

State Guaranteed Loan Program—Continued

administrative expenses incurred in the operation of the Guaranteed Loan Program by the State Scholarship and Loan Program.

The activities of this program are described in the preceding analysis on the State Scholarship and Loan Commission. The interest income is accrued from the federal loan guarantee funds deposited as reserve for the student loans authorized under this program.

We recommend approval in the amount budgeted.

DEPARTMENT OF EMPLOYMENT

ITEMS 106 and 107 of the Budget Bill

Budget page 523

FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT FROM THE UNEMPLOYMENT COMPENSATION DISABILITY FUND AND THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested, Unemployment Compensation Disability Fund ----	\$11,679,767
Amount requested, Department of Employment Contingent Fund ----	\$495,876
	\$12,175,643
Estimated to be expended in 1967-68 fiscal year -----	11,600,747
Increase (4.95 percent) -----	\$574,896
TOTAL RECOMMENDED REDUCTION -----	\$179,008

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page Line</i>	
Department of Employment Contingent Fund			
Elimination of Department of Finance audit of the Unemployment Insurance—Employment Service Program -----	\$46,364	526	25
Unemployment Compensation Disability Fund			
Reduction in requested positions and related equipment--	132,644	535	37 & 65

GENERAL PROGRAM STATEMENT

The Department of Employment administers programs in two basic areas: (1) filling employment needs of both employers and those seeking work and (2) lessening the hardships of those involuntarily unemployed through income stabilization. Employment opportunities are presented through a system of statewide offices while the involuntarily unemployed are assisted by similar offices under the unemployment insurance program and disability and hospital benefits program.

Projected benefits for unemployment insurance and disability and hospital benefits total \$741,428,000 for the 1968-69 fiscal year of which unemployment insurance is estimated at \$493,040,000 and disability and hospital benefits at \$248,388,000. In addition to the total benefit amount, administrative expenses are estimated at \$88,572,003 for a total expenditure of \$830,000,003. The proposed benefit amounts are department estimates based upon projected rates of employment for the unemployment benefit program and previous experience of those filing disability and hospital benefit claims as related to the number of persons covered by disability insurance.

Employment

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Department of Employment—Continued

There are five sources of funding involved in the total expenditure of \$830,000,003 in 1968-69. These sources are:

Administrative support	
Federal funds -----	\$76,396,360
State funds	
Unemployment Compensation Disability Fund -----	11,679,767
Department of Employment Contingent Fund -----	495,876
Total administrative support -----	\$88,572,003
Benefit payments	
Unemployment Fund -----	\$493,040,000
Unemployment Compensation Disability Fund -----	248,388,000
Total benefit payments -----	\$741,428,000
Total expenditures -----	\$830,000,003

The funds identified as "state funds" are those that may be changed by legislative action by amendment of the Budget Bill. Proposed changes in the amount of benefits to be paid in both the unemployment insurance and disability insurance programs can only be made by amending the Unemployment Insurance Code.

Manpower Assistance and Development Programs

The Manpower Assistance Program provides placement of workers in available jobs. It also provides counseling, testing and related activities which are designed to refer potential workers to available training. Special services are available to youth, veterans, minority groups, older workers, and others in an effort to utilize the total available work force.

The Manpower Development Program encourages workers to continue the development of their present skills and to acquire new skills to cope with increased technological progress. A further breakdown of the Manpower Development Program is the Human Resources Development Program which provides services for those persons who are culturally disadvantaged and are chronically unemployed.

These programs are administered through more than 180 community offices throughout the state and are entirely supported by federal funds. Provision for federal support of these employment offices and the employment service is made in the Wagner-Peyser Act of 1933 as amended.

Administration of Federal Programs

The Department of Employment acts as the representative of the federal government in a number of programs: (1) provision of services to and applicants for the Job Corps and the Neighborhood Youth Corps, (2) payment of unemployment compensation for federal employees and ex-servicemen, (3) providing a work experience and training program for adults under Title V of the Economic Opportunity Act and (4) the compilation of unemployment data for use under the Public Works and Economic Development Act.

An additional responsibility was added to the department during the current fiscal year with the initiation of the Concentrated Employment Program (CEP) by the federal government. Funds are provided to

Department of Employment—Continued

Community Action Programs (CAP) in specific target areas—San Francisco, Oakland and Los Angeles, for example—and these CAP agencies contract with the Department of Employment to: (1) select participants, (2) provide orientation and counseling programs, (3) refer participants to employment opportunities or further training, and (4) conduct followup studies of enrollees in the program.

During fiscal year 1968-69, the employment service will concentrate in the following areas: (1) emphasis in the Human Resources Development Program, (2) continuation of Youth Opportunity Center development, (3) increase the local office participation in the determination of manpower needs in their own areas and in the development of resources to meet these needs, and (4) a continued association with the Concentrated Employment Program.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$11,679,767 from the Unemployment Compensation Disability Fund for support of the Disability and Hospital Benefits Program, an increase of 5 percent over the current year. Of the requested amount, \$8,390,052 or 71.8 percent is proposed for support of the Division of Disability and Hospital Benefits. The balance of \$3,289,715 is for support of various divisions in the Department of Employment for direct and indirect services rendered the division.

The allocation of disability fund money to other divisions of the department following formulas devised by the department on the basis of prior experience. Functional time surveys that aid in the development of these formulas are conducted each calendar year and the results are applied in the following fiscal year.

Funds are also allocated on a direct function basis when the function performed can clearly be attributed to the Division of Disability and Hospital Benefits. An example of direct function charging results when the legal section works on appeals and overpayments which result from the disability insurance program.

The proposed budget requests an increase of 34 positions from the current year to be financed by the disability fund. Eighteen of these are replacements for positions previously eliminated from the budget request for the current year. These positions plus six new positions are requested on the basis of workload. One position is proposed for the Claims and Voluntary Plan Services Sections. The remaining nine positions are divided among the other divisions of the department to compensate for the increased services to the division resulting from estimated increase in workload.

We recommend a reduction of 27 positions and related equipment in the amount of \$132,644 (budget page 535, lines 37 and 65).

The following compares the department's estimated and actual claims filed.

Employment

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Department of Employment—Continued

Fiscal year	Claims Filed		Percentage estimate exceeded
	Estimated	Actual	Actual
1963-64 -----	580,780	558,353	5.24
1964-65 -----	588,120	564,455	4.02
1965-66 -----	612,000	601,752	1.67
1966-67 -----	622,000	601,807	3.24
1967-68 -----	619,110	295,067	
		(7-12-67)	
1968-69 -----	645,200		

The division bases its workload on the following factors: (1) the number of initial claims, (2) the number of continued claims, (3) time needed for check preparation, (4) necessity for unannounced visits, and (5) voluntary plan claims processing. These factors, when multiplied by a workload standard which is based on past years' experience, equals the number of necessary man-hours.

We propose a reduction in the number of requested positions on the basis of the percentage variation of estimated and actual claims filed during the past four years. From 1963-64 through 1966-67 the department has estimated 3.5 percent more claims than actually were filed. Applying the percentage to the number of claims estimated to be filed in 1968-69, we estimate the workload of the department will increase in an amount warranting the addition of seven positions rather than 34.

Department of Employment Contingent Fund

This fund is used to cover costs of the Unemployment Insurance—Employment Service Program which the federal Bureau of Employment Security will not allow to be paid by federally granted funds. These costs include pro rata charges, administrative overhead charges of other agencies and certain direct services to divisions of the department. The budget requests an appropriation of \$495,876, an increase of 9.3 percent from the estimated expenditure in the current year. Of this amount \$449,512 will be used to cover the above charges against the department. The remaining \$46,364 is proposed to provide for the audit of the Unemployment Insurance—Employment Service Program by the State Department of Finance.

We recommend the elimination of the Department of Finance audit of the Unemployment Insurance—Employment Service Program for a savings of \$46,364 to the Department of Employment Contingent Fund.

Prior to 1965, Section 319 of the Unemployment Insurance Code provided for the audit of the Unemployment Insurance—Employment Service Program by the Department of Finance. This section was repealed by Chapter 1729, Statutes of 1965. There is, therefore, no mandatory provision for the proposed audit by the Department of Finance. The federal Bureau of Employment Security conducts a yearly audit of the Unemployment Insurance—Employment Service Program to which the state has access. The proposed audit by the Department of Finance is an unnecessary duplication of effort. *Therefore, we recommend its discontinuance.*

JOB TRAINING AND PLACEMENT COUNCIL

ITEM 108 of the Budget Bill

Budget page 540

FOR SUPPORT OF THE JOB TRAINING AND PLACEMENT COUNCIL FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested -----	\$34,699
Estimated to be expended in 1967-68 fiscal year -----	48,215
Decrease (28 percent) -----	\$13,516
TOTAL RECOMMENDED REDUCTION -----	\$5,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Reduce travel -----	\$5,000	540	72

GENERAL PROGRAM STATEMENT

The Job Training and Placement Council was authorized by executive order in May, 1967 and established by Chapter 1105, Statutes of 1967. The legislation stipulates that a preliminary report be submitted to the Governor's office and the Legislature during the 1968 legislative session. A final report is to be submitted to the 1969 legislative session after the expiration of the council in December 1968.

The council consists of the Lieutenant Governor as the chairman, the Administrator of the Health and Welfare Agency and six members of the public appointed by the Governor. In addition the council has the following ex officio members: Superintendent of Public Instruction, Director of Employment, Director of Industrial Relations, Director of Rehabilitation, Director of Social Welfare, Director of the State Office of Economic Opportunity, Director of the State Service Center Program, four members appointed by the Senate Rules Committee (two of whom are Senators), and four members appointed by the Speaker of the Assembly (two of whom are Assemblymen).

The council has been directed to develop a system which will coordinate the multiplicity of job training programs and, further, to develop entrance requirements and evaluation criteria for these programs. It is also the objective of the council to encourage private industry to assume a more active role in job training programs.

ANALYSIS AND RECOMMENDATIONS

The requested budget is for the six-month period July-December, 1968. The enabling legislation became effective November 8, 1967, and provided funding through June, 1968. The proposed budget requests \$34,699 for support of the council. The estimated budget for 1967-68 totals \$148,215, \$48,215 of which is state support, and the additional \$100,000 a proposed grant from the federal government to be used in a study to achieve the council's objectives. The proposed appropriation of \$34,699 is a decrease of \$13,516 or 28 percent from the current year expenditure of \$48,215. It must be noted, however, that the \$48,215 is a 12-month appropriation, whereas the request of \$34,699 is for a six-month period.

The council has been meeting since May, 1967 and has divided itself into three subcommittees in the preparation of the preliminary report

Job Training and Placement Council—Continued

to be submitted to the Legislature in the 1968 Session. The three subject areas chosen for this report are: (1) communications—how the people can be better informed about job training opportunities, (2) industrial planning—how private industry might be involved in job training, and (3) policy—what should be the criteria for a program’s effectiveness or an applicant’s qualifications, etc. The staff is attempting to develop a standard of cost benefit analysis for job training programs.

Under the provisions of Chapter 1105, Statutes of 1967, the council has proposed two major studies for the current fiscal year which will carry over to the budget year. One study is dependent upon the \$100,000 federal grant shown in the 1967–68 Budget. The other study is contingent upon obtaining three professionals in the job training field and one clerk on loan from existing state agencies.

No report has been submitted by the council, thus results of its efforts cannot be adequately assessed at this time. More information in this regard should be available after the council’s report to the 1968 Legislature.

The proposed budget requests a sum of \$10,660 for travel expenses for the six-month period of July 1 to December 31, 1968. This is an increase of \$2,756 or 3.5 percent over the amount authorized for 1967–68, a 12-month period.

We recommend a reduction of \$5,000 in the travel portion of operating expenses.

Records of expenditure have shown that in the period beginning July 1 and ending November 7, 1967, a total of \$1,102 was spent on travel. During this four-month period, four meetings were held at an average cost of \$275.50 per meeting. At a cost of \$50 per person, all eligible personnel could meet once a month for six months at a cost of \$4,350. With a reduction of \$5,000, the amount remaining of \$5,660 should be adequate to provide travel for the council and staff for a six-month period. This reduction will not lower the level of service of the agency.

BOARD OF CONTROL

ITEM 109 of the Budget Bill

Budget page 542

**FOR SUPPORT OF THE BOARD OF CONTROL
FROM THE GENERAL FUND**

Amount requested	\$103,266
Estimated to be expended in 1967–68 fiscal year	97,510
 Increase (5.9 percent)	 \$5,756

TOTAL RECOMMENDED REDUCTION

None

Summary of Recommended Administrative Improvements

Integration of clerical duties.

Summary of Recommended Studies

Board should study methods of increasing uniformity and eliminating arbitrary delays in evaluation of employee suggestions by agencies, with report on alternative proposals to the 1969 Legislature.