervise and inspect the operations of meat-processing plants, although not on a continuous basis at all establishments.

In fiscal year 1965–66, the bureau's expenditures totaled $1,776,196, including $59,159 for laboratory services provided by the Division of Chemistry; $80,106 for pro rata departmental administration services; $143,084 paid by plants to reimburse the bureau for the costs of overtime inspections; and $29,092 paid by importers to reimburse the bureau for inspecting foreign cold storage meat. Thus, the net General Fund expenditures in 1965–66 were $1,604,020. The department estimates that net General Fund costs in the budget year will increase to $1,716,000 based on the current level of service.

Of the 353 establishments that operated under state inspection in 1965–66, 27 were engaged solely in slaughtering, 13 performed both slaughtering and processing operations, and the remaining 313 conducted only processing operations. In the calendar year 1965, these plants slaughtered 1,038,633 animals (down from 1,479,590 in 1963) and manufactured 281,237,543 pounds of meat products (down from 295,223,058 pounds in 1963). In addition, some 50 state-approved processing plants in San Francisco processed 34,811,601 pounds of meat products, which was slightly under the level of prior years. These latter plants are inspected by the San Francisco Health Department under bureau supervision.

In recent years, there has been a continuing decline in the number of plants under state inspection, as reflected in the production statistics cited above and the reduction in bureau staff. Currently there are 354 plants under state inspection, down from 365 one year ago. Although some of this reduction in inspection workload is attributed to plants that go out of business, most of it results from the transfer to federal inspection of plants desiring to sell some of their products to out-of-state markets or to federal installations.

The real significance of this trend, however, is that an ever-increasing proportion of the meat consumed in California is inspected by the federal government because most of the meat handled by the federal plants in California is sold here. In 1963, plants under federal inspection slaughtered 5,606,232 animals or approximately 79 percent of the total slaughtered in California, while state-inspected plants slaughtered 1,533,594 animals, or about 21 percent of the total. In 1964, the feder-

Department of Agriculture—Continued

ally inspected plants slaughtered 5,840,000 animals (about 82 percent of the total), while the slaughter in state-inspected plants decreased to 1,350,588 animals or 18 percent. The federal percentage of slaughter increased to 85.2 percent in 1965 with 5,964,000 animals, while the state percentage dropped to 14.8 percent with 1,038,633 animals. This trend continued in 1966 with federal plants slaughtering approximately 5,970,000 animals (88 percent of the total) while state slaughter decreased to 803,955 animals, or 12 percent.

It is estimated that the 215 plants under federal inspection (about 60 of which are slaughtering plants) currently process about 85 percent of the meat products. Thus, while the state has a greater number of plants under its jurisdiction, they generally are smaller than those under federal inspection. In terms of the total meat consumption in California, these federal percentages are somewhat higher because an estimated 20 percent or more of the California meat market is supplied by federally inspected plants in other states.

As the above data indicate, the costs of the state meat inspection program are very high in relation to the relatively small percentage of the meat and meat products handled by the state-inspected plants. As in the case of the poultry meat inspection program, these high costs are due primarily to the large number of small, geographically scattered establishments under state jurisdiction. The budgetary impact of the smallest group of these plants is illustrated below.

According to the bureau, there are 29 plants under state inspection that operate less than five days a week. Last year, at our request, the department surveyed the inspection time devoted to these 29 plants and estimated that the cost of inspecting them is approximately $115,000 per year. Seventeen of these establishments are processing plants that operate one to three days a week, and three others engage in both slaughtering and processing two or three days each week. The remaining nine plants conduct slaughtering operations two or three days a week. Although the bureau attempts to minimize inspection costs for these part-time plants by scheduling workloads, situations occasionally arise in which a plant scheduled to operate on a certain day either will cancel its production or decide to operate for only part of the day, thus presenting the bureau with the problem of rescheduling the time of the inspector assigned to that plant. While problems of this nature do not arise daily, they occur often enough to affect adversely the bureau's costs of operation.

A good illustration of the cost-benefit relationship of the meat inspection program is provided by grouping the plants according to the percentage of state-inspected meat which they handle. According to the bureau, the top 5 of the 50 slaughtering plants under state inspection do approximately 51 percent of the slaughtering; the top 10 do 69 percent; and the top 20 do 86 percent. The bureau estimates that the cost of inspecting these 20 plants is approximately $315,000 annually for 31 field positions and related support costs.

Department of Agriculture—Continued

An analysis of the production volume of the 313 processing plants reveals a somewhat similar cost-benefit pattern: The top 5 plants do 28 percent of the processing; the top 10 do 45 percent; and the top 20 do 62 percent. Twenty bureau employees are assigned to these largest 20 plants at an estimated cost of $210,000 per year. Thus, the cost of the present program to inspect 86 percent of the slaughtered animals and 62 percent of the meat products is about $525,000 annually, while the cost of inspecting the remaining 14 percent of the animals and 38 percent of the meat products is more than twice that amount or some $1,076,000 annually. On the basis of 1965 production data, this estimated $1,076,000 expenditure provides inspections of 145,409 animals slaughtered in 20 plants and 106,870,267 pounds of meat products processed in 306 plants.

We should emphasize that the preceding discussion of the bureau's expenditure pattern is based on approximations of inspection costs for the groups of plants indicated. Precise figures can be provided only after an intensive departmental cost survey, which the department has not undertaken. It is evident, however, that the major portion of the bureau's expenditures relate to a large number of plants that process a small proportion of the meat inspected.

While the meat inspection program is a good one, its costs are high in relation to the volume of meat inspected. If the General Fund costs are to be lowered, the scope of the present program must be reduced, some amount of industry financing must be provided or a combination of these means developed.

Reducing the size of the program by exempting from inspection the 29 small slaughtering and processing plants that operate less than full time would save approximately $115,000 annually. To achieve this result, the Agricultural Code could be amended to exempt plants that slaughter less than a specified number of animals or process less than a specified volume of meat products. An existing code provision exempts plants in counties of less than 28,000 population, but the effect of this section is largely negated by a subsequent code provision which allows inspections of such plants on request of the local governing body. Thus, while the law recognizes that inspections of all plants may not be economically feasible, they are inspected anyway.

The bureau maintains that exemption of these small plants would be undesirable because many animal diseases that are transmissible to human beings are not easily detected by lay people. The bureau also states that inspections of processing plants are necessary to prevent the use of unwholesome and low quality ingredients in meat products.

Although we have not been furnished with condemnation data that would indicate the potential threat to public health if inspections of these plants were discontinued, some of the problems stressed by the bureau might occur. While we agree that all reasonable precautions should be taken to assure that meat supplies are wholesome, the degree of protection provided should be conditioned to some degree by the costs involved. We do not believe that the scope or coverage of the

Department of Agriculture—Continued

present program is justified in terms of its costs, but a decision to reduce coverage involves a major policy question in establishing the extent to which inspection is economically feasible.

An animal slaughtering plant warrants a broader and somewhat more intensive degree of inspection than a poultry slaughtering plant because the meat of an animal normally is distributed among several consumers in different geographical areas. If the meat is unwholesome, a large number of families could be affected. We believe, also, that meat processing plants present a greater need for inspection than poultry processing plants because the former change the original form of the meat by curing, grinding, cooking, smoking, and other processes, while the latter generally prepare poultry meat in a fresh and relatively unmodified form to meet consumer's demands for specialized packaging.

There is, however, another factor which should be considered in assessing the extent of coverage. While meat inspection provides significant benefits to public health, it also provides at least two substantial economic benefits to the industry. First, since the consumer has greater confidence in meat bearing the label of inspection than he has in meat not so labeled, meat inspection assists the intrastate packer in marketing his products.

Secondly, the quality standards which are enforced by the state's inspection program, particularly at the processing level, chiefly benefit the industry by assuring that unscrupulous packers do not use inferior ingredients in their products or falsely label them for the purpose of achieving an unfair trade advantage. It is largely for this reason that meat packers' associations throughout the country have not only actively promoted legislation in various states to establish meat inspection programs, but have also agreed to finance the costs of inspection in at least one state (Washington) when it became evident that General Fund moneys could not be obtained.

The Department of Agriculture advises us that it has been negotiating in recent weeks with meat inspection officials of the U.S. Department of Agriculture in an effort to develop a cooperative federal-state meat inspection program for California pursuant to Section 450 of Public Law 87-718. This section authorizes the Secretary of Agriculture to establish such programs "to avoid duplication of functions, facilities, and personnel, and to attain closer coordination and greater effectiveness and economy in administration of federal and state laws and regulations relating to the marketing of agricultural products. . . ."

The details of the proposed cooperative program are not available to us, but we understand that the federal meat inspection officials are preparing a cooperative agreement setting forth the nature of the program. A 50-50 cost-sharing provision for inspection work in plants now inspected by the state is a major feature of the proposal, although there is some question whether federal cost-sharing would be extended to the smaller state plants unless they are modernized to meet federal standards. Full federal participation in the inspection program would reduce General Fund expenditures by approximately $800,000 annually.

The concept of a cooperative federal-state meat inspection program in California has considerable merit because state-inspected meat com-

Department of Agriculture—Continued

petes with federally inspected meat, and federal inspection is not self-supporting. It is possible that the Federal and State Departments of Agriculture may reach agreement on the operational and fiscal details of a cooperative program during the current fiscal year.

Should agreement on a federal-state cooperative meat inspection program not be reached in time for legislative review during the current session, we recommend that a schedule of inspection fees be developed whereby the industry would defray a portion of the costs of inspection. We recognize that 100 percent financing by the industry would impair its ability to compete with federally inspected products, but the present level of General Fund financing also provides substantial benefits to the industry which the industry should pay for. A schedule of inspection fees should be developed to defray that percentage of the program's costs which represents the value of the service to the industry. Some figure within the range of 30 percent to 50 percent would be appropriate and should be added by amendment to the Agricultural Code. An inspection fee based on 30 percent of the costs of inspection would produce $514,000, and a fee based on 50 percent would produce $858,000.

Plant Quarantine Inspection Program

The first line of defense against the introduction of agricultural pests and diseases that do not originate in California is maintained by the plant quarantine inspection program which is conducted by the Bureau of Plant Quarantine and financed by the General Fund. Under this program in 1965, the department inspected approximately 9,996,000 vehicles at 18 border inspection stations, 10,095 ships at 3 maritime ports, and 10,492 airplanes at 3 international airports. Quarantine inspections of freight, express and mail shipments are made by county agricultural commissioners under departmental supervision.

For the past several years, we have expressed serious reservations about the scope of the present program and have noted that the costs of attempting to inspect all produce and plant material entering the state are very high in terms of the measurable benefits which these inspections provide. During the 1965 session of the Legislature, the issue whether substantial reductions should be made in the overall program was presented to the Conference Committee on the Budget Bill because the Assembly reduced the funds for this work by $900,000.

The objective of the plant quarantine program is to inspect all plant materials and livestock being brought into the state to determine whether they are prohibited by quarantine regulations adopted by the Director of Agriculture pursuant to the Agricultural Code. If these materials have originated in areas known to be infested with insects or diseases that are not established in California, the inspectors automatically reject them (except under certain procedures requiring fumigation or disinfection), even though they show no indication of infestation or infection. There are several reasons for this policy, the principal one being that a quarantine program cannot be administered satisfactorily if rejections are based solely on a positive identification of the hazard presented by each plant item. Many plant diseases and insects cannot be detected by a visual examination at the inspection stations.

Department of Agriculture—Continued

Moreover, the inspectors are not highly trained in plant pathology and entomology and are therefore unable to recognize any but the most common plant diseases and insects, many of which are not prohibited by quarantine regulations because they already exist in California.

For administrative purposes, the work of the Bureau of Plant Quarantine is divided into four categories: (1) Administration, which is concerned with keeping the various quarantines current, developing new quarantines, and directing the overall program; (2) Interior inspection, which deals with enforcement of quarantines in the interior of the state (this work, which consists of the inspection of plant materials arriving by mail, express and freight, is carried on by the county agricultural commissioners under the supervision of the bureau); (3) Maritime inspection, which is concerned with inspection of ships and aircraft and international harbors and airports; (4) Border inspection, which deals with the inspection of motor vehicles entering the state.

To maintain this organization, the bureau has a staff of 212.8 positions, including 167 man-months of seasonal help at the border stations. Estimated expenditures by the bureau for the current fiscal year are shown below.

Table II

Bureau of Plant Quarantine
1966–67 Fiscal Year Estimated Expenditures

	Administration	*Border*	*Port*	*Interior*
Salaries and wages	$87,946	$1,316,922	$448,931	$25,759
Operating expense	37,636	73,272	35,636	2,600
	$125,582	$1,390,194	$484,567	$28,359
Less reimbursements		—9,718		
		$1,380,476		
Total operating costs				$2,018,985
Plus pro rata departmental administration costs				97,885
GRAND TOTAL				$2,116,870

Border Inspection—The bureau operates a total of 18 border inspection stations. Eight of these stations are located on the northern border at Truckee, Long Valley, Alturas, Tulelake, Dorris, Hornbrook, Redwood Highway, and Smith River. Ten are located along the southern border at Meyers, Woodfords, Topaz, Benton, Yermo, Daggett, Twentynine Palms, Vidal, Blythe, and Winterhaven. With the exceptions of the Woodfords station, which is operated only during four months of the summer, and the Topaz station, which is closed at night during the winter, all of these stations operate on a permanent, 24-hour basis.

Although all vehicles must stop at these stations, the type and degree of inspection they receive is based on the pest hazard presented by each vehicle as determined by the inspector. If the vehicle bears California license plates and the driver indicates that he has been only a short distance out of the state and has no fruits or plant materials, he is permitted to proceed unless the inspector has reason to believe that further inspection is desirable.

If the vehicle bears out-of-state plates or has come from or passed through areas where restricted materials are readily available, an in-

spection is made of the trunk and passenger compartments. This examination usually is not very thorough, especially if the vehicle is heavily loaded with luggage and other items that would be difficult and time-consuming to remove. The contents of luggage and securely wrapped packages are not examined unless the traveler indicates that they contain fruits or plants.

The season of the year also influences the intensity of inspections, particularly at the northern border stations where relatively few interceptions of major significance occur during the winter because of reduced supplies of fresh fruits in Washington and Oregon. Both the inspection workload and the number of interceptions peak during the summer months, June, July and August, because of increased tourist travel and greater availability of fresh fruits.

In 1965, the border stations inspected a total of 9,454,219 cars, 489,965 commercial trucks, and 52,096 buses. From these vehicles, a total of 66,720 "lots" of plant material were intercepted for violation of quarantine regulations. The term "lot" represents the number of instances in which prohibited commodities were intercepted rather than the number of individual items that were intercepted. For example, a "lot" might consist of one orange, a bag of oranges, or a truckload of nursery stock.

It is not possible to evaluate the significance of these interceptions in terms of the actual danger they represent because the emphasis of the inspection work is on the area of origin of host materials rather than on a positive determination that a pest or disease is present. Hence, it is reasonable to assume that an unknown number of the 66,720 lots of material intercepted in 1965 were completely free of insects or disease, although each lot *could* have been contaminated because it originated in an area known to be infested with the insect or disease in question.

While the bureau does not employ a statistical sampling procedure for submitting specimens of intercepted materials for laboratory evaluation, the quarantine inspectors occasionally examine (as workload conditions permit) some of the materials they intercept and attempt to identify some of the insects and diseases that may be present. The bureau compiles these data each month and uses them as a basis for program evaluation, although their value for this purpose is extremely limited, as discussed below.

The bureau's records indicate that of the 66,720 lots of material intercepted in 1965, the inspectors found or believed they found 10,199 lots of insects, 5,824 lots of diseases, and 2,534 lots of weed seeds. Except for the weed seed identifications, which the inspectors are qualified to make, the identifications of insects and particularly those of diseases have very little reliability because the inspectors lack competence in plant pathology and entomology. From time to time, inspectors forward specimens of material they have intercepted to Sacramento for laboratory analysis if the material has unusual characteristics or if they suspect that a serious disease or insect has been apprehended. During the period 1961–1965, the inspectors submitted a total of 522 specimens to the Bureau of Plant Pathology for identification or confirmation of suspected diseased conditions. Of these 522 specimens, 183 were not

diseased at all. The remaining 339 specimens had diseases of varying degrees of seriousness, but none constituted a new threat to California agriculture because the disease already was present in California.

Our review of the border stations indicates that, as in the case of meat and poultry inspection, the state is paying a very high cost for a program that has elements of marginal effectiveness. There is no objective basis for measuring their benefits because the work produces no tangible performance data for purposes of cost-benefit analysis. It is clear, however, that the program does not provide complete protection against the introduction of plant pests and diseases because the department expends approximately $2,000,000 annually in General Fund money to detect and eradicate plant diseases and insects already established in the state or now entering the state.

The department has maintained eradication programs against a number of insects for several years with varying degrees of success. Some of the major insects under eradication are citrus whitefly, beet leafhopper, Mexican fruit fly, Japanese beetle and pink bollworm. In 1965–66 alone, for example, the department spent $634,919 in an effort to eradicate these five pests and the work continues in the current and budget years. Some of these diseases and pests are the subject of quarantines.

Moreover, there is no assurance that once a pest is eradicated it will not recur. In recent years, for example, the department has spent a total of about $700,000 in repeatedly eradicating infestations of citrus whitefly and, as noted above, it is currently under eradication—this time in Sacramento, Fresno and San Diego Counties. Similarly, the Japanese beetle, which is now under eradication, was found in Sacramento in 1961 and eradicated by 1963 at a cost of $700,000. We cite these examples not for the purpose of discrediting the concept of plant quarantine, but to indicate that its value cannot be accurately measured because infestations occur despite the costly inspection program maintained to prevent them.

Supporters of California's quarantine policy maintain that two major considerations justify this broad inspection program. First, since California is surrounded by high mountains, deserts and the ocean, it is generally considered that the state is more suitable for a quarantine program than any other section of the country. In fact, plant quarantines usually are justifiable only when the region to be protected is closed off from the areas of infestation by geographical barriers which prevent or greatly retard the natural dispersion of the pests in question. Secondly, California is considered to need quarantine protection because it grows a great variety of crops in a wide range of climate where numerous insects and diseases could thrive. Moreover, the state is vulnerable to the introduction of agricultural pests because of extensive exposure to foreign commerce and tourist travel.

There is evidence, however, that the importance of these factors as a basis for justifying the existing program level may be overstressed and that a less comprehensive program might produce the same efficiency at lower cost. First, the state's geographical barriers are not as effective as they once were in preventing natural dispersion of pests because agriculture has developed in the mountain valleys connecting California

with Oregon and Nevada; in southwestern Arizona across the Colorado River from California's Imperial Valley; and in northern Mexico adjacent to California's southern border. Quarantine inspections provide no protection against pests and diseases that can spread from these areas by natural means, as evidenced by the movement of pink bollworm from Arizona into the Imperial and Coachella Valleys and of Mexican fruit fly from Mexico into San Diego County. While biological control methods have reduced the seriousness of the Mexican fruit fly problem, the quarantined pink bollworm is now a threat to California's cotton industry.

Similar problems of natural dispersion exist in northern California where the cherry fruit fly and white pine blister rust have spread by natural means from Oregon. The white pine blister rust, which can travel many miles on windblown spores, was found in California along the Oregon border in 1936. Although a quarantine was adopted against the disease in 1938, it continued to spread by natural means and in 1962 caused an estimated loss of 39,900,000 board feet of lumber valued at $800,000 despite an expenditure of $136,700 to control it. In view of this adverse experience, the Department of Agriculture rescinded the quarantine late in 1966, noting in so doing that with "proper timber management" the disease "can be suppressed to a degree that sugar pine timber can be profitably produced in California."

A second consideration is that the overall effectiveness of the program is not determined by the amount of money spent on inspection work. Any quarantine program, regardless of how efficiently it may be administered, will in time permit the introduction and temporary establishment of a plant pest or disease. Some avenues of entrance cannot be closed for economic reasons; methods of entrance unrecognized by the quarantine authorities may exist; and some diseased or infected materials will pass undetected by quarantine inspectors. This does not mean, however, that every insect or plant disease that enters California will endanger agricultural activities or produce an infestation requiring costly eradication programs. As pointed out in a 1933 University of California study of California's quarantine program, it is not ordinarily a simple matter for an insect pest or plant disease to become established in an area previously free from it, and frequently even intentional efforts to establish pests and diseases do not succeed. Just the right combinaiton of a complicated set of circumstances must exist before this can take place.

The University's report did not evaluate the operation of environmental resistance in relation to the degree of coverage of quarantine inspections, but it appears that the scope of the program could be reduced without materially increasing the likelihood of pest and disease establishment for that reason alone. Most of the interceptions at the border stations are of small lots of fruits or potted plants carried in private automobiles. If some of these commodities were allowed to enter the state because of modifications in the inspection program, it is difficult to estimate their impact on eradication and control programs but, because of environmental resistance, it is probable that they would not produce serious consequences.

Department of Agriculture—Continued

Even now, all avenues of entrance into the state are not inspected because, in the department's judgment, the pest introduction hazard is not great enough to warrant the costs of inspection. Several years ago, for a period of two years, all passenger trains entering California were inspected, but the work was discontinued because the material intercepted did not represent a serious pest hazard. For similar reasons, the department does not inspect commercial airplanes entering California from other states.

As a basis for identifying possible areas in which the quarantine program could be modified to reduce costs, we have examined workload data for each of the 18 border inspection stations and have visited most of the stations at various times of the day to determine when most of their interceptions occur. We find that all stations make most of their interceptions between the hours of 7 a.m. and 10 p.m., although interceptions at some of the southern border stations are fairly heavy around the clock, particularly in the summer months when many people cross the desert at night. The major southern stations in this regard are Dagget on Highway 66 and Yermo on Highway 91.

The least important southern stations in terms of year-round interceptions are the Topaz station on Highway 395 south of Lake Tahoe, the Benton station on Highway 6 south of Mono Lake, and the seasonal station at Woodfords on Highway 88 south of Lake Tahoe. The Topaz station currently is closed at night during the winter months because of insufficient workload, and our evaluation of the station's interception data indicates that there is inadequate justification for it to operate at any time of the year. In 1965, for example, this station intercepted a total of only 425 lots of plant material, 279 of which were taken during the months of June, July, and August. Among the 425 lots of intercepted materials, the inspectors were able to identify 2 lots that contained fruit weevil, on which 2 specimens were found, and another 3 lots that contained apple maggot, on which 3 specimens were found.

An evaluation of interception data at the Benton inspection station reveals a similar situation. In 1965, this station intercepted a total of 781 lots of plant material, 510 of which were taken during the months of June, July, and August. Among these materials, the inspectors were able to identify a few lots of apple maggot and plum curculio, but most of their identifications consisted of commercial grain trucks that contained noxious weed seeds. If these trucks are enroute to an approved processing mill (and many of them are), they are permitted to proceed because the weed seeds will be eliminated during processing. However, to insure compliance with this procedure, the border station notifies the local county commissioner who checks to ascertain that the truck in question delivers its grain to the mill. If the truck is not enroute to an approved processing mill, the border inspector examines the grain, and if it contains weed seeds the truck is rejected or allowed to proceed under quarantine to an approved mill, in which case the local county commissioner is notified to secure compliance. Inspection of these trucks at the border stations is low in priority and does not constitute adequate justification for continued operation of the Benton station.

Department of Agriculture—Continued

The third low priority station, located at Woodfords, is open during the months of June, July, August and September. In 1965, a total of 19 lots of plant material was intercepted from the 16,402 vehicles that were inspected at this station.

Based on the above discussion, we recommend that the Topaz, Benton, and Woodfords stations be permanently closed for a General Fund savings of $95,128.

Our review of the workloads and interception data at the northern border inspection stations indicates that additional savings can be made (without subjecting California agriculture to significantly greater risk) by eliminating the night or so-called "graveyard" inspection shifts at the following seven stations during the period September 1 through March 31: Smith River, Redwood Highway, Hornbrook, Dorris, Tulelake, Alturas, and Long Valley. Each of these stations has an automatic traffic counter which is checked once a day at midnight to tally the number of vehicles that have passed through the station during the preceding 24-hour period. While there is no count for each eight-hour period, the inspectors at most of these stations estimate that traffic movement in the winter months during the graveyard shift (generally from 11 p.m. to 7 a.m.) ranges between 75 to 125 vehicles, most of which are local automobiles that present no pest introduction hazard.

The Meyers and Truckee inspection stations on Highways 50 and 80, respectively, present similar opportunities for savings by reducing the level of inspection on the graveyard shift to out-of-state cars while other vehicles would be guided past the station by a sign instructing drivers of vehicles carrying fruits or plant materials to stop for inspection. Most of the vehicles passing through these stations at night during the winter months have been on short pleasure trips to Reno and the Lake Tahoe area and represent a very low pest hazard. Inspectors at the Meyers station estimate that the average traffic on a week night ranges between 150–200 automobiles. The estimated night traffic at the Truckee station is somewhat higher—500–650 cars—but, again, the level of interceptions is low.

Pursuant to the above discussion, we recommend that night inspection shifts at seven northern inspection stations be eliminated during the period September 1 through March 31 and that the level of night inspections at the two Lake Tahoe stations be reduced during the same period for a General Fund savings of approximately $65,000.

In addition to plant quarantine work, the border stations are responsible for the inspection of all incoming and outgoing produce trucks to determine compliance with fruit and vegetable standardization laws. The purpose of this program, which is conducted by county agricultural commissioners under the supervision of the Bureau of Fruit and Vegetable Standardization, is to insure that fruits and vegetables sold in California or exported out of California meet certain quality standards. Although all produce trucks are subject to inspection for compliance with standardization requirements by county personnel at packing houses in the case of outgoing trucks and at point of destination in the case of incoming trucks, they must also stop at the border

Department of Agriculture—Continued

stations so the inspector can ascertain their inspection compliance. If an outgoing truck has had prior inspection by a county commissioner, the driver presents his inspection certificate and is permitted to proceed. If the load has not had prior inspection, the quarantine inspector makes the inspection and, if standardization requirements are not met, the driver must discard the low quality produce or return it to point of origin before leaving the state.

In the case of an incoming produce truck, the quarantine inspector records its contents, destination, and other pertinent data on a form which is forwarded to the local county commissioner who then makes the standardization inspection when the truck arrives at its terminal. In order to secure inspections of produce trucks that operate only within California, the Bureau of Fruit and Vegetable Standardization maintains inspection stations on major highways in the interior of the state. This program is financed by the General Fund and cost approximately $305,000 in 1965–66.

A number of years ago, inspections for fruit and vegetable standardization at the plant quarantine border stations were performed by personnel of the Bureau of Fruit and Vegetable Standardization, but the work was transferred to plant quarantine inspectors to resolve problems of supervision that occurred under the former arrangement.

Although fruit and vegetable standardization work is neither a plant quarantine function nor an adequate workload justification for the quarantine program, it adds to the high cost of the border inspection stations. At our request, the Bureau of Plant Quarantine has reviewed the time devoted to this work and estimates that it represents 6.5 man-years or an annual cost of approximately $56,072. Last year, the border stations inspected or processed 34,341 incoming and 92,195 outgoing produce trucks.

We recommend that the fruit and vegetable standardization work be discontinued and that $56,072 be removed from the budget of the Bureau of Plant Quarantine. If the work is to be continued, the Bureau of Fruit and Vegetable Standardization should request and justify a budget augmentation of $56,072 in its own program to reimburse the Bureau of Plant Quarantine for its inspection services.

Port Inspection—Quarantine inspections at seaports and international airports comprise the second major aspect of the quarantine program. Although plant quarantine regulations adopted by the California Department of Agriculture are enforced at these locations, the major portion of the workload consists of enforcement of federal quarantines adopted by the Secretary of Agriculture against pests and diseases occuring in foreign countries and offshore territories of the United States. In all other states that are exposed to foreign commerce, the federal government enforces these quarantines, but the California Department of Agriculture has always performed and financed this work in California pursuant to an informal agreement with the U.S. Department of Agriculture.

Under this agreement, state inspectors are classified as federal plant quarantine "collaborators," and it is on this basis that they conduct quarantine inspections of ships and airplanes engaged in foreign com-

Department of Agriculture—Continued

merce—a function that is clearly the responsibility of the federal government. California agricultural officials have maintained that state enforcement of quarantine regulations at the ports is justified because California needs broader protection than the federal plant quarantines provide. However, in the few situations in which federal plant quarantine personnel conduct inspections in California (Mexican border inspection is the notable example), they also enforce California quarantines. Federal inspectors in Hawaii also enforce California quarantines on aircraft enroute to California.

Legislative concern over the federal-state relationship in the enforcement and financing of federal quarantines first arose in 1963 when the California Department of Agriculture requested funds in the 1963–64 budget to employ a plant quarantine inspector for assignment at Travis Air Force Base. On the basis of our adverse recommendation, the Legislature denied the position and amended the Budget Bill to express its desire that state funds not be expended for enforcement of federal quarantines unless reimbursement in funds or services was made by the federal government. Since that time, the department has withdrawn all state inspectors from military air bases, and this work has been taken over by the U.S. Department of Agriculture.

During the 1965 session of the legislature, the issue of whether substantial reductions should be made in the scope of California's plant quarantine program was presented to the Budget Conference Committee because the Assembly reduced funds for this work by $900,000. Pending disposition of this issue (which resulted in restoration of the funds), the State Department of Agriculture corresponded with the federal government to ascertain whether state quarantines would be enforced if the federal government took over this work. The U.S. Department of Agriculture indicated that it would "be glad to continue to cooperate in the enforcement of state quarantines in situations where this can be done in connection with our regular federal program and without the need for additional staff for this purpose." Based on the pattern of federal enforcement of state quarantines at the Mexican border and on airplanes departing from Hawaii, we do not believe that enforcement of state quarantines at California ports would significantly increase federal costs for this work.

Pursuant to the above discussion, we recommend that the Department of Agriculture discontinue plant quarantine inspections at seaports and airports. Since the federal government will need a transitional period to assume this responsibility, we recommend that the department be allowed $80,000 in its proposed 1967–68 budget to maintain port inspections through August 31, 1967. Accordingly, we recommend a reduction of $405,000 in the department's General Fund budget, which represents the costs of port inspections for the remaining 10 months of the 1967–68 fiscal year. It should be noted that all of our recommended reductions for plant quarantine work, totaling $621,200, reduce the scope of the program without significantly lowering its level of effectiveness.

Department of Agriculture—Continued

Poultry Meat Standardization

In addition to its poultry meat inspection program, which is concerned with the wholesomeness of poultry meat at the slaughterhouse, the department also conducts an egg, poultry, and rabbit meat standardization program under which inspections are made of the labels on packaged poultry, rabbits, and eggs at wholesale and retail establishments. The department has a staff of 10 people working on this program, with estimated costs of $127,000 in the current year payable from the General Fund. County agricultural commissioners perform most of the egg standardization work under departmental supervision, but all inspections of poultry and rabbit meat labels at wholesale levels are made by three departmental inspectors. Poultry meat inspections comprise most of the workload since rabbit meat is not in great demand.

The purpose of this program is to determine whether the labels on these commodities properly describe the commodities as required by law. For example, frying chickens must be labeled "fryers" and broiling chickens must be labeled "broilers." In addition, labels must denote the state of origin of the meat pursuant to legislation enacted about two years ago. The department states that enforcement of the regulations benefits consumers, since an accurate label identifies the value of the eggs or poultry meat being purchased. We doubt, however, that any consumer benefit results from inspections of poultry meat at the wholesale level where consumers normally do not make purchases. Any other benefit is difficult to perceive, since it is unlikely that supermarket meat managers and other retailers who do purchase poultry meat from wholesalers are guided by the labels in determining whether their orders for fryers, broilers, etc., have been properly filled. Moreover, a high percentage of poultry meat sold in California is purchased directly by supermarket chains from out-of-state suppliers, thus bypassing wholesale distributors, and the labels on this meat are inspected by county and departmental personnel on a random basis at the same time they make egg standardization inspections at retail stores.

While some consumer benefit may result from egg and poultry meat standardization inspections at the retail level, the department has been unable to demonstrate any significant benefit from inspections at wholesale establishments. In 1965 the department's three full-time poultry meat label inspectors examined 8,898,562 carcasses, of which less than 7 percent were found improperly labeled. Most of these violations were not major, consisting of out-of-state poultry that was not labeled as to state of origin as required by recent California law. Violations of this nature should diminish as exporters become familiar with California labeling requirements.

Pursuant to the foregoing discussion, we recommend that poultry standardization work at wholesale establishments be discontinued and that three inspector positions be eliminated for a General Fund savings of approximately $32,000.

Department of Agriculture—Continued

Seed Inspection

The department engages in two activities involving inspections or testing of agricultural seeds. The first activity, which is conducted in cooperation with the California Crop Improvement Association, provides a voluntary seed certification service to producers of seeds. The Crop Improvement Association establishes minimum genetic purity and germination standards for seeds and certifies those that meet these standards under laboratory tests. In past years, the department's seed laboratory performed many of these certification tests on a fee basis, but recently more and more of this work has been done by the Crop Improvement Association's laboratory at Davis and by private laboratories utilizing standardized testing methods approved by the department. As a result, the amount of seed certification work done by the department has diminished to less than $800 in testing fees in fiscal year 1965–66. The department has no statistical breakdown of the percentage of certified seeds used in California, but estimates vary from 20 to 50 percent, depending on the kind of seed. In 1964, California seed producers voluntarily sought certification for approximately 136,000 acres of various seed crops, but certification was approved for only 110,000 acres which met the germination and purity standards prescribed by the Crop Improvement Association. The remainder (plus imported seeds and noncertified seeds) was marketed under labels whose accuracy was established under a program supervised by the department as discussed below.

Since seed certification is not mandatory in California (and the department indicates that economic considerations justify its voluntary nature), seed crops which do not meet certification standards or which are not submitted for certification may be sold in California provided that their labels accurately and fully indicate their quality and provided, further, that they do not contain noxious weed seeds. Thus, the department conducts a second activity which is an inspection program in cooperation with county agricultural commissioners to determine that the labels on uncertified seeds sold at wholesale and retail levels accurately describe their qualities. The emphasis of this work is not on the quality of the seeds (except to the extent that noxious weed seeds may be present) but on the honesty and accuracy of the labels. The basic responsibility for collecting samples of seeds for testing to determine the label accuracy lies with the county agricultural commissioners whose work is supervised by the department. These seed samples are tested in the department's seed laboratory. This work is financed by the General Fund and cost approximately $210,000 in 1965–66.

We have serious reservations that the benefits of this program are commensurate with its costs. In 1965–66, for example, county agricultural commissioners collected 3,617 seed samples. Of these, 399 were found to violate one or more provisions of the Seed Law, but many of these violations involved minor technical matters such as out-of-date germination tests. In addition to these seed samples, the laboratory also tested 2,703 other samples, most of which were collected by the county

agricultural commissioners to check compliance with quarantine regulations. The department's field and laboratory costs for this work, as noted above, were approximately $210,000, and county costs totaled approximately $174,000. Thus, the average cost of each sample was about $60 for its collection by the county and laboratory analysis by the state.

There is no justification for continuation of a specialized departmental staff composed of a program supervisor and four district supervisors to direct the seed sample collection activities of the counties. This is an example of both a tendency toward overspecialization in the department's supervisory relationships with the county commissioners and detailed supervision of county employees who have substantial competence because of academic training and years of experience.

Because of the high cost of the department's seed program in comparison to its accomplishments, it is recommended (1) that the four district supervisors be eliminated to reduce the excessive supervision over county commissioners while making a General Fund reduction of $46,740 for salaries and related support costs; (2) that the position of program supervisor be downgraded to a level commensurate with the responsibility of processing seed samples submitted by the county commissioners; and (3) that as a matter of state policy the department encourage seed growers to utilize the testing services of the California Crop Improvement Association.

Need for Improved Field Organization

As we have noted in past years, there is a pressing need for the department to review its fieldwork in certification and inspection programs which frequently have a high degree of similarity in the products being inspected or adjacent locations where inspections are made. Much of this work might advantageously be consolidated to reduce costs and eliminate multiple inspections at the same locations which sometimes occur under the present organization. Consolidation of supervisory functions also should simplify relationships between the department and the county agricultural and commissioners who conduct several programs that are supervised by departmental field personnel and eliminate some dissatisfaction among county commissioners arising from periodic inspection visits by departmental specialists having narrow subject matter responsibility.

Two years ago we recommended approval and the Legislature authorized the department to employ two administrative analysts to evaluate the department's field organization and related management problems. While these two analysts have spent considerable time reviewing the department's field structure and program procedures, the department has implemented no major program changes or modifications in an effort to reduce costs and improve efficiency.

The department also has three high-level "regional coordinator" positions who maintain permanent offices in Sacramento, San Francisco, and Los Angeles where they function, at least in part, in a liaison

Department of Agriculture—Continued

capacity between the department, the agricultural industry, and the county agricultural commissioners within their respective districts.

As we have pointed out in prior analyses, these three positions are in an advantageous position to improve the efficiency of the department's field activities because a portion of their time is spent in resolving problems of program coordination and interpretation arising between county commissioners and departmental field personnel. However, since the regional coordinators have no line authority over the department's field activities, they function primarily as day-to-day problem solvers with no responsibility for coordinating and supervising the field personnel whose uncoordinated activities create many of these problems. This lack of overall coordination, which results from carrying a rigid compartmentalization of functions at the bureau level at Sacramento into field activities, is a major weakness of the department's field organization that has needed attention for several years.

Since the regional coordinators are not utilized effectively to coordinate and improve the efficiency of the field activities except on an occasional, problem-solving basis, there is inadequate justification to continue these positions. Unless they can be used as the initial step in establishing an efficient field organization, we recommend that they be deleted for a General Fund savings of $48,922 plus related costs.

Need for Revised Pesticide Policy

The growing concern over the use and effects of economic poisons (pesticides) raises some important questions about the accomplishments and effectiveness of the pesticide control activities of the Department of Agriculture. Unfortunately, very little objective information is available on the relationship of pesticides to public health, fish and wildlife, and such information as does exist is marked by considerable differences of opinion and interpretation among experts in the field. It is known, however, that pesticides can and do enter the food chain; that fish and wildlife kills occur because of pesticides in their environment; and that both the use and variety of pesticide formulations are increasing. New formulations are being marketed so rapidly that complete evaluation of their side effects is nearly impossible.

The fact that approximately 20 percent of the pesticides used in the nation are applied in California makes it important that California lead in taking steps to insure that the health and welfare of its citizens are not unduly subjected to hazards through the use of these chemicals. Legislative hearings in recent years have fully documented (1) the importance of pesticides to successful agricultural operations, (2) the existence of adverse side effects from their use, and (3) the scope of public concern.

Because of its direct working relationships with the agricultural industry where most pesticides are used, the Department of Agriculture has been granted the broadest authority to control pesticides and presently performs most of the state's regulatory work. Most significant are the administrative controls which the department has over pesticides; the department registers all pesticides before they can be sold

Department of Agriculture—Continued

legally in California, establishes tolerances for residues (usually these are the same as federal tolerances), licenses agricultural pest control operators and requires reports on their operations, requires special permits for certain highly toxic pesticides, and restricts the areas of their application.

Under existing state law, all pesticides used in California must be registered annually with the Department of Agriculture. The major requirements for registration are that each pesticide must be labeled to show its chemical composition, directions for use, and a caution or warning statement. In addition, the pesticide must be effective for its intended use and free of harmful effects if used according to directions. All test data required for registration are supplied by the manufacturer, and the decision to grant or deny registration is based on an office evaluation of these data and other information in the open literature or developed by the University of California. At present, the accuracy of labels and the capability of the pesticides to do the pest control jobs ascribed to them appear to receive the department's primary attention in the registration process.

To assure that pesticides sold in California are registered and that their labels are accurate, the department conducts an inspection program under which samples of pesticides are collected at wholesale and retail establishments and tested in the department's laboratory. This sampling and testing program, which cost approximately $187,000 in 1965–66, is financed by the pesticide industry, whose major interest is to avoid unfair trade advantages within the industry by preventing mislabeling or lowering of quality.

Under a second pesticide program, the department collects samples of fruits, vegetables, hay, and other agricultural products for laboratory analysis to determine whether they contain pesticide residues exceeding allowable tolerances. This work, which is financed by the General Fund, cost approximately $276,000 in 1965–66.

According to the department, close to 15,000 formulations of about 800 chemicals are registered for sale in California for all types of pest control, and most of these formulations are applied on or around food and feed crops. Each year new chemicals are developed and added to the list. The futility of attempting to maintain an effective pesticide residue sampling program to determine the effects of constantly increasing numbers of chemicals in the food chain is implicit in the following comments of the department from its 1966–67 budget justification statement. We quote it again.

> ". . . Federal and state tolerances have been established for the maximum permitted residues of more than 100 pesticide chemicals on more than 200 crops. For example, there are 44 tolerances specifically for strawberries, 39 for cherries, 40 for plums, 45 for grapes, and 48 for tomatoes. Many tolerances have been established specifically at zero, and the absence of a tolerance means that none of the pesticide chemical may be present in the food or feed.
>
> "Chemists have developed several methods that enable the simultaneous detection and determination of a few groups of compounds,

Department of Agriculture—Continued

but, in general, the determination of each pesticide residue requires a separate test procedure. Years ago, tests were made only for arsenic, which was then the only pesticide residue of concern. In recent years, fruits and vegetables have been screened by tests that detect DDT and about 10 related chlorinated hydrocarbon pesticides. Another current test procedure detects parathion and methyl parathion. Another, for which only two of the laboratories have equipment at the present time, detects a group of about six thiophosphate compounds. With these few exceptions, most of the other pesticides require separate individual tests with specific reagents, procedures, and laboratory equipment.

"Obviously, all samples cannot be analyzed for all possible residues and yet, particularly in California's intensified and diversified agriculture, it is possible for any pesticide to get on any crop through misuse, accident, or negligence. In allocating the limited laboratory facilities, it is necessary, in effect, to choose between analyzing 100 samples for residue of one pesticide or 1 sample for residues of 100 pesticides. At present these food and feed commodities are being analyzed only for a dozen of the commonest, most persistent pesticides. Many pesticides are recommended by the U.S. Department of Agriculture and the University of California, and are in common use in California, for which no official sample of fruit, vegetable, or hay has ever been analyzed."

It is clear that the pesticide residue program cannot reasonably keep pace with the rapidly increasing number of pesticide formulations being developed and marketed in California and, at best, the state can economically conduct residue tests on only a limited number of these chemicals. As we have noted for the past two years, this problem illuminates a pressing need for a revised approach to the department's pesticide control program. Instead of registering and licensing virtually all pesticides and then spending large sums of money to evaluate their effects on the environment, we believe the state should tighten requirements for registration and preclude the sale of any pesticide for which there is an effective, less toxic, more readily degradable pesticide which will serve a defined, significant, and proven need. Implementation of this policy would encourage pesticide manufacturers to concentrate on the development of biological pest control methods or chemicals that reduce the possibility of deleterious side effects on the environment. The department itself has employed biological controls in a number of insect eradication programs such as the Mexican fruit fly and the pink bollworm.

In recent years, both houses of the Legislature have refused to approve requested augmentations for more pesticide testing work and cited the factors discussed above. Last year on our recommendation, the Legislature directed the department to review its pesticide control policy and report to the Legislature on its findings. The department's report, submitted July 8, 1966, consisted primarily of a description of the present programs and a reaffirmation of their professed suitability.

"We have considered and evaluated these suggestions of the analyst," said the department. "It is our opinion, based on over 30 years of experience, that our present program of regulatory control at each step in the sale, application, and use of pesticides provides the best protection. . . . It is imperative that continuous control be maintained over the usage of pesticides for the protection of the public and to sustain the economy. Final evaluation of this control can only be made through sampling and testing. Trained inspectors and chemists provide the greatest assurance that pesticides are being used in a manner that protects the public health and safety."

The department's report does not come to grips with the central problem of the existing pesticide programs; namely, that so many pesticide formulations are being sold in California that it is economically infeasible to determine what effects they are having on the environment. Pesticide residue sampling does not constitute a control because, as noted in the department's first statement quoted above, laboratory tests can be made on only a very few of the pesticides known to be in use. "Control" of pesticides, as we see it, can be effectively achieved only by restricting the number and types of chemicals that can be used to a level reasonably commensurate with the testing capabilities of the pesticide residue laboratories and by establishing clear state policies directed toward the encouragement of biological controls and the development of degradable pesticides.

Based on the foregoing discussion, we recommend that the department be directed to ascertain (1) what pesticides have greatest versatility in terms of broad agricultural needs; (2) to what extent existing pesticides provide overlapping and duplicative benefits; (3) what are the relative degrees of toxicity of present pesticides and how readily they degrade; and (4) what is the approximate use of each registered pesticide in California as a percentage of total pesticide sales. This recommendation does not require new funds, but could be achieved by redirecting some money from existing sampling and testing work. With this type of information, the department can proceed to formulate for its regulatory purposes as well as to advise the Legislature on policies which will best serve the total public interest in the use of pesticides. Eventually, this may reduce inefficient, duplicate, and serial sampling of pesticides which is the basis of the current program.

Department of Agriculture

FEDERAL COOPERATIVE MARKETING RESEARCH

ITEM 55 of the Budget Bill Budget page 102

FOR SUPPORT OF FEDERAL COOPERATIVE MARKETING RESEARCH FROM THE GENERAL FUND

Amount requested in Budget Bill		$86,758
Budget request before identified adjustments	$96,398	
Increase to recognize full workload change	None	
Budget as adjusted for workload change	$96,398	
Adjustment—undetailed reduction (10 percent)	9,640	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		$15,000
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		**$5,360**

Summary of Recommended Reductions

	Amount	*Budget Page*	*Budget Line*
Eliminate transportation and freight rate study project	$15,000	102	65

GENERAL PROGRAM STATEMENT

Under the Federal Cooperative Marketing Research Program, the state and the federal government share equally the cost of conducting research in various marketing problem areas. The state is authorized to participate in this program by Section 1286 of the Agricultural Code, and federal participation is provided under the Agricultural Marketing Act of 1946 and Public Law 733 (79th Congress). The objectives of the program are to assist marketing agencies in utilizing the most effective marketing practices, to increase consumption of farm products, and to provide better and more timely marketing information. Recent expenditures for this program are shown below.

Federal-State Matched Funds Marketing Projects—Expenditures

Source of funding	*1963–64*	*1964–65*	*1965–66*	*1966–67* *	*1967–68*
General Fund	$78,779	$75,488	$69,728	$96,398	$96,398 †
Federal funds	78,779	75,487	69,728	96,398	96,398
Total as shown in Governor's Budget	$157,558	$150,975	$139,456	$192,796	$192,796

* Estimated.
† Proposed expenditure before 10 percent reduction.

ANALYSIS AND RECOMMENDATIONS

This program shows a General Fund workload of $96,398 in the budget year to continue five projects relating to crop surveys, marketing and sales promotion, maturity standards and packaging methods, more efficient utilization of personnel in the Market News Service, and improvement in nursery stock. After applying the percentage reduction of 10 percent, the Governor's Budget proposes a General Fund appropriation of $86,758 for support of the program.

Included in the proposed workload budget is the sum of $15,000 to finance a study on the impact of transportation and freight rates on California agriculture. This project has been financed for the past three years on a 50-50 cost-sharing basis at the $30,000 level by the federal

Federal Cooperative Marketing Research—Continued

government and the General Fund support budget of the State Department of Agriculture, but the work has not been identified previously as a federal-state marketing project.

In our analysis of the 1963–64 Budget Bill, we expressed reservations about this new program and said that the agricultural groups that want this service should pay for it. In November, 1966, we reviewed a Section 28 letter from the Department of Finance proposing to augment this program by $40,807 and requesting the chairman of the Joint Legislative Budget Committee to waive the 30-day waiting period required by the budget act before the proposed augmentation could become effective. Our report to the chairman of the committee expressed reservations about the program based on its limited accomplishments to date and prospects of little success in the future. We noted, also, that while there might be a proper role for the state to play in striving for more favorable rail transportation rates, the California Public Utilities Commission, rather than the Department of Agriculture, appears to be better qualified to exercise this function. The Legislature has provided for such action by the Public Utilities Commission in Section 703 of the Public Utilities Code. Citing these reasons, the chairman of the Budget Committee declined to waive the 30-day waiting period.

We recommend, therefore, that the transportation rate project be deleted from the General Fund support portion of the Federal-State Marketing Research Program for a savings of $15,000. If the benefiting agricultural industry wishes to have the study continued, industry rather than the state can provide $15,000 to match the federal funds.

DEPARTMENT OF AGRICULTURE

ITEM 56 of the Budget Bill Budget page 90

FOR SUPPORT OF THE DEPARTMENT OF AGRICULTURE FROM THE DEPARTMENT OF AGRICULTURE FUND

Amount requested	$10,154,358
Estimated to be expended in 1966–67 fiscal year	10,080,891
Increase (0.7 percent)	$73,467

TOTAL RECOMMENDED REDUCTION ..... Analysis pending

ANALYSIS AND RECOMMENDATION

This item appropriates from the Department of Agriculture Fund that portion of the department's budget which supports activities requested by or benefiting particular agricultural groups. This fund is composed of fees and assessments derived from a variety of industry sources. The General Fund portion of the department's budget appears in Item 54.

The budget year request from the Department of Agriculture Fund is $10,154,358, which is $73,467 or 0.7 percent higher than estimated expenditures from this fund during the current year.

We have concentrated our attention on the General Fund appropriation and have developed no recommended reductions on this self-sup-

Department of Agriculture—Continued

porting appropriation item pending receipt of the administration's proposal to reduce it 10 percent below the workload level.

Department of Agriculture
DIVISION OF FAIRS AND EXPOSITIONS

ITEM 57 of the Budget Bill Budget page 90

FOR SUPPORT OF THE DEPARTMENT OF AGRICULTURE FROM THE FAIR AND EXPOSITION FUND

Amount requested	$207,039
Estimated to be expended in 1966–67 fiscal year	199,444
Increase (3.8 percent)	$7,595

Summary of Recommended Actions

We recommend deletion of this item, contingent on legislative action on recommendation discussed under Item 47 for elimination of continuing appropriations for the local fairs.

GENERAL PROGRAM STATEMENT

This division, with a presently authorized staff of 17.6 positions, supervises the fiscal affairs of 50 district agricultural associations, 24 county fairs, 2 citrus fruit fairs; prepares a master premium list; approves premium lists of the individual fairs; and advises the Director of Agriculture (and the State Public Works Board in the case of capital outlay) as to allocations of money from the Fair and Exposition Fund to the local fairs pursuant to the continuing appropriation provisions of Sections 19627 and 19630 of the Business and Professions Code. The division's support budget is derived through the operation of Section 19621, Business and Professions Code, which provides for an annual appropriation from the Fair and Exposition Fund to the Department of Agriculture for the costs of supervising and auditing the local fairs.

ANALYSIS AND RECOMMENDATIONS

For 1967–68 the division is requesting an appropriation of $207,039, which is $7,595 more than estimated expenditures for the current year. However, the division's proposed expenditures exceed the requested appropriation by $81,500, which represents reimbursements from the local fairs for costs of indemnity and liability insurance premiums and supervision of construction projects. Thus, the total proposed expenditure in the budget year, including reimbursements, is $288,539.

The most significant function of the division is its annual allocation of $6,930,000 in horse racing revenues which is earmarked in Sections 19627 and 19630, Business and Professions Code, for distribution to district and county fairs for support and capital outlay purposes. Any portion of the support money which is not allocated to the fairs, as well as the unappropriated final balance of the Fair and Exposition Fund ultimately is transferred to the General Fund. Last year, the sum of $16,996,000 was transferred to the General Fund.

Division of Fairs and Expositions—Continued

As the agency having major responsibility for the allocation and proper expenditure of this money among the district and county fairs, the division's activities frequently are influenced by considerations other than efficiency and economy. The division has prepared a five-year capital outlay project plan for local fairs, but has not developed information that would be helpful in appraising the need to maintain the current levels of continuing appropriations provided by the Business and Professions Code.

The present ceilings for support and capital outlay allocations to local fairs under Sections 19627 and 19630, Business and Professions Code, were established in 1959. Since that time, the Division of Fairs and Expositions has allocated more than $37,000,000 under these sections to local fairs for support and capital outlay purposes. The division is unable to assess the benefits which have accrued to the local fairs through these expenditures of state money, but it indicates that some of the fairs have excellent physical plants and are in good financial condition, while others occupy leased premises and have some obsolete facilities.

In view of the pressing need to secure additional General Fund revenues, the Legislature might consider eliminating allocations of Fair and Exposition Fund revenues to district and local fairs as a means of reducing the need for new tax measures. We have developed a recommendation of this nature in our analysis of Item 47 of the Budget Bill. Depending on the action of the Legislature with respect to that recommendation, it might be possible to eliminate the Division of Fairs and Expositions, in which case this appropriation item could be deleted.

Department of Agriculture
MUSEUM OF SCIENCE AND INDUSTRY

ITEM 58 of the Budget Bill Budget page 106

FOR SUPPORT OF THE CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY FROM THE CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY FUND

Amount requested in Budget Bill		$912,849
Budget request before identified adjustments	$896,377	
Increase to recognize full workload change	67,850	
Budget as adjusted for workload change	$964,227	
Adjustment—undetailed reduction (10 percent)	51,378	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET Unresolved

Summary of Recommended Actions

Increase revenues by $200,000 and establish admission fees of 10 cents for children between 6 and 16 years of age and 25 cents for adults 16 years of age and older. (Admission fees to be waived for organized school tours.)

GENERAL PROGRAM STATEMENT

The California Museum of Science and Industry, located in Exposition Park in the City of Los Angeles, was created by Chapter 69, Statutes of 1880, as the Sixth District Agricultural Association. The

Museum of Science and Industry—Continued

1962 Legislature approved its present name, which more properly identifies its quasi-educational function of providing exhibits to demonstrate industrial and scientific progress. A nine-member board of directors appointed by the Governor administers the museum as well as 104 acres of state-owned land in Exposition Park which is held in trust by the museum.

Although the museum has lost its identity as an agricultural association, it was attached to the Department of Agriculture as a result of action taken by the 1963 Legislature which transferred fiscal supervision over district, county, and citrus fruit fairs from the Department of Finance to the Department of Agriculture.

The museum's facilities consist of the main Science and Industry building, the Space Museum building, the Hall of Health (scheduled to be opened in 1967), the park grounds, and the 5,000-car and 100-bus parking lots for patrons of the Los Angeles Memorial Coliseum, the Los Angeles Memorial Sports Arena, and the City of Los Angeles Olympic Swim Stadium. In 1965–66, the museum recorded 1,704,307 visitors and provided guided tours for 95,953 school children in lieu of regular school classes. Approximately 40 special exhibits are displayed each year, some of which are sponsored by private sources.

As indicated in the table below, the museum's expenditures have increased substantially in recent years as a result of greater emphasis being placed on the museum as a state educational institution, the establishment of new programs, and improvement in existing ones.

Table 1

Museum of Science and Industry—Support Expenditures

Source of funding	*1963–64*	*1964–65*	*1965–66*	*1966–67* *	*1967–68* †
General Fund	$219,287	$279,588	$372,905	$445,934	$462,406
Museum of Science and Industry Fund	371,997	419,603	421,045	551,480	450,443
Total as shown in Governor's Budget	$591,284	$699,191	$793,950	$997,414	$912,849

* Estimated.

† Appropriation request after 10-percent reduction in General Fund portion of workload budget.

ANALYSIS AND RECOMMENDATIONS

This item appropriates the entire support budget for the museum from the California Museum of Science and Industry Fund, which receives a portion of its revenue by a transfer from the General Fund as indicated in Item 59. The total proposed 1967–68 support budget for the museum, after an increase of $67,850 to recognize full workload change, is $964,227. The General Fund portion of the budget, including the $67,850 workload adjustment factor, is $513,784. After applying the percentage reduction of 10 percent, the Budget Bill proposes a General Fund appropriation of $462,404 for support of the museum. The 10-percent reduction in the General Fund portion of the budget (amounting to $51,378) has not been evaluated because, to date, the administration has not detailed how the reduction is to be applied to the museum's activities.

Museum of Science and Industry—Continued

The remaining portion of the museum's expenditures are derived primarily from parking lot revenues and from rental proceeds paid by the Coliseum Commission (representing the state, the city, and the County of Los Angeles) for the use of the land on which the Los Angeles Memorial Coliseum and the Los Angeles Sports Arena are located. However, since these revenues which accrue to the museum are derived from state-owned property and therefore would customarily accrue to the General Fund, the General Fund is, in effect, financing the museum's entire support budget which is close to $1,000,000 per year. We note that surplus moneys from these sources that had accumulated in the Museum of Science and Industry Fund in prior years are now depleted. As a result, the proposed appropriation of revenue earnings from the Science and Industry Fund is $101,037 less than estimated expenditures from this fund in the current year. Moreover, since the museum is now utilizing most of its revenues to help finance its support requirements, the museum is no longer able to meet its obligation of $125,000 annually to the General Fund for repayment of the costs of constructing the parking lots. Thus, the actual General Fund cost for the museum is $125,000 higher than it appears to be in the Governor's Budget.

One factor that contributes significantly to the rather high costs of the museum is its unusual security requirements. Since the museum complex comprises three buildings containing numerous expensive exhibits, many of which are displayed in recessed areas and in specially constructed alcoves, it is necessary to maintain a large security staff to minimize vandalism and protect visitors against robbery and bodily injury. The workload budget includes $116,244 for 18 guards and 2 watchmen, plus an additional $65,000 for police patrol service for the parking lots. More guards will be required when the Hall of Health is opened this year.

A part of the museum's security problem is attributable to the fact that no admission is charged to enter the buildings. If a modest admission fee were charged, it would deter some people who have no serious or educational motive in visiting the museum. Moreover, a schedule of admission fees would produce substantial revenue which could be used to offset partially the museum's General Fund support requirements. We believe that an admission fee of $0.10 for children between the ages of 6 and 16 and a fee of $0.25 for people over 16 years of age would be appropriate. Organized school tours of the museum should be exempt from admission fees.

It is difficult to estimate precisely how much revenue would be produced by the fees suggested above because, while the museum has an electronic attendance counter, there is no information as to what proportion of the 1,704,207 visitors recorded in 1965–66 were under 16 years of age. Moreover, attendance might decline or level off somewhat with the adoption of admission fees. However, it would appear reasonable that at least one-half of these people were 16 years of age or older, and on this basis the above fee schedule should produce a

Museum of Science and Industry—Continued

minimum of $200,000 annually while still permitting school classes to tour the museum free of charge.

Since the museum has developed costly capital improvements in recent years and has added numerous complex, expensive exhibits, it is now in a position to provide significant educational services to the Los Angeles area school systems, but only 95,935 school children toured the museum in 1965–66 during released school time. The museum should concentrate on achieving the highest possible utilization of its capital investment by encouraging visits of a larger number of school children rather than serving primarily the general public who attend on a casual basis and create security problems. In short, the high capital and operating costs of the museum are best justified to the extent that the museum provides an educational service that benefits large numbers of school children. A schedule of admission fees would not impair the ability of the museum to extend its educational services to organized school tours, but it would tend to emphasize education rather than entertainment and minimize vandalism while offsetting some of the General Fund costs for support of the museum.

In view of the increasing need for General Fund economies and the increasing financial needs of the museum, we recommend that the museum adopt an admission fee of $0.10 for children between the ages of 6 and 16 and a fee of $0.25 for people 16 years of age and older; these fees, however, should not apply to organized school tours. Since this fee structure should produce a minimum of approximately $200,000 in revenues, we further recommend that the General Fund transfer in Item 59 be reduced by $200,000.

Department of Agriculture

AUGMENTATION OF THE CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY FUND

ITEM 59 of the Budget Bill — Budget page 106

FOR AUGMENTATION OF THE CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY FUND FROM THE GENERAL FUND

Amount requested in Budget Bill		$462,406
Budget request before identified adjustments	$445,934	
Increase to recognize full workload change	67,850	
Budget as adjusted for workload change	$513,784	
Adjustment—undetailed reduction (10 percent)	51,378	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		$200,000
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		$148,622

Summary of Recommended Reductions	Amount	Budget Page	Budget Line
Reduce support by $200,000 and establish admission fees of 10 cents for children between 6 and 16 years of age and 25 cents for adults 16 years of age and older. (Admission fees to be waived for organized school tours)	$200,000	106	4

Augmentation of the California Museum of Science and Industry Fund—Continued

ANALYSIS AND RECOMMENDATION

This item transfers $462,406 from the General Fund to augment the support of the California Museum of Science and Industry. A discussion of the museum's activities appears in the analysis of Item 58.

Pursuant to the recommendation contained in Item 58, we recommend that this item be reduced by $200,000.

ITEM 60 of the Budget Bill Budget page 110

POULTRY IMPROVEMENT COMMISSION

FOR SUPPORT OF THE POULTRY IMPROVEMENT COMMISSION FROM THE POULTRY PROJECT TESTING FUND

Amount requested in Budget Bill		$111,292
Budget request before identified adjustments	$113,595	
Increase to recognize full workload change	847	
Budget as adjusted for workload change	$114,442	
Adjustment—undetailed reduction (10 percent)	3,150	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		$31,501
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		$28,351

Summary of Recommended Reductions

	Amount	Budget Page	Budget Line
Eliminate General Fund support	$31,501	110	8

GENERAL PROGRAM STATEMENT

Sections 43 through 48 of the Agricultural Code established the Poultry Improvement Commission, which consists of seven members appointed by the Governor from the poultry industry at large and three ex officio members representing the University of California and the State Department of Agriculture.

Prior to 1966, the commission conducted two testing programs which provided the poultry industry with performance and economic data on various types of chickens and turkeys, but the turkey program was discontinued in the current year and the commission now conducts a single program at Modesto for testing the performance of chickens under various ranch conditions. Several commercial poultrymen cooperate in the program by accepting on their ranches limited numbers of test chickens whose egg production is measured by commission personnel for correlation with information gathered at the Modesto facility. Since test chickens are kept for 18 months, a test program is funded over more than one budget year. The next test is scheduled to begin in the spring of 1967.

5—87224

Poultry Improvement Commission—Continued

Recent expenditures of the commission are shown in the table below.

Table 1
Poultry Improvement Commission—Support Expenditures

Source of Funding	*1963–64*	*1964–65*	*1965–66*	*1966–67* [1]	*1967–68* [2]
General Fund	$62,839	$75,086	$75,086	$75,086	$28,351
Poultry testing project fund	69,956	31,769	9,899	36,499	82,941
Total as shown in Governor's Budget	$132,795	$106,855	$84,985	$111,585	$111,292

[1] Estimated.
[2] Appropriation request after 10 percent reduction in General Fund portion of workload budget.

ANALYSIS AND RECOMMENDATION

This item appropriates the entire support budget for the commission from the Poultry Project Testing Fund, which receives a portion of its revenue by a transfer from the General Fund in Item 61. The total proposed 1967–68 support budget for the commission, after an increase of $847 to recognize full workload change, is $114,442. The General Fund portion of the budget, including the $847 workload adjustment factor, is $31,501. After applying the percentage reduction of 10 percent, the Budget Bill proposes a General Fund appropriation of $28,351 for support of the commission. The 10 percent reduction has not been evaluated because, to date, the administration has not detailed how the reduction is to be applied to the commission's program. The remaining portion of the commission's support is derived from test entry fees and revenues from the sale of eggs and poultry which accrue to the Poultry Project Testing Fund.

During the past several years, we have been increasingly critical of the commission's dependence on General Fund support. Partly because of our urging, the scope of the commission's program has been reduced and some of its work has been transferred to commercial poultry farms in lieu of using only the controlled testing environment maintained at Modesto. As a result of eliminating the turkey testing project, the commission has been able to eliminate 2.5 positions in the current and budget years, and it now has an authorized level of 9.3 positions. We note, however, that the commission's General Fund support requirements decrease substantially in the budget year primarily because a carryover surplus in the Poultry Project Testing Fund is being used to finance most of the commission's activities. Hence, assuming that revenues remain stable, the major portion of the commission's support will shift back to the General Fund in subsequent years.

The accomplishments of the commission remain very marginal and, as a General Fund function, the work is low in priority. It is also similar in nature to product improvement programs customarily supported by industry. *Therefore, we recommend that this item be reduced by $31,501, which represents the General Fund portion of the workload budget. If the poultry industry is sufficiently interested in having the commission continue testing at the present level, it can provide additional funds for this purpose.*

POULTRY IMPROVEMENT COMMISSION

ITEM 61 of the Budget Bill Budget page 110

FOR AUGMENTATION OF THE POULTRY TESTING PROJECT FUND FROM THE GENERAL FUND

Amount requested in Budget Bill		$28,351
Budget request before identified adjustments	$30,654	
Increase to recognize full workload change	847	
Budget as adjusted for workload change	$31,501	
Adjustment—undetailed reduction (10 percent)	3,150	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		$31,501
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		$28,351

Summary of Recommended Reductions

	Amount	Budget Page	Budget Line
Delete General Fund support from workload budget	$31,501	106	4

ANALYSIS AND RECOMMENDATIONS

This item transfers $28,351 from the General Fund to augment the support of the Poultry Improvement Commission. *In line with our recommendation in Item 60, we recommend that this item be deleted.*

Youth and Adult Corrections Agency

YOUTH AND ADULT CORRECTIONS AGENCY ADMINISTRATOR

ITEM 62 of the Budget Bill Budget page 112

FOR SUPPORT OF YOUTH AND ADULT CORRECTIONS AGENCY ADMINISTRATOR FROM THE GENERAL FUND

Amount requested in Budget Bill		$82,865
Budget request before identified adjustments	$91,823	
Increase to recognize full workload change	250	
Budget as adjusted for workload change	$92,073	
Adjustment—undetailed reduction (10 percent)	9,208	
RECOMMENDED REDUCTION FROM APPROPRIATION REQUEST		$82,865

Summary of Recommended Reductions

	Amount	Budget Page	Budget Line
Delete appropriation requested	$82,865	112	5

GENERAL PROGRAM STATEMENT

The Agency Administrator concept was established by the Legislature in 1961, when the statutes were amended by Chapter 2037 to create this new level of supervision in the state correctional system.

Responsibility for the overall direction of the Department of Corrections and Youth Authority is vested in the Agency Administrator. However, formulation of operating policies and procedures is developed in collaboration with the directors of the two departments.

ANALYSIS AND RECOMMENDATIONS

The total amount requested for 1967–68 is $82,865 a decrease of $1,244 or 1.5 percent below the amount now estimated to be expended