

Lieutenant Governor's Office—Continued
GENERAL PROGRAM STATEMENT

Under Article 5, Sections 9-11 of the California Constitution, the Lieutenant Governor is elected to serve the same term as the Governor and is charged with the responsibilities of performing the duties of the Governor in the absence of the chief executive and serving as the presiding officer of the Senate. Other duties of the Lieutenant Governor are summarized below:

1. He serves as chairman of the following bodies: Commission of the Californias, Bicentennial Celebration Commission, Job Training and Placement Council, the Interagency Council for Ocean Resources, and the Intrastate Automatic Data Processing Board.

2. He is a member of the following: Regents of the University of California, Board of Trustees of the State Colleges, Governor's Cabinet, Governor's Council, State Lands Commission, Commission on Interstate Cooperation, California Toll Bridge Authority, California State Disaster Council, Executive Committee of the Council on Intergovernmental Relations, and the Advisory Commission to the State Board of Education for the Teaching of the Bill of Rights.

ANALYSIS AND RECOMMENDATIONS

The estimated current-year expenditure of \$231,501 reflects a \$33,135 augmentation approved last year by the Legislature to upgrade five existing positions on the Lieutenant Governor's staff.

The proposed 1969-70 budget of \$236,573, representing an increase of \$5,072, or 2.2 percent, over estimated current expenditures, would continue the present staffing level of 11 positions in addition to the Lieutenant Governor and maintain the current level of service.

We recommend approval of the budget as submitted.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Items 38, 39 and 40 from the General Fund, Public Employees' Retirement Fund and the State Employees' Contingency Reserve Fund

Requested 1969-70	\$3,668,136
Estimated 1968-69	3,469,175
Actual 1967-68	2,820,412
Requested increase \$198,961 (5.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The objective of the Public Employees' Retirement System is to provide state and other public employees and their beneficiaries with a number of alternative retirement and health insurance plans authorized by law to assure such employees a source of financial support upon retirement and assistance in times of illness. The costs of retirement and

Public Employees' Retirement System—Continued

health insurance benefits are shared in different proportions by the employer and employee. The system also coordinates the OASDI programs of all participating public employers through a master contract under the Federal Social Security Law.

Responsibility for policy direction and operation of the system with respect to administrative and retirement functions is vested in an eight-member board of administration. When considering health benefit plans and related matters, this board is increased by three public members. The system's day-to-day operations are performed by an authorized staff of 320.1 positions under the supervision of an executive officer (a board appointee) who is responsible for carrying out the policies and administrative directives enunciated by the board.

The system's growth is outlined in Table 1.

Table 1
Public Employees' Retirement System Growth in Membership, Retirees, Contracting Agencies and Retirement Allowances Paid
(As of end of fiscal year)

<i>Fiscal year</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>
Active members					
State -----	123,817	128,641	137,163	140,778	161,490
Total -----	311,356	326,771	350,283	366,560	385,061
Retired members	31,296	34,551	38,230	42,130	46,355
Number of contracting agencies ----	414	463	503	553	604
Retirement allowances --	\$55,035,092	\$62,019,548	\$71,154,851	\$79,675,453	\$89,057,131

The system has three programs, each funded from a different source. The Public Employees' Retirement Fund supports the retirement program, the State employees' Contingency Reserve Fund supports the health benefits program, and the General Fund supports the state employer portion of the social security program. Support by fund is detailed in Table 2.

Table 2
Fund Support of Public Employees' Retirement System, by Fund

	<i>1967-68</i> <i>(Actual)</i>	<i>1968-69</i> <i>(Estimated)</i>	<i>1969-70</i> <i>(Proposed)</i>
General Fund -----	\$22,500	\$22,500	\$22,500
Public Employees' Retirement Fund -----	2,516,527	3,037,279	3,214,212
State Employees' Contingency Reserve Fund -----	281,385	409,396	431,424
Total -----	\$2,820,412	\$3,469,175	\$3,668,136

Increased EDP Capacity

In the current year, the system's electronic data-processing capacity was increased to permit the system, pursuant to interagency agreements, to provide EDP services to the Teachers' Retirement System and the Department of Veterans Affairs. The increase in EDP capability has been approved as a part of the state's plan for integration and consolidation of such services.

**Public Employees' Retirement System—Continued
ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

The increased expenditures in support of the system's program result from increased costs for personal services due to merit salary adjustments and new position costs totaling \$122,066 and increased operating expenses amounting to \$110,991. These added costs are offset partially by increased reimbursements of \$34,096.

New Positions

The budget includes \$66,532 to fund a total of six proposed new positions related to increased workload and improvement of services. A seventh position, consisting of two half-time investment officer positions, was transferred in the current year from the Teachers' Retirement System to the PERS investment staff under an interagency agreement by which PERS provides the Teachers' Retirement System with investment services for mortgages and bonds. Under this agreement, the Teachers' Retirement System reimburses PERS for 20 percent of the cost of the system's mortgage investment staff and pays 50 percent of the costs of its bond investment staff.

Previously, the two investment officer positions mentioned above had been budgeted on a 50-50 basis by the two retirement systems, thus necessitating duplicate personnel and accounting records. To simplify bookkeeping, the positions are now budgeted 100 percent by PERS with 50 percent of their costs being reimbursed by STRS.

Two of the six proposed new positions are requested for the retirement element. One is a two-year limited-term field auditor who will be used to reduce the number of payroll reporting exceptions received from contracting agencies. The other is an account clerk who will handle the increased workload generated by the volume of deductions to be made from retirement allowances for health and life insurance premiums.

The remaining four positions are requested for the administrative function, the costs for which are allocated to the three program elements on the basis of services rendered to those elements. The first of these positions, which is identified as a management analyst in the budget, is to assist in converting the retirement rosters to a machine system, thereby producing better retirement information and more efficient utilization of such data on which managerial decisions are based. However, in response to our inquiry, the system recently has advised us that the management analyst position properly should be classified as a data-processing analyst to reflect more accurately the nature of the duties to be performed.

The second position is requested to support the increased workload in the investment section due to the entry of the teachers' system into the mortgage market. Twenty percent of the cost of this position will be reimbursed by the Teachers' Retirement System pursuant to the interagency agreement previously discussed.

Public Employees' Retirement System—Continued

The third position is requested for the bond investment unit on the basis of workload resulting from the need for additional detailed reporting of investment transactions.

The last proposed new position is a key punch operator to meet increasing workload demands of both the retirement and health benefits elements.

Operating Expenses

The significant increases in operating expenses are:

- (1) A \$32,000 cost for a board-member election by all members of the system, both active and retired, which will be held in January of 1970 to fill a vacancy created when an incumbent's term expires; \$6,000 of this cost is attributable to legislation enacted during the 1968 Session which will permit the approximately 46,000 retirees of the system to vote in such elections for the first time.
- (2) An additional amount of \$20,000 proposed for investment consultant services. These services are required to provide the investment expertise necessitated by the system's entry into the stock market. The costs of such services are influenced by the size of the portfolio of stocks and the extent to which investments are shifted.
- (3) \$30,000 on prorata charges, which are placed on all special fund supported agencies.
- (4) \$15,000 for the cost of the quadrennial actuarial valuation of the system as required by Section 20127 of the Government Code.

The remaining operating costs generally are budgeted at current-year levels.

Reimbursements have been estimated to increase by \$34,096, which reflects the interagency agreements executed with the Teachers' Retirement System and Department of Veterans Affairs for EDP services and with the Teachers' Retirement System for investment services.

DEPARTMENT OF GENERAL SERVICES

Item 41 from the General Fund

Requested 1969-70	-----	\$4,983,948
Estimated 1968-69	-----	5,522,112
Actual 1967-68	-----	5,512,944
Requested decrease \$538,164 (9.7 percent)		
Total recommended reduction	-----	None

Department of General Services—Continued

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Facilities Planning		
Reduce reimbursements for Facilities Planning Section	\$+192,816	44
2 Supervising state facilities planners	30,556	
1 Supervising architect	16,044	
5 Senior state facilities planners	69,300	
1 Senior architect	13,860	
5 Associate state facilities planners	57,000	
1 Senior stenographer	6,060	
Total reimbursements reduction	\$192,816	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**1. Insurance Office Procedures**

We recommend immediate steps to improve the statistical record-keeping function of the Insurance Office with respect to automobile losses. In view of rising losses, the safety and loss control program should be evaluated together with the feasibility of self-insurance in the event the state's insurance policy is canceled or the rate is raised by an excessive amount. (Analysis page 37)

2. Excess Supervision in Consolidated Services Program

We recommend deletion of the supportive services manager in the Consolidated Services program for a saving of \$13,860 in the budget year. This position duplicates the existing position of building manager. (Analysis page 41)

3. Building Standards Commission Deletion

We concur with the Governor's Budget with respect to deletion of funds for continued support of a staff for the Building Standards Commission. In our opinion, the commission can be continued with the Department of General Services providing staff support as needed. (Analysis page 43)

4. Facilities Planning

We recommend deletion of the 15 new positions proposed for the Facilities Planning program. These positions have not been justified on the basis of workload increases. This represents a saving of \$192,816 in the budget year. (Analysis page 44)

5. Property Acquisition Consolidation

We recommend that state agencies involved in property acquisition programs review the Legislative Analyst's report prepared in response to ACR 142, 1968 Regular Session, and cooperate with the Department of General Services which shall report to the Joint Legislative Budget Committee by November 1, 1969, detailing the acceptance or rejection of the recommendations contained in this report and the extent to which these recommendations have been implemented. (Analysis page 47)

6. Need for Modern Composing Methods

We recommend that the Office of State Printing take immediate steps to install a modern electronic photocomposition device. Excessive costs

Department of General Services—Continued

for legislative composition coupled with delays during peak workload periods of legislative session publication make improvements of manual methods of typesetting mandatory. The costs of this device are more than offset by benefits and a net saving of \$727,640 can be achieved by 1974-75. (Analysis page 50)

GENERAL PROGRAM STATEMENT

The Department of General Services was created effective October 1, 1963, by Chapter 1768, Statutes of 1963, to administer various state service functions formerly in the Department of Finance, the Division of Architecture in the Department of Public Works, and the Secretary of State's Central Records Depository. The latter is now called the State Records Service.

Table 1 is a summary of the total support expenditure program of the Department of General Services for the four-year period ending with 1969-70. This table shows that the bulk of the department's funding comes from reimbursements and revolving funds. Service Revolving Fund appropriations include, for example, printing and the use of the state automotive pool. Architecture Revolving Fund appropriations include the preparation of plans and supervision of construction of state office buildings included in capital outlay appropriations. Reimbursements include services performed for other state agencies on a cost basis, such as janitorial services and systems analysis consulting services.

Table 1

Department of General Services				
Total Expenditures, by Source of Funds, 1966-67 to 1969-70				
Source of funds	1966-67	1967-68	1968-69	1969-70
Direct Support Appropriations:				
General Fund	\$7,193,097	\$5,512,944	\$5,522,112	\$4,983,948
State School Building Aid Fund	948,307	1,007,584	1,030,696	972,736
Architecture Public Building Fund	1,508,487	1,536,305	1,544,890	1,627,701
Street and Highway Disaster Fund	17,119	13,437	13,702	8,944
Total	\$9,667,010	\$8,070,270	\$8,111,400	\$7,593,329
Appropriations from Revolving Funds:				
Service Revolving Fund, Printing	\$17,160,140	\$19,175,104	\$19,807,622	\$19,640,138
Service Revolving Fund, other activities	18,306,330	17,749,542	20,866,965	20,978,032
Architecture Revolving Fund	8,725,334	8,073,221	8,669,595	8,835,997
Total	\$44,191,804	\$44,997,867	\$49,341,182	\$49,454,167
Total Appropriations	\$53,858,814	\$53,068,137	\$57,455,582	\$57,047,496
Reimbursements:				
General Fund activities	\$12,124,140	\$13,705,820	\$14,324,609	\$17,585,552
Architecture Revolving Fund activities	541,690	669,335	63,517	58,647
Total	\$12,665,830	\$14,375,155	\$14,388,126	\$17,644,199
Total Expenditures	\$66,524,644	\$67,443,292	\$71,843,708	\$74,691,695

Item 41

General Services

Department of General Services—Continued

Table 2 is a summary of the total program expenditures for the Department of General Services in 1969-70. The Department of General Services is primarily engaged in activities which constitute elements of other departmental programs. However, from the standpoint of the Department of General Services these activities constitute its own separately identifiable programs and are discussed in detail in succeeding sections of our analysis in the order indicated in Table 2.

Table 2
Department of General Services
Total Expenditures by Source of Funds and Programs—1969-70

<i>Operating unit</i>	<i>Direct support appropriations</i>	<i>Revolving Fund appropriations</i>	<i>Reimburse- ments</i>	<i>Total expendi- tures</i>
Executive Office -----	\$228,537	--	--	\$228,537
Legal Office -----	263,145	--	\$132,423	395,568
Administrative Services -----	539,911	--	490,434	1,030,345
State Police -----	446,887	--	1,208,592	1,655,479
Insurance Office -----	70,430	--	1,375,000	1,445,430
Office of Administrative Proce- dure -----	--	--	1,081,264	1,081,264
Office of Procurement -----	1,206,014	--	62,500	1,268,514
Central Stores -----	--	\$4,898,765	--	4,898,765
Documents -----	--	553,558	--	553,558
Central Office Services -----	90,968	--	19,000	109,968
Office Machine Repair -----	--	491,562	--	491,562
Reproduction Services -----	--	525,540	--	525,540
State Records Service -----	309,473	--	--	309,473
Consolidated Services -----	--	178,119	--	178,119
Supply Services -----	--	175,835	--	175,835
Reproduction Services -----	--	233,299	--	233,299
Buildings and Grounds -----	722,376	--	10,742,701	11,465,077
Rented Buildings -----	--	219,094	--	219,094
Building Standards Commission	--	--	--	--
Facilities Planning -----	--	--	949,534	949,534
Office of Architecture and Con- struction -----	--	--	--	--
State Building Program -----	--	8,835,997	58,647	8,894,644
Public School Construction -----	1,627,701	--	--	1,627,701
Office of Local Assistance -----	67,289	--	--	--
-----	972,736	--	--	1,040,025
Property Acquisition Division -----	15,000	--	1,253,574	1,268,574
Communications Services -----	144,120	2,411,399	--	2,555,519
Telephone Services -----	--	5,624,126	--	5,624,126
Data Processing Service Center	--	465,434	--	465,434
State Printing Plant -----	--	19,640,138	--	19,640,138
Systems Analysis -----	763,837	--	247,830	1,011,667
Transportation Services -----	124,905	5,201,301	22,700	5,348,906
Totals -----	\$7,593,329	\$49,454,167	\$17,644,199	\$74,691,695

Table 3 is a summary of staff, by programs, for the four-year period ending with 1969-70. This table illustrates that compared to fiscal year 1968-69, the Department of General Services is asking for 40.2 additional positions in the budget year. Eighteen of these additional positions are requested by Consolidated Business Services for the staffing of Office Buildings No. 8 and No. 9 beginning July 1, 1969.

Department of General Services—Continued

Table 3
Department of General Services
Staff by Programs, 1966-67 to 1969-70

	<i>Filled positions</i>		<i>Authorized positions</i>	
	1966-67	1967-68	Actual 1968-69	Proposed 1969-70
Executive Office -----	11.0	10.5	13.0	13.0
Legal Office -----	22.1	22.4	24.0	24.2
Administrative Services -----	127.1	124.7	102.6	104.6
State Police -----	--	144.9	155.5	158.5
Insurance Office -----	5.0	4.9	5.0	5.0
Office of Administrative Procedure -----	60.9	62.3	62.5	62.5
Office of Procurement -----	164.9	146.7	151.8	158.8
Central Office Services -----	69.1	73.0	92.6	93.6
State Records Service -----	6.2	12.7	17.4	20.0
Consolidated Business Services -----	--	--	36.7	55.0
Buildings and Grounds -----	1,257.8	1,045.3	1,231.2	1,208.3
Facilities Planning -----	22.4	25.2	46.2	61.2
Office of Architecture and Construc- tion -----	717.8	552.7	571.9	571.9
Office of Local Assistance -----	88.3	81.2	83.0	81.0
Property Acquisition -----	91.1	88.4	81.0	81.0
Communications Services -----	142.2	140.6	150.2	156.2
Telephone Services -----	36.9	32.0	32.5	32.5
Data Processing Service Center -----	--	--	41.3	30.3
State Printing Plant -----	865.3	900.9	950.5	962.5
Systems Analysis -----	40.6	42.4	59.2	60.2
Transportation Services -----	126.7	136.9	143.9	151.9
	3,855.4	3,647.7	4,052.0	4,092.2

Departmental Mission

The primary mission of the Department of General Services is to provide state agencies with centralized facilities and services at a cost which is less than for comparable service provided by the individual state agency or the private sector. The Office of Procurement is an example of this service. If each state agency had a purchasing department, the state would not be able to take advantage of the large quantity discounts it currently receives by combining purchases for all state agencies, and there would be a duplication of purchasing personnel throughout state government.

Any cost reduction that is achieved in the Department of General Services through improved management or better use of facilities or personnel is reflected statewide because of the nature of the department's work. Such cost reductions may or may not change the level or type of service that is currently being performed. The ideal, of course, is reduction in cost without a corresponding reduction in the level of service.

The Department of General Services should continue its efforts to centralize service for the various state agencies. Through the use of effective and efficient central service units, savings will accrue to the state by avoiding the duplication that is inherent in individual department-oriented service programs. In this regard, the department must be certain that positions and/or functions are not retained in the

Department of General Services—Continued

individual departments at the same time that the responsibilities for these functions are transferred to the Department of General Services, thereby creating a second level of service.

There is continued evidence of duplication in the types of work that the Department of General Services can perform most efficiently. Some state agencies continue to provide their own janitorial services and leasing services, although the Department of General Services is currently taking steps to absorb leasing positions from other state agencies into Facilities Planning, and the Buildings and Grounds Division has absorbed custodial positions from other state agencies.

Considerable duplication also continues to exist in certain highly technical areas. Electronic computing installations, data communications networks, and systems analysis, programming and operating research specialists are examples of resources that continue to be spread throughout individual departments and agencies when greater consolidation would improve efficiency and reduce expenditures.

Workload Standards

In our 1968-69 analysis we revealed that the department had discontinued publishing its annual report on workload standards. This report was originally requested by the Assembly Subcommittee on Standards, Procedures and Reporting and was assumed to be an annual report. The report has been reissued for the 1969-70 budget year and a copy was received by this office on January 30, 1969.

Although the workload standards document has been published for the budget year, the standards used do not provide a measurement of how efficiently the Department of General Services operates. For example, it is specified that 370 electric typewriters will be maintained per year by each office machine repairman. This standard is based on the total amount of work to be accomplished divided by the personnel available for it. If work measurement techniques were used, the length of time taken to repair or maintain typewriters would be determined based on the various classifications of repair and maintenance work. These rates would then become the standards of productivity.

Two areas where this method would achieve beneficial results are the Buildings and Grounds Division and the State Printing Plant because these areas perform routine tasks which are ideally suited for workload measurement. Work measurement programs which apply industrial engineering methodology have recently been successfully utilized by a number of state agencies. Therefore, the Department of General Services should evaluate the experience of other departments, such as the Franchise Tax Board and the Department of Motor Vehicles, and apply similar methods to its workload standards development program.

Statutory Responsibilities

The responsibilities of the Department of General Services are enumerated in detail in Sections 14600 to 14973 of the Government Code. Sections 11005 and 11005.2 also assign important responsibilities to

Department of General Services—Continued

the department with respect to approval of contracts for the acquisition or hiring of real property and the conveyance of real property, with certain exceptions, such as transactions involving the State Highway System.

Section 14600 of the Government Code provides that the department shall develop and enforce policy and procedures and shall institute such investigations and procedures as it deems proper to assure effective operation of all functions performed by the department, while Section 14615 provides that the department "has general powers of supervision over all matters concerning the financial and business policies of the state in regard to the duties specifically vested in the department." This authority has traditionally been exercised only in the publication and systematic or periodical revision of the State Administrative Manual (SAM) and related memos.

While the Department of General Services has considerable authority within the areas of its responsibilities, it has only recently begun to exercise a methodical and specific control over other departments in state government as well as to function as a viable service agency. For example, emphasis is being placed on reducing the amount of space occupied by state agencies, encouraging purchasing from Central Stores, curtailing the number of state telephones and attempting to provide for more efficient utilization of equipment such as electronic computers and copying machines.

Government Code Section 14626 provides that "the department shall devise, install, supervise, and at its discretion revise and modify a modern and complete accounting system for each agency of the state permitted or charged by law with the handling of public money." This function is assigned to the Accounting and Fiscal Management Division of the Systems Analysis Office.

Government Code Section 14792 states that, except for the University of California, every purchase of supplies or equipment in excess of \$25 for any state agency shall be made under the supervision of the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

Executive Office			
<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Executive Office -----	Item 41	\$228,537	13

This office consists of the director and his immediate staff. The department's planning officer position with a corresponding clerk is being reestablished this year. This position is being reclassified and transferred from the Management Planning Section to the Executive Office where the workload exists to support the position. One deputy director is currently spending a substantial portion of his time working on the Governor's Task Force proposals, many of which directly affect the Department of General Services. The Executive Office provides overall administrative direction and control of the program of the

Item 41

General Services

Department of General Services—Continued

department. Operating expenses for this office appear in the Administrative Services section of the Department of General Services.

Legal Services

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Legal services -----	Item 41	\$263,145	24.2
Reimbursements -----	Item 41	132,423	-
Total -----		\$395,568	24.2

The program of the Legal Services Division is to render advice to the Department of Finance, the Department of General Services and the various boards and commissions organizationally related to the departments. The division provides central review of a wide variety of contracts, leases, property transactions and legal documents.

Within this division, a general office services group renders legal advice, drafts legislation and interprets statutes for the entire department. Two specialized groups provide legal advice with respect to real estate transactions and matters relating to state construction of buildings.

Administrative Staff Services

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Administrative services -----	Item 41	\$539,911	104.6
Reimbursements -----	Item 41	490,434	-
Total -----		\$1,030,345	104.6

This program coordinates and conducts the basic administrative services and business management activities of the Department of General Services.

The staff proposed for 1969-70 will be assigned as follows:

<i>Unit</i>	<i>Staff</i>
Personnel office -----	15
Education and training office -----	1
Budget office -----	6
Accounting office -----	74
Central mail and file -----	8.6
Total -----	104.6

The administrative staff services program supplies personnel, accounting, support and budgetary services for the Department of Finance and certain small agencies. These services are provided under contract on a wholly reimbursable basis.

State Police

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
State Police -----	Item 41	\$446,887	158.5
Reimbursements -----	Item 41	1,208,592	-
Total -----		\$1,655,479	158.5

Department of General Services—Continued
Historical Information

The State Capitol Police was created by an act of the Legislature in 1869. The State Capitol Police eventually became the California State Police, and in 1933 the Director of Finance became the appointing authority. On October 1, 1963, the California State Police was transferred to the newly formed Department of General Services and was assigned to the Building Maintenance and Protection Division of that department. On April 1, 1967, the California State Police was established as a separate division in the Department of General Services.

Reorganization

The California State Police has been reorganized pursuant to ACR 121, 1967 Regular Session. This reorganization was completed on July 1, 1968.

The plan as adopted provides for the abolishment of 12 state policeman positions and the establishment of 2 new civil service classes—police officer and security officer. The police officer class is an upgraded classification of the former class—California State Policeman—and the pay is approximately 10 percent higher than the former class. The security officer's pay is approximately 10 percent lower than the former class of California State Policeman. The security officer will perform duties that are similar to those of a plant guard in private industry. Under the new plan there will be 70 police officers and 45 security officers.

Included in the plan was the creation of a special services section, consisting of six sergeants for the protection of state constitutional officers and the Legislature. Five other administrative positions were also established. These were: one chief, one lieutenant and three typist-clerks. This complete reorganization was accomplished within allocations provided in the 1967-68 State Police budget.

After the implementation of the reorganization plan, State Police service was increased as follows:

<i>Location</i>	<i>Number of officers provided</i>
Department of Water Resources	
San Luis facility -----	1 sergeant, 4 security officers
Oroville Dam -----	1 sergeant, 4 security officers
Department of Employment, Inglewood -----	1 police officer

In our 1968-69 analysis of this program, we recommended that the State Police become a completely self-supporting activity. On July 1, 1969, all departments except the Capitol, Capitol grounds and the Governor's residence will begin reimbursing the General Fund for services of the State Police. This will be accomplished by using a portion of the agencies' rent money to reimburse the General Fund.

Department of General Services—Continued

Insurance

	Source of funds	Proposed expenditures	Proposed staff
Insurance Office -----	Item 41	\$70,430	5
Auto liability insurance reimbursements--	Item 41	1,375,000	—
Total -----		\$1,445,430	5

Recommendations

1. *The Insurance Office should take immediate steps to improve its collection and maintenance of complete statistical records with respect to the premiums paid and loss experience of the state for a 10-year period.*

2. *In view of the rising losses experienced by the state with respect to automobile liability, the loss control program should be evaluated to ascertain methods and procedures for reversing the trend of increased losses from liability for automobile accidents. More use of the safety service available from the insurance carrier is also recommended.*

3. *Because the loss experience of the state has resulted in the insurance carrier incurring losses in excess of the premium charged, it is possible that insurance rates will be increased or the policy cancelled. The Insurance Office should therefore closely watch the rates charged for automobile liability insurance and be in a position to advise when these rates warrant consideration of self-insurance.*

4. *To increase the state's coverage for automobile liability, we recommend an extra \$4,500 annual expenditure from the General Fund to raise the coverage for automobile liability from the current limits to \$1 million combined single limits.*

5. *Catastrophic losses from automobile liability should be covered under the state's general liability policy by providing protection for such losses which are incurred between \$1 million and \$50 million.*

The Insurance Office attempts to protect the state's large investment of manpower, equipment and facilities by transferring the risk to insurance companies through the purchase of insurance. The current authorized staff is one insurance officer, two assistant insurance officers and two clerks. The insurance officer and one assistant insurance officer position were vacant at the beginning of this fiscal year. However, the position of insurance officer has now been filled.

The total annual premium cost for all insurance policies carried by the state is \$2,461,808. The largest single premium is represented by the insurance covering liability for state-owned motor vehicles which totaled \$1,297,407 for the 1968-69 policy year. The master policy covering 24,484 state-owned motor vehicles, excluding the University of California, is written for an annual standard premium of \$47.05 per vehicle which provides coverage up to \$50,000. This portion of the coverage is written on a retrospective rating plan with the final cost of insurance being determined by the claims paid plus an additional service charge for all of the claims under \$50,000. However, the maximum cost of the under \$50,000 coverage cannot exceed 126.5 percent of the standard premium.

Department of General Services—Continued

Protection for losses from \$50,000 to the limits of \$250,000 and \$500,000 for bodily injury and \$100,000 for property damage are covered for an annual excess rate of \$5.94 per vehicle. This cost is not adjusted because the retrospective rating plan does not apply to losses over \$50,000.

Legislative Request for Insurance Study

Assembly Concurrent Resolution No. 112, 1968 Regular Session, requested the Joint Legislative Budget Committee to direct the office of the Legislative Analyst to undertake a study of self-insurance for all state-owned motor vehicles, including the University of California.

To obtain expert assistance in the conduct of this study, a private consulting firm specializing in risk management was retained, and the firm's report entitled *A Feasibility Study of Automobile Liability Self-Insurance* was presented to the Legislature on February 3, 1969. It is anticipated that this report together with a supplemental analysis of claims experience which is currently being prepared by the consulting firm will provide a valuable basis for consideration of this state's liability insurance needs by both the Legislature and the executive branch.

The report contains a number of findings, conclusions and recommendations that have a direct bearing on the program of the Insurance Office. In summary they include:

1. The Insurance Office has not maintained complete statistical records with respect to the premiums and the loss experience of the state over the past 10-year period. Although adequate data were supplied to the state by the insurance company, the Insurance Office failed to retain this material as part of its permanent records.

2. Because losses from automobile liability are rising, it is most important that an effective program of loss control be established and put into operation immediately. The safety engineer and safety coordinator on the staff of the State Personnel Board have prepared a well-conceived state defensive driver training program. However, the problem is of sufficient importance that the use of a professional safety engineering consultant should be considered to more effectively control losses. In this regard, as long as the state purchases insurance, the state should also make more use of the safety service available from the insurance carrier in order to improve loss experience.

3. Because the loss experience of the state have resulted in the insurance carrier incurring losses in excess of the premium charged, the state should begin to investigate the feasibility of a self-insurance program for automobile liability in anticipation of increased rates or a cancellation of insurance.

4. To increase the state's coverage for automobile liability from the current \$250,000/\$500,000 limit for bodily injury and \$100,000 for each occurrence of property damage to \$1 million combined single limits would only cost \$0.18 per vehicle or \$4,500 annually, based on a quote of the carrier on July 1, 1968.

5. It is suggested that the state's general liability policy be written to include automobile liability under the \$1 million to \$50 million coverage.

Department of General Services—Continued

It should also be noted that the Governor has recently appointed a Statewide Insurance Study Task Force. This task force consists of state and local personnel and representatives from private industry including insurance brokers, insurance advisors and risk management personnel from private industrial concerns. Subcommittees are currently investigating state insurance practices in four areas: motor vehicle, general liability, property, and bonds and miscellaneous. A task force report to the Governor and his cabinet is expected in the near future, and this should provide additional basic information concerning the state's insurance position.

Administrative Procedure

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 41	\$1,049,941	59.8
Codification -----	Item 41	31,323	--
		<hr/> \$1,081,264	<hr/> 59.8

The Administrative Procedure program consists of three activities—hearings, research and codification. The major function of the Office of Administrative Procedure is the conduct of hearings, which are adjudicatory proceedings. Hearing officers are provided to public agencies who conduct proceedings under the Administrative Procedure Act and other laws.

The research activity represents a continuing study of administrative law and procedure and the publication of the Administrative Law Bulletin. The codification activity performs quasi-legislative services with respect to rule making by state agencies and supervises the filing or repeal of administrative regulations.

Office of Procurement

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Office of Procurement -----	Item 41	\$1,206,014	105
Reimbursements -----	Item 41	62,500	--
Central Stores -----	Item 46	4,989,765	37.6
Documents -----	Item 46	553,558	16
		<hr/> \$6,720,837	<hr/> 153.6

Purchasing

The Office of Procurement purchases all supplies and equipment in excess of \$25 for all state agencies except the University of California. Procurement has the responsibility for developing specifications, requesting bids and awarding contracts.

In the preceding year the Office of Procurement closed its San Francisco area office and central stores outlet. It is now apparent that in the process of transferring the San Francisco workload into the Sacramento office too many positions were eliminated. This has resulted in a large backlog of unprocessed purchase orders in the Sacramento office, and the Office of Procurement is requesting 10 clerical positions and 1 buyer position in the current and budget year to relieve the backlog and maintain an effective work flow. In our opinion these positions are justified.

Department of General Services—Continued
Central Stores

Central Stores enables all state agencies to purchase common-use items at a minimum cost which is made possible by volume purchasing. Effective quality control of all items is another objective of this unit.

In last year's analysis we suggested that more agencies should do their small item purchasing through Central Stores in order to realize further savings. Many state agencies have apparently accepted this recommendation and are now purchasing more goods from Central Stores. As a result, the workload of Central Stores has greatly increased and seven more positions have been requested to take care of it.

Documents

The documents and publications unit is responsible for the public sale of state publications. It acts both as a publisher of certain documents and as a consignee for public sale of certain documents printed by public agencies.

Office Services

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Central Office Services -----	Item 41	\$90,968	12.7
Reimbursements -----	Item 41	19,000	
Office Machine Repair -----	Item 46	491,562	44.6
Reproduction Services -----	Item 46	525,540	36.3
		<hr/> \$1,127,070	<hr/> 93.6

The program of Central Office Services contains three subprograms. They are: (1) Interagency Mail and Messenger Service, (2) Office Machine Service, and (3) Reproduction Services. Reproduction Services and Office Machine Repair are supported by the Service Revolving Fund and are wholly reimbursed by the using agencies. The general administration of Central Office Services and the Interagency Mail and Messenger Programs are supported by a General Fund appropriation.

Office Machine Repair

This group serves many state agencies and repairs all equipment from desk top calculators to typewriters. This program is being totally supported by the using agencies. One new typewriter repairman position is requested for the budget year. This position is justified on a workload basis.

Reproduction Services

This unit provides complete central duplicating services for many state agencies. It also provides specialized and partial services to agencies with workload large enough to support departmental reproduction units. This program has absorbed the reproduction unit that was formerly located in the Office of Architecture and Construction. This enables Reproduction Services to serve the complete Department of General Services of which the Office of Architecture and Construction is an integral part.

Item 41

General Services

Department of General Services—Continued

Records Service

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
State Records Service -----	Item 41	\$309,473	20

The State Records Service develops and coordinates the statewide records management program. It also consults and advises all state agencies on the establishment of their own records management programs. The unit is currently active in limiting the number of filing cabinets that can be purchased by a state agency. It performs this service by evaluating and auditing agency records and disposition programs and certifying to the Office of Procurement those agencies which meet existing standards.

Records Center Services

This is a separate program which provides low-cost storage for the state's records. Three new positions are requested for the budget year. These are justified on the basis of a goal to place 35 percent of existing state agencies' records in low-cost storage space by 1970.

Consolidated Services—Office Buildings 8 and 9

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Consolidated Business Services -----	Item 46	\$178,119	26
Supply Services -----	Item 46	175,835	11
Reproduction Services -----	Item 46	233,299	18
		<u>\$587,253</u>	<u>55</u>

Recommendation

We recommend the deletion of the supportive services manager for a saving of \$13,860. This position duplicates the existing position of building manager.

This new program is designed to provide most support services on a consolidated basis for the two new 18-story office buildings located in downtown Sacramento. These buildings will be ready for partial occupancy on February 15, 1969. The tenant departments will move into the buildings on a phased schedule with full occupancy to be achieved on July 12, 1969.

This consolidated program was developed by the Department of General Services and submitted to the Chairman of the Joint Legislative Budget Committee in the fall of 1968 with a request that the chairman waive the 30-day waiting period, as required by Section 28 of the Budget Act of 1968, in order that expenditures in the amount of \$396,344 could be authorized immediately.

Our office, after review of the supporting material, determined that several new services were being requested that heretofore were not provided in other high-rise state office buildings. It was also determined that positions which were to be eliminated or transferred to the program from the tenant departments' existing support staff had not been clearly identified. Therefore the original request was denied and the

Department of General Services—Continued

suggestion made that the program be presented in its entirety to the Legislature for its review.

Subsequent modifications to the program and reductions in staff were made and the proposal resubmitted with the request that the matter be reviewed again since to defer occupancy of the buildings until the 1969 legislative session would generate hardships on the tenant departments. Approval was granted for the implementation of the program on the revised basis.

Staffing for this program is established at 25 in consolidated business services, 11 in supply services and 18 in reproduction services. The funding for this consolidated program is scheduled to come from available funds in each tenant department's budget, and no increases in the budget will be allowed to pay for these services. Further, there is to be a determined effort to identify departmental savings which can be attributed to the consolidated services program.

One position that has been in contention is the supportive services manager. This position is held in the organizational chart but was not to be filled without legislative review and approval. This manager has the responsibility of coordinating the services to tenant departments in such areas as the mail room, delivery of stock, supervision of the dock area and message service. He also must be in a position to answer complaints from dissatisfied tenants.

Currently, in all large state buildings the position of building manager exists, and this individual performs all of the above duties plus supervision of building maintenance personnel. There are supervising personnel in each of the service areas as well.

With particular reference to Office Buildings No. 8 and 9 it is our opinion that these two positions represent a duplication of responsibility, and we therefore recommend the deletion of the supportive services manager.

Buildings and Grounds

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Buildings and Grounds	Item 41	\$722,376	1,208.3
Reimbursements	Item 41	10,742,701	—
Total		\$11,465,077	1,208.3

Grounds Maintenance

This program is responsible for the maintenance and preservation of state grounds. The major part of this workload is Capitol Park in Sacramento, where Grounds Maintenance provides all landscape design and general maintenance.

Building Maintenance

The program for building maintenance consists of providing all services necessary for the maintenance and operation of state buildings. This program employs members of the various crafts as well as general maintenance men.

Department of General Services—Continued
Custodial Program

In our 1967-68 analysis of the Budget Bill we recommended the adoption of the federal custodial staffing standards. The Department of General Services accepted these standards, and as a result approximately \$700,000 annually has been saved. This year the custodial program has absorbed certain buildings and grounds services formerly performed by other state agencies. These agencies were not operating under the federal staffing standards, but the standards were put into effect when the division assumed control of the custodial operations. As a result, the department was able to eliminate 24.8 positions which would have been required under staffing standards used by other state agencies.

The Buildings and Grounds unit is adhering strictly to federal staffing standards. For example, it has provided this office with the required federal form 469 to justify the number of new custodial positions proposed for OB No. 8 and No. 9, since this unit has responsibility for the service in the new office buildings. Completion of this form was requested last year by the Ways and Means Committee and the data provided appears to be accurate in every detail.

Rented Buildings			
<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Rented buildings -----	Item 46	\$219,094	None

The Department of General Services rents the Herbst Building, 1407 Market Street, San Francisco. The department acts as the rent collector and sublets the building to various state agencies.

Building Standards Commission			
<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Building Standards Commission -----	None	None	None

Recommendations

We recommend that the functions of the Building Standards Commission be continued with staff assistance provided as needed by the Office of Architecture and Construction. We further recommend that the Department of General Services provide an executive secretary to the Building Standards Commission on a part-time basis from its administrative staff.

The Governor's Budget does not contain funds to continue the work of the Building Standards Commission. Withdrawal of funding will eliminate a staff of four professional and two clerical positions. In our analyses of the Budget Bill for both 1967-68 and 1968-69 we recommended that the commission staff should complete its basic assignment of codifying all building regulations previously issued by the various state agencies by June 1968. It is now expected that codification of the electrical, mechanical and plumbing codes will be completed by the end of the current fiscal year.

Department of General Services—Continued

History of the State Building Standards Commission

The State Building Standards Commission, as originally established by the Statutes of 1953, consisted of seven ex officio members, all state department directors. No budget was provided for the commission between 1953 and 1959.

In 1959 the commission was placed in the Department of Public Works and the Public Works Director made chairman of the commission. For the first time, a budget was provided for staffing the commission and preliminary work was begun on the compilation of all state building regulations.

In the 1962 First Extraordinary Session of the Legislature, the commission was transferred to the Department of Finance and an appeals procedure was provided which authorized the commission to hear and consider interpretation requests from state agencies, private firms and others on state building regulations included in the State Building Standards Code. The commission became a part of the newly created Department of General Services in 1963. The current commission is composed of 10 appointed members with staff support provided by four professional and two clerical positions.

Chapter 261, Statutes of 1968 (AB 7), requires public buildings to be so constructed as to permit proper access by physically handicapped persons. The statute has given some appellate functions to the Department of General Services. Because the act is very strict with respect to compliance, full documentation can be required for any requests for deviation, thereby eliminating most instances of need for on-site inspection by staff of the Department of General Services.

In our opinion, the Department of General Services should attempt to continue the commission without formal funding. The Office of Architecture and Construction should provide limited staff services as needed as a part of its normal workload. A member of the administrative staff of the Department of General Services can provide executive secretary services to the commission.

Facilities Planning

Organizational unit	Source of funds	Proposed expenditures	Proposed staff
Facilities Planning -----	Item 41	\$949,534	59.4

We recommend the deletion of the 15 new positions proposed for the Facilities Planning program. The majority of these positions are supervisory positions and are not justified on a workload basis. This represents a saving of \$192,816 in the budget year.

The program of the Facilities Planning Division has been revised during the current year to coincide with recommendations made by the Governor's Survey on Efficiency and Economy, which recommended consolidation of positions associated with facilities planning from throughout state government into one central agency. Twenty-one positions have been transferred from various state agencies in the current year as part of this program. Fifteen new positions are proposed for the budget year as follows:

Department of General Services—Continued

NEW POSITIONS—FACILITIES PLANNING PROGRAM

<i>Title</i>	<i>No.</i>
Supervising state facilities planner-----	2
Supervising architect -----	1
Senior state facilities planner-----	5
Senior architect -----	1
Associate state facilities planner-----	5
Senior stenographer -----	1
Total -----	15

The majority of these positions are at the senior or supervising level and are primarily justified on the addition of the 21 positions mentioned above. The Facilities Planning Division is currently staffed with one chief and two senior positions for a staff of 25. We do not concur in the need for additional supervisory positions.

To continue its present staffing level, the office could upgrade one or more of its existing staff to the senior level to provide adequate supervision. The five associate planners and the senior stenographer have similarly not been justified on a workload basis. In our judgment, the consolidation program with 21 new positions should be given at least one year to function before the addition of further staff.

Advance Planning

Advance Planning is responsible for determining the probable short-term and long-term facility needs of all state agencies. The present objective of this unit is to determine the state's future requirements and to develop a comprehensive plan on a city-by-city basis.

Space Utilization

The space utilization group plans for the maximum use of available space in state-owned and leased buildings. To reduce the amount of state-occupied space from 9.5 million square feet to 7.2 million square feet over a five-year period, new space standards were adopted which are designed to achieve this reduction and also realize the economies associated with the new space standards. Space utilization also provides consulting services to agencies in their planning for use of existing space.

The leasing section reviews space requests, locates suitable space and generally provides guidance in developing leasing policies for all state agencies. The unit also determines when it is more economical and practical to build new state buildings rather than lease additional space.

Office of Architecture and Construction

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
General Activities	Item 47	\$8,835,997	571.9
Reimbursements	Item 47	58,647	
Supervision of Public School Construction	Item 48	1,627,701	88.0
Total -----		\$10,522,345	659.9

Department of General Services—Continued

These programs are discussed under our analysis of Items 47 and 48 which make appropriations for the Architecture Revolving Fund and the Architecture Public Building Fund respectively.

Office of Local Assistance

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Office of Local Assistance	Item 43	\$972,736	79
Office of Local Assistance ¹		8,944	
Office of Local Assistance	Item 41	58,345	2.0
Total		\$1,040,025	81.0

¹ Street and Highway Disaster Fund; allocated pursuant to Section 186.95 (a) and (b), Streets and Highways Code.

The major responsibility of this program is to provide financial assistance to those school districts that are unable to finance their own school construction programs. The Office of Television Coordinator is included as a part of the Office of Local Assistance as a matter of administrative convenience.

State School Building Aid

School districts unable to finance their own school building projects may request loans from the state under the State School Building Law of 1952. The Office of Local Assistance has full responsibility for administering this program.

With the decline in the state's birth rate and immigration, the state school enrollment has decreased, resulting in reduced school construction and a smaller workload for the office. To reflect this decline, the Office of Local Assistance has abolished eight positions during the current and budget years.

Other programs within the office provide legal aid to indigents and emergency flood relief to local agencies.

Television Coordinator

The funding of the Public Broadcasting Act of 1967 (PL 90-129) made \$340,000 available for educational radio and television in California. A Television Advisory Committee was established to meet the provisions of the law which required that an appropriate state agency be formed to distribute these funds. The Television Coordinator provides staff support to the Television Advisory Committee and assists in the implementation of the state plan for educational television developed by a consulting firm in 1967 and entitled "Educational Television in California—Existing Facilities, Future Needs, and a Plan for Development." Additional responsibilities of the Television Coordinator include representing the state before the FCC in matters of channel allocations and providing consultant services to the educational community.

Department of General Services—Continued

Property Acquisition Program

Organizational unit	Source of funds	Proposed expenditures	Proposed staff
Property Acquisition	Item 41	\$15,000	81
Reimbursements	Item 41	1,253,574	
Total -----		\$1,268,574	81

Recommendations

1. No substantial changes in the current organizational structure for property acquisition should be made over the next three years. Since the Department of Water Resources and the Property Acquisition Division in the Department of General Services both face rapidly diminishing workloads, there is little other than disruption of the Department of Water Resources' acquisition program to be gained by transferring this function to the Property Acquisition Division.

2. Planning should begin now to investigate the feasibility of consolidating all property acquisition and disposal services, except for the Division of Highways, within the Department of General Services. Such consolidation should be accomplished after 1971-72 when the workload of all state agencies has decreased to the point that efficiency may be impaired.

3. The feasibility of consolidating the functions of management and disposal of surplus state lands within the Department of General Services, Property Acquisition Division, for all state agencies other than the Division of Highways should be immediately studied.

4. Recommendations relative to the University of California and the California community colleges' property acquisition programs contained in the ACR 142 report should be implemented.

5. State agencies involved in the property acquisition programs discussed in ACR 142 should review the ACR 142 report and cooperate with the Department of General Services, which shall make a report to the Joint Legislative Budget Committee by November 1, 1969. In this report the recommendations contained in the ACR 142 report should be accepted or rejected and the extent of implementation of the recommendations reviewed.

The Property Acquisition Division of the Department of General Services was established because of a recognized need for the centralization and coordination of real property acquisition and disposal within California state government. This division currently serves 15 state agencies, including the Department of Parks and Recreation which has provided the major acquisition workload under the Recreation Bond Act of 1964.

A decrease in the appropriation of capital outlay funds for the acquisition of land, coupled with the fact that the parks and recreation acquisition program is nearing completion, has resulted in a steadily declining workload for the division. This workload is reflected by a decrease of 13 authorized positions for the budget year.

Department of General Services—Continued

There are two other major property acquisition and disposal programs in operation within state government. These are represented by the program within the Division of Highways, Department of Public Works, and the acquisition program for the State Water Project within the Department of Water Resources.

Legislative Concern over Property Acquisition

The Legislature recognized in Assembly Concurrent Resolution No. 142, 1968 Regular Session, that there are many laws relating to land acquisition and disposal which produce overlapping responsibilities and that organizational structures and practices for property acquisition have produced overlapping responsibilities. The resolution requested the Joint Legislative Budget Committee to study the laws, policies, procedures and organizational structures covering land acquisition and disposal as performed by the different state agencies.

Pursuant to this request, the Legislative Analyst prepared a report entitled *A Survey of Land Acquisition and Disposal by State Agencies*, dated February 3, 1969. In this report we conclude that the Department of Water Resources and the Department of General Services are both faced with a rapidly declining workload with respect to property acquisition. Our findings indicate that although consolidations of services among state agencies are often more efficient, there would be no benefits gained from combining these two acquisition programs at this time, particularly since the Department of Public Works is currently engaged in performing services for the Department of Water Resources, and the Department of Water Resources is adjusting its staff downward as the workload is completed. However, in approximately three years the workload will reach a point where the efficiency of property acquisition will be impaired. Therefore, at this time, we recommend an assumption of all acquisition programs by the Department of General Services.

With respect to the management and disposal of surplus state lands, we conclude that steps should be taken immediately to conduct a feasibility study relating to consolidation of these functions within the Department of General Services.

We also conclude that the University of California property acquisition program should be made subject to the Property Acquisition Law and that the acquisition program of the California community colleges should be made subject to a review procedure of the Property Acquisition Division prior to the expenditure of state funds.

Communications

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Communications maintenance -----	Item 41	\$144,120	10
Radio maintenance -----	Item 46	2,411,399	146.2
Total -----		\$2,555,519	156.2

The Communications program is instrumental in assisting state agencies to develop appropriate communications systems for their own internal agency operations. This program also provides individual state

Department of General Services—Continued

agencies with optimum communication facilities for their dollar investment. An example of this service is the state microwave system which the communications unit is responsible for maintaining and operating. The microwave system is serving several state agencies at a lower cost to the state than if each agency had its own individual system.

VHF Radio

The VHF radio program is requesting six new technical positions which are justified on the basis of workload relating to repair and maintenance of existing VHF radio equipment.

Telephone, Teletype and Data Systems

The primary program of this unit is to provide consulting services to other state agencies relative to voice and data communication needs. It provides plans and recommendations for all types of new communications systems, new microwave routes and other communication projects. This unit is also responsible for the operation of the state's ATSS telephone network.

Telephone Services

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Telephone services -----	Item 46	\$5,624,126	32.5

The program of Telephone Services is designed to provide the telephone exchange systems which serve state buildings in metropolitan areas. It also provides a consolidated telephone communication system through the state leased-line system.

Reductions in this budget have been achieved by having the telephone company bill the agencies involved. Prior to this, the Department of General Services acted as an intermediary and was billed by the telephone company and in turn billed the individual state agencies.

Data Processing Service Center

<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Data Processing Service Center-----	Item 46	\$465,434	29.3

A Data Processing Service Center was authorized within the Department of General Services on July 10, 1968, by Administrative Order No. 68-32. The Legislative Analyst recommended establishment of such a center during the two previous years in the analysis of the Budget Bill, and the Committee on Conference report of June 27, 1968, recommended that a service center be established.

Organizationally, the center is placed within the Systems Analysis Office. A decision to install a new computer system to replace the obsolete plugboard computers which were used by the Department of General Services was made, and a new third-generation computer was officially selected on December 19, 1968. All punched card applications run on the department's existing equipment, together with 110 computer programs which were processed by an outside computer service bureau, will be converted to the new computer in February 1969.

Department of General Services—Continued
Benefits of the New Computer System

Substantial benefits to units within the Department of General Services are expected to accrue from the installation of this new computer system. For example, the Office of State Printing, which currently spends \$200,000 a year for its data processing service, was regularly receiving its cost accounting, billing and management reports from 60 to 90 days late, making it virtually impossible for the State Printer to make effective use of these reports. Similar delays were experienced by other divisions of the Department of General Services. Dramatically improved service is expected when the new computer is installed.

When all applications for the Department of General Services have been programmed and converted, it is estimated that utilization will be approximately one and one-half shifts per day. Therefore it will be possible for other state agencies to receive computer service from the Data Processing Service Center. The Division of Corporations will be one of the first customers and a number of others are under consideration. The new equipment will also have the potential to control electronic photocomposition equipment, if such equipment is installed by the State Printer.

The Governor's Budget reflects a reduction of 11 positions which has been made possible by the installation of the new computer system. It must be realized, however, that this reduction is related to maintaining the existing level of service. New applications or an increased level of service will necessitate additional staffing.

State Printing			
Organizational unit	Source of funds	Proposed expenditures	Proposed staff
Office of State Printing-----	Item 45	\$19,640,138	962.5

Recommendations

1. *The State Printer should take immediate steps to install a modern electronic photocomposition device in the Office of State Printing, thereby reducing the excessive composition cost of legislative materials and eliminating unnecessary delays in the delivery of legislative publications. The composition of agency printing can also be improved by the use of this device.*

2. *Offset printing presses should be installed to produce copy generated by the photocomposition device.*

3. *Immediate steps should be taken to install an adequate system of workload standards.*

4. *A pilot program should be instituted in which printing jobs coming into the State Printing Plant are bid by both private industry and the State Printer.*

5. *A realistic five-year plan should be developed that provides for a balance of equipment within the plant, modernization of equipment and the proper use of private printing facilities.*

The primary program of the Office of State Printing is to provide printing services for the judicial, legislative, and executive branches of government. Legislative printing includes all special reports, bills,

Department of General Services—Continued

forms and journals required by both houses of the Legislature. The agency printing program supplies all of the printing requirements for the individual agencies. The textbook printing program includes production of the majority of elementary textbooks specified by the State Board of Education.

The budget for the State Printing Plant has been increased by a minimum amount for next year to reflect a growth in workload. There are no requests for new equipment.

Request for Office of State Printing Review by the Legislature

During the 1968 Regular Session the Legislature passed two resolutions directing studies of the Office of State Printing. SCR 108 directed the Joint Legislative Budget Committee to conduct an analysis of the operations of the Office of State Printing. A report entitled *An Analysis of the Office of State Printing* was prepared by the Legislative Analyst and submitted to the Legislature on January 31, 1969. House Resolution No. 240 required the Legislative Analyst and the Auditor General to make a study of printing done for the state and to investigate the feasibility of having some or all of this printing done by contract with private printers instead of the State Printer. The required study was completed and a joint report entitled *Report on State Printing Costs and Services* was issued on January 10, 1969.

In summary these reports concluded the following:

1. The State Printer should make more use of private printing facilities in order to eliminate the necessity for excessive overtime and additional equipment at the printing plant. A pilot study should be started which would permit certain printing jobs to be bid by both private industry and the State Printer. If the results of the pilot program indicate success in requesting bids from private printers, all material coming into the printing plant should be handled in this manner.

2. A program which has successfully achieved a balance between government and private printing is in use at the Government Printing Office in Washington D.C. We therefore recommend that this program which schedules approximately 50 percent of all work for completion at the Government Printing Office and the other 50 percent of government work for completion by private printing firms be evaluated by the State Printer.

Printing of legislative materials, particularly those associated with the legislative session, should not be done by contract with private printers.

3. A lack of sound management practices was evident throughout the printing plant. Such deficiencies as the absence of adequate staffing standards, a lack of clear, concise and accurate written procedures, a 60- to 90-day delay in the receipt of management reports from the data processing section, inadequate workload standards and no realistic long-range plan were noted.

4. The conditions which resulted in the late receipt of textbooks by the public schools in the 1967-68 year were corrected, and this problem did not exist during the current school year.

Department of General Services—Continued

5. Seventy-one percent of the cost of legislative printing is comprised of costs attributable to composition. These composition costs have been determined to be excessive and are primarily due to the use of manual methods for setting type. The installation of a modern electronic photocomposition device would reduce composition costs and eliminate the delays that frequently occur during the peak workload periods of the legislative session. The costs of installing such a system would be more than offset by the benefits, and a net saving of \$727,640 could be achieved by 1974-75 through the use of this new equipment in the composing room.

6. The installation of offset presses would produce the copy generated by the photocomposition device and would result in a superior product for the Legislature in terms of quality and appearance.

Systems Analysis Program

Organizational unit	Source of funds	Proposed expenditure	Proposed staff
Systems Analysis Office -----	Item 41	\$763,837	60.2
Reimbursements -----	Item 41	247,830	
Total -----		\$1,011,667	60.2

Recommendations

1. *Effective administrative direction, good communication and cooperation are essential between the Systems Analysis Office and the Office of Management Services to insure adequate coordination, control and utilization of the state's electronic data processing installations and systems development efforts. If effective direction and cooperation are not forthcoming, we recommend that further consideration be given to consolidation of all control, coordination and technical service responsibilities under one state office or department.*

2. *Because of the shortage of trained personnel and the costs associated with the designing and programming of large-scale systems for the modern third-generation computers, consideration should be given to centralizing at least a portion of these skilled people within service agencies such as the Systems Analysis Office.*

The original responsibilities of the Systems Analysis Office (SAO) when it was reorganized in 1965 included: (1) long-range planning for efficient utilization of data processing equipment, (2) the application of modern systems analysis techniques to the management and operational problems of the state, (3) approval of departmental data processing plans, (4) provision of a central staff of technical specialists to service departments, and (5) initial planning for a Statewide Federated Information System.

Changes in Structure for EDP Coordination and Control

The enactment of Chapter 1327, Statutes of 1968, (SB 959) established an Office of Management Services as the agency responsible for developing a short-range and long-range master plan for utilization of electronic data processing (EDP), development of recommendations to be submitted to the State EDP Policy Committee concerning policies,

Department of General Services—Continued

procedures and performance, and the evaluation of effectiveness and performance (including costs) of EDP applications in state government.

To reflect this transfer of responsibility from the Systems Analysis Office to the Office of Management Services, seven positions were transferred on December 18, 1968, and Management Memo No. 68-2 was issued on January 16, 1969, detailing the responsibilities within state government for EDP policy formulation, coordination and control. The responsibilities of the Department of General Services with regard to statewide coordination of EDP were not specified by this new legislation.

However, the executive order of November 2, 1967, which originally established and detailed responsibility for the Office of Management Services, delegated to the Department of General Services the responsibility for operations and implementation of approved EDP policy recommendations. It is under this authority plus the statutory authority given to the Department of General Services over centralized business management functions and services, purchasing, and accounting systems that the Systems Analysis Office operates.

Essentially, the policy, planning, evaluation of EDP effectiveness, contract review and review of departmental plans and budgets are vested in the Office of Management Services. Technical resources and service responsibilities are functions of the Systems Analysis Office, Department of General Services. With the consolidation of both of these organizations in the Agriculture and Services Agency effective coordination is now possible. However, administrative direction, communication, and cooperation will be essential for the success of the program since responsibility is vested in two different organizational entities.

Additional Functions of the Systems Analysis Office

Two additional functions have been assigned to the Systems Analysis Office during the current year. Responding to the statement of legislative intent reflected in the Committee on Conference report of June 27, 1968, the Department of General Services established a Data Processing Service Center on July 10, 1968, under Administrative Order No. 68-32. The responsibility for operation of this center has been delegated to the Systems Analysis Office. The elements of this program are discussed under a separate section in this analysis.

In our analysis of the Budget Bill for 1968-69 we recommended transfer of the responsibilities and positions for management analysis and data processing from the Management Planning Office to Systems Analysis in order to provide better coordination of services to the various units and divisions within the Department of General Services. This recommendation was accepted and resulted in the transfer of five management analysts and one typist to Systems Analysis. The remaining four positions from Management Planning were used to provide staff increases of one each to the Budget Office and Facilities Planning Office and two to the departmental planning office. Additional transfers from Management Planning included 40 operating positions assigned

Department of General Services—Continued

to the Data Processing Service Center and 10 systems analysts and programmers responsible for developing data processing systems within the Department of General Services. These positions are assigned to the technical staff of the Systems Analysis Office.

Need for Centralized Technical Services

A lack of centralized direction, planning and coordination of EDP activities has been evident in California state government for a number of years. This office has been highly critical in earlier reports of the proliferation of electronic computers and the lack of standardization which prohibit effective data exchange among local, state and federal agencies. It now appears that this trend is being reversed, and a beginning has been made in gaining control over the many divergent systems and installations of equipment.

A problem of equal or greater magnitude is the cost of designing the numerous systems and of developing the computer programs, or software, to implement these systems successfully. This problem is aggravated by a critical shortage of trained personnel experienced with the new third-generation electronic computers and modern systems concepts, a shortage evident within government and the private sector as well.

Although the problem is explained more fully under Item 49, which discusses the Office of Management Services, it is mentioned here because a centralized staff within the Systems Analysis Office consisting of systems analysts, operation research specialists and computer programmers is one approach to this problem.

The nucleus of such a technical staff is represented by the current organization within the Systems Analysis Office as follows:

<i>Section</i>	<i>Filled positions</i>	<i>Vacancies</i>
Administration	4	--
Analysis and operations research	8	1
Information systems development	22	2
Data processing service center	33	7
Management planning	9	--
Accounting and fiscal management services	10	--
Procurement review and coordination	2	1

Projects completed by the Systems Analysis Office during the first six months of this fiscal year total 75 and have generated \$918,417 in recommended savings, cost avoidance or increased revenues. Services are provided on either a reimbursable basis or on a nonreimbursable basis as directed by executive order and within budgetary constraints.

<i>Transportation</i>			
<i>Organizational unit</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Transportation Division	Item 46	\$5,201,301	137.4
Reimbursements	Item 41	22,700	--
Transportation Division	Item 41	124,905	14.5
Total		\$5,348,906	151.9

Department of General Services—Continued

This program provides centralized management for the state's automotive fleet. Eight new positions are proposed for the budget year and justified on the basis of increased workload.

Fleet Management Program

The fleet management program is responsible for the administration of the state automotive pool. This also includes the general administration of the state's 30,000 vehicles as well as the 2,850 vehicles in the General Services pool.

Garage Operations Program

Garage operations is the program responsible for the operation of the state garages. These garages give daily service to state-owned vehicles.

Preventive Maintenance Program

Preventive maintenance performs needed maintenance work on state pool and agency vehicles. The major objective of this program is to schedule maintenance so that there is a minimum amount of major repair work or need for replacing the vehicle.

Statewide Inspection Program

Vehicle inspectors perform routine inspections of state-owned automobiles. They review and approve repair needs. They also perform an annual inspection of each car which has traveled 70,000 miles to determine whether the vehicle should be disposed of at that mileage.

DEPARTMENT OF GENERAL SERVICES**Item 42 from the General Fund**

Requested 1969-70	_____	\$140,000
Total recommended reduction	_____	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval of this item as budgeted.

According to the Department of Finance this appropriation for augmentation of the Service Revolving Fund is to be used to replace a four-place Beechcraft airplane owned by the State of California since 1959 and operated by the Department of General Services.

Previously the state owned a 19-passenger airplane, the "Grizzly," which was used primarily by the Governor's office. This aircraft was sold in 1967 and the Beechcraft is now used for transportation of department officials and members of the Governor's staff.

DEPARTMENT OF GENERAL SERVICES**Item 43 from the State School Building Aid Fund**

Requested 1969-70	-----	\$972,736
Estimated 1968-69	-----	1,030,696
Actual 1967-68	-----	1,007,584
Requested decrease \$57,960 (5.6 percent)		
Total recommended reduction	-----	None

ANALYSIS AND RECOMMENDATIONS

This item provides support for the Office of Local Assistance chargeable to the School Building Aid program. Analysis of the program is included in our analysis of Item 41.

DEPARTMENT OF GENERAL SERVICES**Item 44 General Fund transfers to Service Revolving Fund****ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

This item is identical to Item 45 of the Budget Act of 1968. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section 2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. These funds shall be available for augmentation of the Service Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement or purchase of additional automobiles may be used to augment the Service Revolving Fund which finances the Department of General Services carpool.

Department of General Services**OFFICE OF STATE PRINTING****Item 45 from the Service Revolving Fund**

Requested 1969-70	-----	\$19,640,138
Estimated 1968-69	-----	19,807,622
Actual 1967-68	-----	19,175,104
Requested decrease \$167,484 (0.8 percent)		
Total recommended reduction	-----	None

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 41.

DEPARTMENT OF GENERAL SERVICES

Item 46 for Support of the Department of General Services from the Service Revolving Fund, other functions from the Service Revolving Fund

Requested 1969-70 -----	\$20,978,032
Estimated 1968-69 -----	20,866,965
Actual 1967-68 -----	17,749,542

Requested increase \$111,067 (1 percent)

Total recommended reduction -----	None
-----------------------------------	------

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Consolidated Business Services		
Supportive Services Manager -----	\$13,860	41

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 41.

Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 47 from the Architecture Revolving Fund

Requested 1969-70 -----	\$8,835,997
Estimated 1968-69 -----	8,696,958
Actual 1967-68 -----	7,335,928

Requested increase \$139,039 (1.59 percent)

Total recommended reduction -----	None
-----------------------------------	------

GENERAL PROGRAM STATEMENT

The Office of Architecture and Construction functions primarily as an architectural and engineering service organization essentially similar to private architectural organizations. However, it is comparable only to the larger private organizations in that it provides a full spectrum of architectural and engineering services whereas the smaller private architectural organizations often provide only architectural services and must go outside their own organizations to obtain the various engineering services such as mechanical, electrical, and civil.

One major difference between the state organization and private organizations is that it also operates an on-the-job inspection service during the construction period. This service is performed as a matter of course for all state projects which by law fall within the purview of the Office of Architecture and Construction. In addition, it renders both an architectural and inspection service to the state college system on a contract basis because the latter system is not required by law to use the services of the Office of Architecture and Construction but may do so at its discretion. The University of California is not required by law to use the services of the organization and as a matter of long-standing

Office of Architecture and Construction—Continued

practice it never has used these services but relies entirely on private architects and engineers for its major projects.

The service fees charged by the Office of Architecture and Construction differ significantly from those charged by private architects in that the state organization must be reimbursed for all of its out-of-pocket and overhead expenses in connection with any one job. On the other hand, the private architect usually negotiates a percentage of the estimated cost of construction and in the event that the private architect's out-of-pocket expense exceeds his fee, he must absorb the difference himself except where he has performed extra or special services for which additional fees are allowable in his contract with the client.

For the current fiscal year, the average fees of the Office of Architecture and Construction are projected to be 6.74 percent of the cost of construction which compares very favorably with the average of current negotiated fees of private architects taking into account the broad mix of project types with which the state organization is concerned. These run from simple warehouse buildings to difficult alteration projects and complex academic science buildings.

Comparisons cannot be made between the service fees charged by the Office of Architecture and Construction for on-the-job inspection work with that of private architects who normally do not provide this service as part of their regular contracts. Usually, in relationships between private architects and private clients where a client desires constant on-the-job inspection, he usually employs one or more inspectors, directly paid by him, although the individuals may be recommended by the architect. In any case, for the current fiscal year the Office of Architecture and Construction estimates that the average cost of this service is 1.7 percent of the project construction cost which is somewhat lower when compared with 1.8 percent in the 1967-68 fiscal year. The goal for the budget year is down to 1.6 percent.

The Office of Architecture and Construction also performs a service which is rarely if ever rendered by a private architect to a private client. This is concerned with so-called "day labor" projects in which the state organization acts as architect and engineer, inspector and construction contractor. This is almost exclusively in connection with complex alteration or modernization projects. One of the most unique areas where this service occurs is in the restoration of historic monuments such as the Los Angeles plaza area where an entire square block is being restored including the old Pico Hotel.

The office also performs a somewhat unique service under a special program which is separately funded in which it does not perform any architectural or engineering design work but instead reviews the work of private architects with respect to elementary and secondary school construction plans to ascertain whether they meet the minimum standards for seismic, wind and fire safety generally, as set forth in the "Field Act." This will be discussed in Item 48 immediately following.

The Architectural Revolving Fund from which the activities of the office are financed receives no revenues in the ordinary sense of the

Office of Architecture and Construction—Continued

word. Instead, funds appropriated by the Legislature for specific projects are deposited in the revolving fund and assessments are made against each project for the services of the office. Consequently, the actual volume of work for the office and hence the potential amount of service funds which it may expend is completely dependent upon the level of capital outlay appropriations provided by the Legislature. As a practical matter, the revolving fund is continuously appropriated to the office but for some years it has been the practice to include a specific appropriation from the revolving fund in the Budget Bill in order that the Legislature may have an opportunity to review the activities of the office and the cost of its services.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The budget for the 1967-68 fiscal year was based on a staffing level of 654.4 authorized positions although the estimated value for that year was projected at 570.7 man-years taking into account administrative adjustments, vacant positions, salary savings, etc. The actual man-years finally developed at 552.7 indicating a greater attrition and more salary savings than had been anticipated.

For the current fiscal year, the authorized level was 611.4 positions which is reduced to 549.7 man-years by workload and administrative adjustments and estimated salary savings.

For the budget year, the authorized positions are reduced to the level of 571.9 and estimated salary savings will further reduce this figure to 546.2 man-years, or slightly below the current fiscal year level.

The workload level for the office, based on construction value, is proposed at essentially the same level as in the current fiscal year. For example, the construction value of schematic and preliminary plans for the current year is \$78 million, while the budget year it is set at \$80 million. For practical purposes, the workload remains the same because the difference between the two figures really represents the inflation in construction cost. For working drawings in the current fiscal year, the construction value is put at \$63 million and for the budget year at \$65 million.

The cost increase of \$138,439 for the budget year as compared with the current year reflects essentially the continuing upward spiral of costs for goods and services and the fact that the shrinkage in the size of the staff is largely occasioned by lower echelon personnel seeking more promising employment elsewhere while the older and more established staff remains until retirement age. The increase also reflects the upward salary adjustments which were authorized by the 1968 Legislature. In any case, it would appear that the total increase represents a substantially lower percentage than the general inflationary effect. Because the average percentage of the service costs of the office compares favorably with the private sector, it would appear that the proposal as presented is justified.

It should also be pointed out that the organizational goal is to establish by attrition a staff of sufficient size to execute working drawings

Office of Architecture and Construction—Continued

with an estimated construction value of \$50 million annually. In any one year, where the workload exceeds this it is assumed that outside assistance would be sought. In view of the foregoing, we recommend approval of the budget as proposed.

**Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION**

Item 48 from the Architecture Public Building Fund

Requested 1969-70	-----	\$1,627,701
Estimated 1968-69	-----	1,605,454
Actual 1967-68	-----	1,492,063
Requested increase \$22,247 (1.38 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

In the preceding item we alluded to the special function of the Office of Architecture and Construction in which it checks plans and specifications for major remodeling, additions to or new public school buildings. These plans and specifications are, with relatively few exceptions, prepared by private architects all over the state for the many school districts of the state. The Office of Architecture and Construction performs no design work of any kind in connection with these projects. It merely reviews them to determine their adequacy with respect to seismic, wind and fire safety.

The requirement for this service is provided by statute which directs that all public school entities in the state submit plans and specifications for review and approval. Where review develops inadequacies in plans or specifications, these are returned to the source with exceptions noted and a request that necessary changes be made and then rereferred to the office. The statute also sets the fee which is required to accompany each set of plans checked. This is based on a sliding scale of percentages against the estimated cost of the project and is paid by the school district. The fees, which were amended last in 1961, are adequate to meet all of the costs of the service and provide a very small balance.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The construction value of proposed schoolhouse work in the state is the annual basic yardstick for the total workload measurement for the schoolhouse plan review section of the Office of Architecture and Construction. For several years, this value has been running at about \$330 million to \$335 million annually. However, the dollar amount is misleading because of inflationary factors. Consequently, the actual physical workload has been reduced slightly while the dollars remain fairly constant due to inflation.

Office of Architecture and Construction—Continued

The budget for the fiscal year 1967-68 was based on a staffing level of 88 authorized positions which were reduced to 85.4 man-years due to estimated salary savings. For the current fiscal year, the same 88 positions were authorized but reduced to 83.8 man-years because of salary savings. For the budget year, the proposal remains at 88 authorized positions with the same projection of 83.8 man-years based on salary savings.

The proposed increase of \$22,247 reflects the increased cost of goods and services plus the upward salary adjustments that were made by the Legislature in 1968. Taking into account the relatively fixed nature of the workload and the size of the staff, the proposal appears to be in line, particularly since the percentage increase is less than the average of overall inflation. Consequently, we recommend approval.

OFFICE OF MANAGEMENT SERVICES**Item 49 from the General Fund**

Requested 1969-70	\$279,405
Estimated 1968-69	223,165
Actual 1967-68	61,136
Requested increase \$56,240 (25.2 percent)	
Increase to improve level of service \$56,240	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**1. Need for EDP Coordination and Control**

We recommend a continued effort to provide effective coordination and control with respect to the utilization of electronic data processing equipment and techniques. Responsibilities for policy recommendations, planning and evaluation of the utilization of electronic data processing are vested in the Office of Management Services. Technical service to state agencies and implementation of EDP policies and plans remain a responsibility of the Department of General Services. Given strong leadership from the agency administrator plus cooperation from the department executives, the program can succeed. (Analysis page 65.)

2. Critical Personnel Shortage

We recommend a detailed study by the Office of Management Services during the coming year to determine the most effective means of coping with the shortage of technical staff and the rising costs associated with the development of EDP systems. A report which considers the possible solutions contained in this analysis plus other alternatives should be made to the Joint Legislative Budget Committee by November 1, 1969. (Analysis page 67.)

GENERAL PROGRAM STATEMENT

The Office of Management Services was established under Government Code Section 11730 to develop short-range and long-range plans

Office of Management Services—Continued

for the optimum utilization of data processing systems for state government and to develop recommendations for electronic data processing (EDP) policies, procedures and standards.

The Office of Management Services consists of a director appointed by the Governor, a deputy director, and a small staff who are specialists in information systems, cost effectiveness and systems planning. There are four assistant directors who are assigned responsibility for the four organizational units: standards and procedures, planning, evaluation, and policy. Supporting these units is a technical staff of five, a secretary and a clerk. An additional clerical position is requested in the budget year. The Director of the Office of Management Services serves as the executive secretary of the State EDP Policy Committee and works closely with the Intergovernmental Board on Electronic Data Processing in order to assist in the development of statewide policies for intergovernmental information exchange.

ANALYSIS AND RECOMMENDATIONS

Few industries in this country have experienced a more spectacular growth than those associated with data processing and the electronic computer. Since the introduction to the business and government community in 1952, the number of computers has steadily grown. In 1960, there were 5,000 in use and the number has grown to 60,000 in 1968. The dollar volume of business for the largest manufacturer of electronic computers has grown from \$400 million in 1953 to \$5.3 billion in 1967. Technological developments have also brought the industry through three generations of machines, and there is current speculation about a fourth generation.

Paralleling this development has been the increased utilization of data processing and the electronic computer within California state government. Starting with its first electronic computer in 1956, the number of computers has now grown to 73, excluding the University of California which operates computers on nine campuses. These machines are grouped in 46 computer installations throughout state government, including the state colleges. In the Sacramento area alone there are 40 computers.

In addition to the computer installations, there are 28 installations of electrical accounting machine facilities, making a total of 74 data processing installations. The total budget for fiscal year 1968-69 for electronic data processing (EDP) will exceed \$40.2 million excluding the University. This figure includes the salaries of an estimated 2,800 personnel employed in work relating to the utilization of EDP.

Need for Effective Coordination and Control of EDP

Rapid growth in the use of data processing techniques and equipment throughout private industry and governmental units led to a proliferation of electronic computers. This proliferation was largely due to a lack of centralized coordination and control over the procurement and utilization of this new management tool. To counteract this problem,

Office of Management Services—Continued

which has resulted in inefficient use of computers, lack of standardization and little effective interchange of information, the private sector has established information systems control groups at the corporate level. Within government, the federal structure has been centralized with respect to policy, procurement and the setting of standards. Many states and the large municipalities such as New York City and Los Angeles have delegated the control of EDP to strong central agencies. Within California state government, the Office of Management Services (OMS) represents the governmental unit responsible for the control and coordination of EDP.

Studies of this problem were carried on under the present and the previous administrations, and policy statements were issued by both administrations. A coordinating group was not officially established, however, until November 1967, when an executive order established the Office of Management Services.

Legislative Recognition of the Problem

The California Legislature has been cognizant of the problems enumerated above, and legislative resolutions and studies date back to the 1963 General Session. Senate Concurrent Resolution No. 34, 1966 First Extraordinary Session, directed the Joint Legislative Budget Committee to study the various elements of proper interagency relationships and procedures for initiating, coordinating and preparing fiscal review for proposals to establish electronic data processing. The office of the Legislative Analyst as staff to the Joint Legislative Budget Committee prepared a comprehensive report on the subject in January 1967 entitled *Automatic Data Processing in California Government*. SCR 34 also instructed the budget committee and its staff to act in a liaison capacity with executive agencies on systems analysis studies and systems development projects.

Senate Concurrent Resolution No. 63, 1967 Regular Session, further delineated this problem and required the Departments of Finance and General Services to report on their acceptance and implementation of the recommendations contained in the report *Automatic Data Processing in California Government*.

Finally, during the 1968 Regular Session, Senate Bill No. 959 was introduced and became law as Chapter 1327, Statutes of 1968. This legislation, which is now Government Code Sections 11700 to 11731, delineated the policy and intent of the California Legislature with respect to electronic data processing and the organizational functions and authorities of the Intergovernmental Board on Electronic Data Processing, the State Electronic Data Processing Policy Committee and the Office of Management Services. Such specific requirements as the need for definitive policies, the development of short- and long-range EDP master plans, the necessity to coordinate EDP equipment to provide for optimum utilization and the right of individual privacy as established by law are now included in the Government Code.

**Office of Management Services—Continued
EDP or ADP?**

An issue of relatively small significance but much debate has also been resolved by this legislation. According to Government Code Section 11700, “. . . Electronic data processing (EDP) is defined as the process that encompasses all computerized and auxiliary automated information handling, including systems analysis and design, conversion of data, computer programming, information storage and retrieval, data transmission, requisite system controls, simulation, and all the related man-machine interaction.”

The federal government has long held that automatic data processing (ADP) is a more inclusive and descriptive term in that it includes electronic computers, electromechanical machines, terminal devices and related processes. We preferred this term historically as is evidenced by the title of our original report mentioned above. However, opinion is divided on the matter, and because the Government Code now defines this process as electronic data processing (EDP), we recommend that the California state government standardize on this terminology in order to avoid confusion in presentations to the Legislature and in other documentation. The Governor's Budget this year has numerous instances of ADP and EDP being used interchangeably to describe the process.

EDP Policy Formulation

Within the broad policy guidelines in Government Code Section 11701, the State EDP Policy Committee establishes policy by acting on the recommendations of the Office of Management Services. The membership of this committee and its duties are specified in Government Code Sections 11720 to 11721.

Government Code Section 11731(a) states that it is a function of the Office of Management Services (OMS) to develop recommendations to be submitted to the State Electronic Data Processing Policy Committee concerning electronic data processing policies, procedures and standards. OMS must consider the requirements and suggestions of other units within state government in making policy and procedural recommendations.

An EDP Master Plan

After operating for many years without any evidence of planning to adequately meet the overall needs of state government with respect to data processing and systems development, the State of California finally adopted an official short-range EDP master plan on January 16, 1969. This 94-page document was developed by the staff of the Office of Management Services. The plan provides a statement of the problems, a discussion of the environment and a plan for actions to be started by June 30, 1969. A long-range EDP master plan will cover actions to be taken during approximately five years following June 30, 1969.

Following the outline of legislative intent as specified in the Government Code, the short-range master plan provides for consolidation and optimum utilization of EDP equipment, the establishment of all major

Office of Management Services—Continued

computer installations as service centers, and attempts, by consolidation, to create functional information systems which are designed to process and provide information related to particular broad areas of subject matter.

One illustration of such a consolidation and the establishment of a service center is the merging of the EDP processes of the State Teachers' Retirement System and the Department of Veterans' Affairs with the Public Employees' Retirement System. Computers had been planned for both of these entities, but after careful examination it was found that by upgrading the Public Employees' Retirement System computer, the other agencies could be serviced with substantial economies.

A number of other consolidations have been achieved and a major agency study is under way by the Human Relations Agency that could result in an "agency data processing center" serving the Departments of Mental Hygiene, Public Health, Social Welfare, Rehabilitation, Health Care Services, Corrections, and Youth Authority.

Organization for EDP Control and Coordination

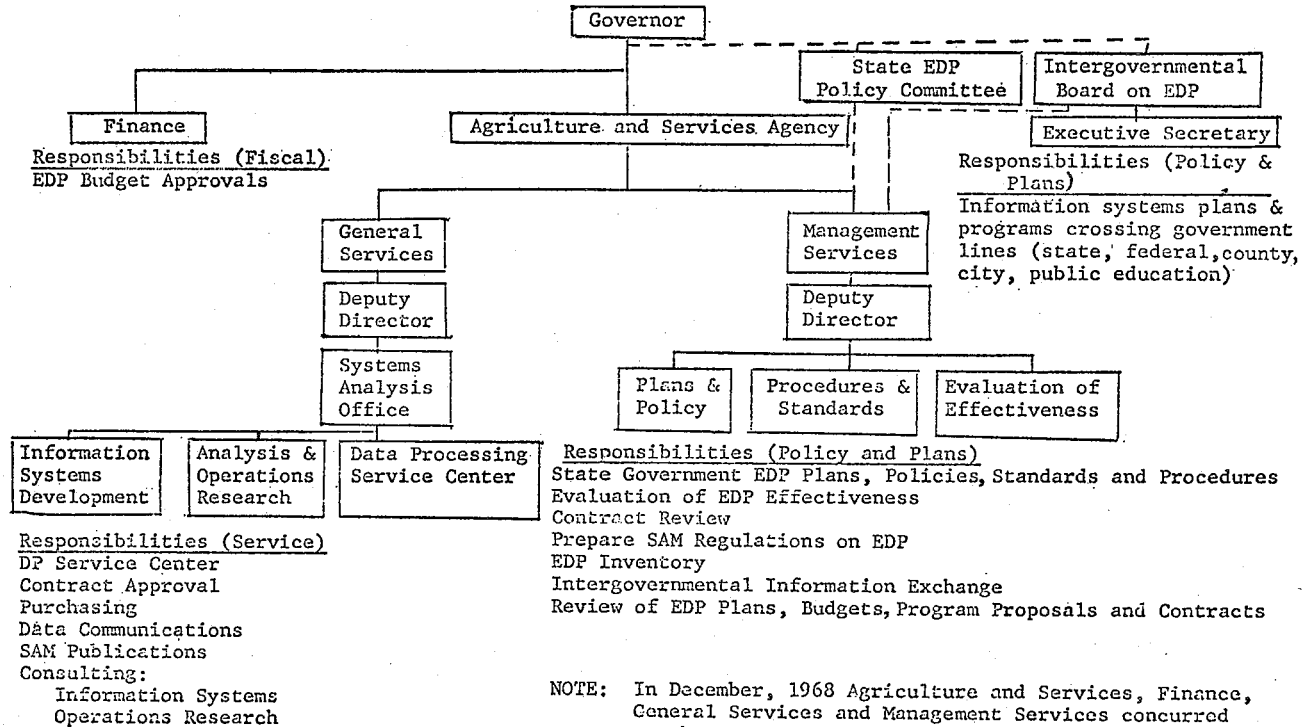
The need for central control and coordination of EDP within California state government cannot be emphasized too strongly. Responsibility has been fragmented in the past in numerous departments scattered among the different state agencies. In an attempt to overcome this obvious deficiency, coordination and control have now been primarily centered within the Agriculture and Services Agency. In Management Memo 69-2, issued on January 16, 1969, Chart I appeared. For the first time the responsibility for EDP within the executive branch is centered in one agency, although responsibility is still divided between two offices within the agency, the Office of Management Services and the Systems Analysis Office of the Department of General Services. The Department of Finance's responsibility is now primarily associated with assurance that fiscal resources are available to support the policies and plans.

Basically, the Office of Management Services has responsibility for policy and planning together with other duties as indicated in the chart. Systems Analysis Office functions are discussed in detail in this analysis on page 52. These responsibilities are associated with technical service to state agencies and implementation of EDP policies and plans.

To reflect the transfer of specific responsibilities for contract review, EDP inventories, State Federated Information System planning, and preparation of State Administrative Manual regulations pertaining to EDP, seven positions have been transferred from the Systems Analysis Office to the Office of Management Services during the current year, and these are proposed for continuation during the budget year.

The fact remains, however, that responsibility is still divided between two offices. Therefore, strong leadership from the agency administrator plus cooperation and good communication from the department executives involved are mandatory for success.

Chart I
STATE OF CALIFORNIA
ORGANIZATION FOR EDP COORDINATION AND CONTROL



NOTE: In December, 1968 Agriculture and Services, Finance, General Services and Management Services concurred on the structure and distribution of responsibilities shown in this chart.

Office of Management Services—Continued

If these factors prevail, the organizational separation of policy and planning from technical services may prove to be a workable structure. Without effective leadership and cooperation, the chances for success are limited. Because of currentness and sophistication, the electronic computer is viewed as a status symbol. Therefore the drive to install new departmental computers and to develop advanced information systems around narrow departmental missions is a potent force. While the needs of departments are very important, the overall needs of state government for information upon which to adequately manage the state are paramount.

Data Processing vs. Information Systems

Traditionally, the State of California has used the electronic computer for data processing which is generally associated with performing lower level clerical chores in order to produce records and reports.

The state short-range EDP master plan discussed above listed 22 major information system projects under development with state government. These information systems are differentiated from routine data processing because they represent complex systems that can provide management with decisionmaking capabilities based on predetermined objectives.

The benefits from these projects have been identified and accepted by the administration in order for initial funding to be provided. What have not yet been satisfactorily identified in our judgment are the commitments of money, equipment, personnel and associated resources needed to fully develop these systems. In fact, as we will discuss in the next section, the personnel problem may be the key factor in the ability of the state to successfully complete the tasks currently in various stages of development.

An equally important factor is the need for centralized control and direction of those projects. More is involved than demonstrating awareness of their existence by listing projects in a master plan. Standards for communication of data, common identification of data elements, common use of centralized data bases, shared computer facilities and communication lines, and common programming languages should be continually stressed by the Office of Management Services. To be effective, this means direct involvement in the planning and monitoring of all major projects by the office responsible for centralized control and coordination. Some of this responsibility can also be assigned to the Systems Analysis Office in the Department of General Services.

The "Peopleware" Problem

In the jargon of the computer age, "hardware" has become synonymous with the physical equipment forming a computer and peripheral devices. Similarly, "software" is defined as the totality of the programs and routines used to extend the capability of the electronic computer. Therefore, it is not unexpected that "peopleware" would come to identify the people who are associated with the operation, programming, systems design and management of electronic computer systems. As the

Office of Management Services—Continued

state EDP master plan illustrates, it is not “hardware” but “peopleware” that represents the most significant cost. The total staff expenditures for EDP in fiscal year 1968–69 are broken down as follows:

Personnel -----	\$22,936,043	57.01 percent
Equipment -----	12,266,400	30.49
Operating expense -----	5,028,920	12.50
Total -----	\$40,231,363	

Compounding the problem of the cost of personnel services associated with the development and maintenance of EDP systems is a critical shortage of trained and experienced systems analysts, computer programmers, operations research specialists and the software specialists who develop computer programs to schedule work through the highly complex third-generation computers. This shortage is evident in private industry and in government, and it is expected to become more critical.

The following are possible solutions to this problem :

1. Develop a Sound EDP Training Program

An excellent beginning in this direction has been made with the offering by the State Personnel Board of a Fundamentals of Computer Programming course, which is a central training program to train entry-level programmers. Scheduled on an as-needed basis, the course provides a thorough introduction in the fundamentals of EDP to beginning programmers and has had a marked success in improving the productivity of entry-level personnel. This program should be expanded to include courses in advanced programming and systems analysis.

A State EDP Personnel Policy Group has recently been established to study this entire area. This group will study methods of improving recruiting, and the need for increased emphasis on technical EDP training. Courses responsive to the specific problems which become evident in the design and installation of complex information systems are being considered by the group. Sufficient funding will be necessary to carry on such a program, but it appears that the benefits will far outweigh the cost since, for example, a highly trained and experienced programmer is estimated to be 10 times as effective as a poorly trained individual.

2. Pooling of EDP Personnel

Our office, the Governor’s Survey on Efficiency and Cost Control (November 1967), and the State EDP Policy Committee have recognized the need for consideration of some pooling or centralization of EDP personnel. There are many alternative ways to structure this centralization. For example, systems analysts could be assigned to departments large enough to justify the utilization of full-time personnel. Programmers and other software specialists could be assigned to the consolidated EDP service centers and a highly specialized central staff concentrated in a unit such as the Systems Analysis Office of the Department of General Services. This latter group, consisting of technicians whose skills are needed on a consulting basis, could be available

Office of Management Services—Continued

for assistance on an "as-needed" arrangement. Unique and difficult problems in the design of complex information and data communication systems, procedures in storage and retrieval from large data bases, further development of file management systems, and the development and maintenance of "software packages" for teleprocessing of data, computer message switching and simulations would be logical responsibilities of this group.

3. Use of Outside Contractors

The state currently spends about \$1,500,000 to \$2,000,000 per year for contract services with respect to systems analysis, computer programming and other related services. The use of consulting firms for skills not available within the state or to supplement state personnel is often the most economical and efficient procedure. However, such services are frequently performed at a cost of 25 to 40 percent more than it would cost the state itself to perform these services. Therefore, the most effective use of consulting firms should be a subject of continuing study.

4. Priorities for Systems Development Projects

Given the above, it is evident that the current and projected shortage of EDP technical skills can have serious consequences with respect to the ability of the state to adequately design, implement and maintain complex information systems. As we noted earlier, at least 22 of these systems are in various stages of development. Therefore, any study of personnel resources must include the possible consideration of establishing priorities for the design of systems in light of the inadequate supply of technical skills. Too often ambitious projects are started without full realization of the costs and personnel resources needed to complete implementation.

5. Personnel Practices

The State Personnel Board is constantly reviewing and revising the salaries and classes of personnel associated with EDP. One practice that is apparent is the awarding of the highest salaries to those in supervising positions with the number of employees supervised a key factor. This should be reevaluated because it may be necessary to reward highly skilled practitioners for their talents without regard to the number of employees supervised.

It is also apparent that because of the shortage of technical EDP specialists, some state employees move through the various personnel classes with the minimum experience required for each class. As a result, employees who are not thoroughly qualified by experience or training attain "senior-level" classifications but are not able to perform at the technical level required by the classification, thereby limiting the projects to which they are assigned.

Fiscal and Personnel Management Information System Study

The Office of Management Services was given the responsibility by the Committee on Conference in its June 27, 1968, report for the coordination of a planning effort to determine the feasibility of installing

Office of Management Services—Continued

a comprehensive fiscal and personnel management information system. To provide funding for this effort, the budget of the Office of Management Services was augmented by \$63,095 for the current year. This funding is not proposed for continuation in the budget year.

To conduct this study, the Office of Management Services has formed a cooperative task force which includes personnel from the office of the State Controller, Department of Finance, Department of General Services, State Personnel Board, Public Employees' Retirement System, and selected representatives from the large and small state departments.

The study is to be conducted within guidelines which were also included in the Committee on Conference report. This task force has been actively working during the current year and has designated study teams which have made in-depth surveys of 31 departments to ascertain methods to improve the paper-work flow and systems associated with fiscal and personnel transactions in state government. The services of an outside consulting firm with competence in systems analysis and design are being sought between February 24 and March 3, 1969, to assist the task force in developing a report. This progress report, upon recommendation of the Committee on Conference, will be submitted to the Joint Legislative Budget Committee by April 1, 1969. The contents will detail the progress to date, discuss the feasibility of the project, present alternative conceptual system designs and outline any budgetary requirements that are projected for fiscal year 1969-70.

**INTERGOVERNMENTAL BOARD ON ELECTRONIC
DATA PROCESSING**

Item 50 from the General Fund

Requested 1969-70	\$54,660
Estimated 1968-69	27,801
Requested increase \$26,859 (96.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Intergovernmental Board on Electronic Data Processing was authorized by Chapter 1327 (SB 959) Statutes of 1968. This act establishes the policy intent of the Legislature with respect to matters relative to electronic data processing (EDP). Also authorized by this act were the State Electronic Data Processing Policy Committee and the Office of Management Services.

Originally created by executive order in May 1967, the Intergovernmental Board on Electronic Data Processing is intended by statute to be the body responsible for establishing the goals and objectives for intergovernmental information systems within the State of California and the establishing of general policies governing coordination, coop-

Intergovernmental Board on Electronic Data Processing—Continued

eration, joint effort, working relationships and cost sharing relative to development and maintenance of intergovernmental information systems.

The functions and responsibilities of the board are set forth in Government Code Sections 11710 to 11713. The board consists of 12 members and alternates appointed by the Governor. Included are four members from state government representing the four major agencies, three members representing county government, three members representing city government, and two members representing school districts. The board elects its own chairman, and members receive no compensation for their services, except for the chairman, who is reimbursed for actual expenses.

The board has been granted considerable statutory authority to coordinate the development and implementation of minimum standards of compatibility with regard to programming languages, codes and media which facilitate the exchange of information among systems. In addition, as stated above, the board establishes goals, objectives and general policies with respect to intergovernmental information systems. The office of the Attorney General is currently assisting the board in defining its legal authority and responsibility.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of this item as budgeted.

The legislation creating the Intergovernmental Board on Electronic Data Processing appropriated \$30,000 from the General Fund to permit the board to carry out its responsibilities. Of this amount, \$27,801 is to be expended in the current year, and \$54,660 is requested for the budget year. The primary expenditure of the board will be for the salary and operating expense of an executive secretary. This position is in the process of being filled from applications that have been solicited from throughout California. An effective and knowledgeable executive secretary will be vital if the board is to adequately fulfill the responsibilities assigned to it by the statutes.

The salary range established for this position (\$1,475–\$1,793 monthly) is considerably below the range established for the key positions responsible for EDP control and coordination within state and local governments. Therefore, some difficulty may be experienced in filling the position with an individual sufficiently experienced to deal effectively with state and local government officials responsible for information systems development.

The importance of establishing effective policies, goals, objectives and standards with respect to information systems that cross governmental lines cannot be too strongly emphasized. The data which serve as the input into numerous information systems have their origination at the local level. Therefore, the EDP activities of local governmental units must be considered and coordinated if these data are to be compatible with state requirements. Similarly, the federal government frequently imposes standards for EDP which often influence local and state government systems.

**California Advisory Commission On Marine and Coastal Resources—Continued
ANALYSIS AND RECOMMENDATIONS**

We recommend deleting the item.

The Governor's Budget proposes to spend \$67,752 to support CMC in 1969-70. This amount will finance the staff support of the commission, an executive officer and two clerical assistants, and some consulting services.

When the Legislature established CMC it carved out the subject matter relating to ocean resources from the State Development Plan and gave it separate and special status under CMC. It made CMC an independent agency reporting to the Governor primarily and the Legislature secondarily.

Last year, the administration had problems deciding where to place the appropriation for CMC. At first, the appropriation was to CMC through the Resources Agency, then to CMC through the Lieutenant Governor's office and finally, as enacted in the 1968 Budget Act, to CMC through the Department of General Services. The Governor's Budget again this year places CMC in the Department of General Services, which is within the Agriculture and Services Agency.

The Governor's Program Budget indicates that, "the next three years' activities (of CMC) will include coordinating existing state single-interest plans affecting the marine and coastal sector into an integrated comprehensive plan aimed at best serving the total interests of the people of California." This statement of activity is not consistent with the statutes which direct the commission to "review the California Comprehensive Ocean Area Plan and recommend any changes or additions it deems desirable."

The Governor's Budget also proposes to fund a program for ICOR in the budget of the secretary for the Resources Agency. Presumably, the secretary for resources will actively control the contributions of the Resources Agency to the planning effort and the dangling relationship of ICOR to CMC will be replaced with a more direct responsibility on the part of the secretary.

Our analysis of AB 1686, which established the CMC, stated in part, "... the bill does not clarify the relationship of the new commission (CMC) to the statutory functions of existing state agencies and departments nor does it indicate how the commission would operate in relationship to the broad responsibilities of the Resources Agency administrator. . . . In part, some of the effort of the commission in reviewing, coordinating and reporting on the activities and budgetary needs, and recommending organization changes of state agencies and departments will duplicate existing responsibilities of state agencies. . . . A clearer role for the commission would result from a statutory directive to seek, on a broad basis, solutions to conflicts when programs and policies of the Resources Agency, other state agencies, and private or educational interests are brought to its attention or where no state policy or program presently exists."

There is a need for improved planning and interfacing between industry, educational institutions and state government. Meeting this need will require major policy decisions, program changes, significant

California Advisory Commission On Marine and Coastal Resources—Continued funding for studies of specific problem areas, improvements in state planning practices, and considerable time. The CMC approach does not seem to be an adequate mechanism to meet these needs because it does not directly improve the functioning of the state's line departments. The ambiguous role of ICOR does not improve the mechanism.

In the light of the present uncertainties of the CMC-ICOR approach, the above comments from our analysis of AB 1686, and the funding difficulties of CMC last year, we recommend that the appropriation for CMC be denied. We have made a similar recommendation on the appropriation for ICOR, Item 276. The Legislature should reexamine the existing structure and clarify the roles and responsibilities of CMC, the secretary of resources and the line departments.

CALIFORNIA EXPOSITION AND FAIR

Items 52 and 53 for transfer from the General Fund to the State Fair Fund and appropriation from State Fair Fund

Requested 1969-70	\$1,130,000
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1072, Statutes of 1957 authorized the sale of \$13 million in revenue bonds to provide funding for the construction of certain buildings at a new California Exposition and Fair site. The authorization directed that the bonds consist of two issues, each in the amount of \$6.5 million, to be sold in two different fiscal years. The \$6.5 million Series A issue was sold in June 1966, while the \$6.5 million Series B issue was marketed in June 1967.

The Legislature provided that the California Exposition and Fair should be constructed and operated by a nonprofit corporation known as the California Exposition and Fair Corporation. The corporation was to be supervised by a state agency, the California Exposition and Fair Executive Committee. The racing facilities, the exhibition center and the fair activities complex were constructed by the corporation with the revenue bond proceeds. The bonds were issued by the Public Works Board in the name of the State of California.

The corporation rented the Cal Expo site from the Executive Committee for \$113,000 per month for 10 months per year or a total annual rental of \$1,130,000. The bond indenture requires that revenues from the operation of Cal Expo be used first to pay operation and maintenance costs of the bond financed structures and second to pay debt service on the revenue bonds. The payment on debt service is the same as, and is known as, "rent". Because there will be insufficient operating revenues to pay the rent or debt service, Items 52 and 53 propose that the General Fund pay the debt service on the revenue bonds.

Many problems arose between the corporation and the Executive Committee. On September 30, 1968, the State Exposition and Fair

California Exposition and Fair—Continued

Executive Committee terminated the operating agreement and discharged the nonprofit corporation. All of the corporate personnel were discharged effective either October 15th or October 31, 1968. The exposition is now a state operation conducted by the executive committee using civil service employees.

The State Fair Fund was established originally to handle earned revenues, expenditures, Fair and Exposition Fund grants and General Fund grants for the old State Fair. Although the State Fair Fund was continuously appropriated for purposes of the old State Fair, it is not continuously appropriated for support of the executive committee or any administrative, operation or maintenance purposes of Cal Expo. The executive committee and Cal Expo have no source of administrative, operating or maintenance funds other than those appropriated by the Legislature. As a result the Legislature has full control over most expenditures from the fund. The only significant exception to the above legislative control is the revenues from the sale of the old fair site and the surplus land at the new site. The budget proposes to continue using the State Fair Fund, probably because there is no other fund available.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of Items 52 and 53 with the provision that the appropriation language in Item 52 be revised to provide that no more than the amount actually needed to pay any deficit in principal and interest on the revenue bonds can be expended.

Insofar as we can determine at this time, the executive committee either has expended or will have expended by the end of the current year, all funds available to it. The administration is requesting a deficiency appropriation for the current year to permit the executive committee to continue to function through the current year. It will start the 1969-70 year with no funds and no capability to pay any portion of the debt service on the revenue bonds.

Last year, this analysis and the Legislature were critical of the budget request for a \$414,603 loan from the General Fund to assist the nonprofit corporation because there was no control by the Legislature over the expenditure of the money. This year the corporation is gone, and as explained above, the Legislature has full control over most expenditures. It therefore appears that no purpose is served by including the extensive limiting language that the Legislature added last year when it loaned the \$414,603 to the executive committee.

The bonds used to finance the construction of the principal facilities at Cal Expo were revenue bonds of the State of California. The state has little choice but to maintain public confidence in its bond issues by providing for the debt service on these bonds. To permit the bonds to default might do major harm to the state's credit, particularly at this time when the money market is tight and the state is having difficulty marketing its general obligation bonds at an acceptable interest rate. We therefore recommend that the appropriation in Items 52 and 53

California Exposition and Fair—Continued

be approved to provide the funds for debt service on the revenue bonds. Item 52 appropriates the money from the General Fund to the State Fair Fund and Item 53 transfers the money to the Public Works Board to pay debt service. This arrangement accumulates most of Cal Expo's costs at one place in the State Fair Fund.

Although the language of the two items is reasonably stringent, we recommend that Item 52 be amended to preclude any possibility that the General Fund money can be used for any purpose other than a deficit in debt service.

CALIFORNIA EXPOSITION AND FAIR**Item 54 for transfer from the General Fund to the State Fair Fund**

Requested -----	\$650,000
Total recommended reduction -----	None

SUMMARY OF RECOMMENDATIONS

1. We recommend that the \$650,000 not be appropriated as a subsidy for Cal Expo, but that it be placed in a reserve in the Special Deposit Fund of the General Fund to be available when appropriated by the Legislature to complete the construction of the facilities at Cal Expo.

2. We further recommend that \$100,000 of the \$650,000 should be made available for use, subject to the approval of the Director of Finance, to pay the costs of any study by the state, preferably in co-operation with local agencies of government, to develop the details of a revitalized, reoriented plan for Cal Expo including community cultural, convention or other facilities.

3. We further recommend that the change fund of \$350,000 be approved for horseracing purposes but that it be available only during the months of August and September.

ANALYSIS AND RECOMMENDATIONS

This item appropriates \$650,000 from the General Fund to pay the deficit in the budget year which the Legislature must appropriate if there is to be a fall fair at Cal Expo in the fall of 1969. Included within this item is authority to borrow an additional \$350,000 from the General Fund as a change fund to finance the parimutuel operations at Cal Expo's horseracing.

The analysis under this item discusses several important policy problems involved in continuing subsidies for Cal Expo after the very poor opening season last year. These problems should also be considered along with the analysis under Item 55 which discusses the amount of the deficits and the quality of the fall fair which can be financed by the proposed budget proposed for Cal Expo next year.

The proposed \$650,000 General Fund grant is similar to the \$414,603 approved as a loan for Cal Expo in Item 50 during the current year.

California Exposition and Fair—Continued

The \$350,000 change fund is the same amount and for the same purpose as Item 50.5 which was approved by the Legislature during the current year.

Last year when the Legislature approved the two loans above, it added extensive language covering the repayment of the loans. For the same reasons as already discussed in Items 52 and 53 above, we believe that no purpose is served by continuing to include the loan payment provisions. In brief, this is because Cal Expo is now operated as a state agency and its funding is essentially under the control of the Legislature.

The \$350,000 change fund which the Legislature approved last year was appropriated without requiring that it be returned to the General Fund as soon as the fair season closed. As a result there was a temptation for its executive committee to retain the money until the end of the fiscal year and thereby use the change fund to finance operating deficits. This did not occur, but we believe that it would be preferable to amend Item 54 to make it clear that the change fund is for use only during August and September.

CAL EXPO AND THE COMMUNITY CENTER IN SACRAMENTO

The Governor's Budget for Cal Expo is a minimal budget. Based on this budget it is obvious that (1) the budget for Cal Expo next fiscal year is a holding action until the program can be revised and the physical plant augmented to permit staging a major show that has some hope of attracting attendance and recovering a major portion of its costs, (2) the executive committee has proposed no effective steps to develop a program for Cal Expo, (3) with the discharge of the corporation's staff and the budgeted reductions in its own staff the executive committee has virtually eliminated any hope that it can plan for and manage an effective operation for 1969 or 1970, (4) the executive committee has no funds nor has the administration requested funds this year or in past years to construct the necessary facilities to complete the structures, interiors and displays at Cal Expo, (5) there is no basis in the 1969-70 budget for the executive committee to undertake preparations for industry-financed participation in 1970, (6) the executive committee is returning the operations at Cal Expo to the old State Fair concept, (7) there still is no significant official cooperation, coordination or integrated planning between Cal Expo and the local community to relate Cal Expo to the primarily local and regional community which it serves, and (8) the executive committee continues to ignore clear statutory intent and has no proposal to restore the disruption in operations of Cal Expo it created by summarily discharging the nonprofit corporation last September.

We have previously noted in statements before the Assembly Committee on Governmental Organization that the concept of Cal Expo has been demonstrated to be invalid by last season's operations. Cal Expo cannot be all things to all people. It cannot operate on a limited budget to draw recurring attendance from the limited population in the immediate vicinity by continuously revising major features and

California Exposition and Fair—Continued

exhibits, while drawing attendance from out of state or southern California through the installation of high-cost, long-term special exhibits and attractions. The concept of drawing on both the local and distant market will not support Cal Expo as planned and partially constructed as an exhibition and entertainment center. It is necessary to consider alternatives which will provide for greater local exhibition and interim utilization of the expensive structures already built. Perhaps eventually attendance can be built up to levels that will cause private capital to be interested in adding more facilities at Cal Expo.

During the period of planning and construction of Cal Expo, the state made at least a token effort to coordinate Cal Expo with local facilities and was informed that the City Council of Sacramento had already decided on the construction of a downtown community center which was planned to achieve certain rehabilitation purposes downtown. Therefore no coordination was proposed with Cal Expo.

Now that Cal Expo has had its first disastrous season caused by numerous circumstances, the Legislature is in the position of deciding whether the local community, which primarily benefits from its operation, should be encouraged to cooperate in developing a feasible project which links its community center program with a modified Cal Expo program. We do not believe that these mutual interests and benefits have been adequately explored, although the problem was defined and much valuable testimony was developed by the Assembly Committee on Government Organization in a series of hearings on this subject.

If the proposed downtown community center were anticipated to be a financial success, there might be good reason for the City of Sacramento to disassociate itself from the state's problems at Cal Expo. However, this is not the case. During its first season of operation Cal Expo was only 50 percent self supporting but in contrast the community center is expected to be only 25 percent self supporting after its third season of operation. In fact, the proposed community center will not even cover its routine costs of operation and maintenance and is not expected to return any portion of its debt service (cost for bond interest and redemption).

Perhaps of greater significance is the fact that the state already has land at Cal Expo while, the City of Sacramento needs a site for its community center. Using this land, the city could save approximately \$9 million in land purchase costs, including the costs of debt service on the revenue bonds required to finance the land purchase. In addition, as much as \$10 million or more could be saved by the city in construction and debt service costs if its community center were integrated with Cal Expo. Altogether, the city is proposing to spend approximately \$30 million for a downtown community center including debt service. Perhaps \$20 million of this amount could be saved if the community center was integrated with Cal Expo. The concepts and approaches that could be followed to achieve this result were sketched in rough form by this office in a statement on December 20, 1968 before the Assembly Committee on Government Organization.

California Exposition and Fair—Continued

The principal short range and long range benefits from consolidating the community center and Cal Expo inure to the city and county and not to the state because the state has already made most of its capital investment at Cal Expo. The most the state can hope to accomplish is to reduce its future operating losses and to minimize any future investments for further construction at Cal Expo. The city on the other hand has the potential of making substantial savings in initial capital expenditures as well as in future operating costs.

LEGALITY OF REVENUE BONDS FOR THE COMMUNITY CENTER

In considering the prospect of integrating the community center and Cal Expo, the Legislature should be aware that the city may not legally be able to finance its community center by the means the city council has chosen. If this is the case, the state should proceed slowly and see if an alternative plan to act in concert might be the only practical solution open to the city. Meanwhile, the state can appropriate into a reserve the money that would otherwise be required to cover anticipated operating losses at Cal Expo. This reserve could eventually be used for improvements at Cal Expo at such time as both the city and the state are ready to proceed with a sound plan for Cal Expo.

The City of Sacramento plans to finance its proposed community center from the proceeds of (1) its and the county's hotel and motel tax revenues, (2) a portion of the city's sales tax revenues which are computed to be equal to the increased sales due to the establishment of the community center and the convention business that it will bring and (3) by adding an entertainment admissions tax.

This tax revenue is to be turned over to a joint powers authority to be established by the city and county which will issue revenue bonds to finance construction of the community center. The debt service on the revenue bonds will be paid from the tax revenues of the city and county. However, the revenues of the joint powers authority are not earned by the authority but are tax revenues contributed by the city and county and merely classified as revenues by the authority. Should the city or county refuse to continue to contribute these taxes to the authority at some future time, there would be no funds to pay debt service on the revenue bonds.

The purchasers of the revenue bonds would have no rights to repayment since they could not force the city and county to continue to contribute the tax revenues. Thus, the revenue bond purchasers would be without any security behind their bonds, since the proposed community center is not scheduled to generate enough earned revenues to finance its operating and maintenance costs. If, on the other hand, the city and county should attempt to enter into binding agreements with the joint powers authority which could require them to contribute the tax funds to pay the revenue bond debt service, the bonds would no longer be revenue bonds but would be general obligation bonds and would require a vote of the electorate. Such voter approval of general obligation bonds has twice been disapproved by the Sacramento voters in recent years for several reasons, including the belief by some people that the com-

California Exposition and Fair—Continued

munity center facilities should be included in the planning for Cal Expo.

In Opinion Number 17597, dated December 18, 1968, the Legislative Counsel has indicated that pursuant to Government Code Sections 6550, 6551, and 6504 joint powers agreements to issue revenue bonds are to provide that principal and interest be paid first from revenue derived from the operation of the project and second from existing funds, but that the revenue bonds and contracts or obligations shall not constitute a debt, liability or obligation of any of the public agencies who are parties to the agreement. The opinion further indicates that in the Redondo Beach case, the court held that "sales, use and license taxes ordinarily constitute the general revenues of a public corporation and may not, therefore, be used to repay a bond issue without having first satisfied the limiting requirements of the constitutional debt limitation provision . . ."

The opinion concludes, "Thus, the courts have ruled that local sales and use tax revenues are General Fund moneys. We have no information which would indicate that revenues from a county's room occupancy tax or a chartered city's room occupancy or admissions taxes would be treated any differently . . . On this basis, any proposal to pledge county or city revenues derived from a sales and use tax, a room occupancy tax or an admissions tax to pay the principal and interest on bonds would have to take into account the election requirements of Section 18 Article XI of the State Constitution."

The City and County of Sacramento have not yet attempted to secure revenue bond financing for the proposed community center. It would appear from the above opinion and presently available information on the proposed financing that there is at the least a doubtful legal basis for the Community Center facilities to be financed by revenue bonds under a joint powers agreement. It may therefore be necessary for the city to reevaluate its approach to the community center in order either to conform its financing to the law or to secure voter approval for any bond issue.

SPORTS ARENA AT CAL EXPO

Since the Assembly Committee on Governmental Organization began considering the problems of Cal Expo and the community center, there has been considerable attention given to the construction of a sports arena at Cal Expo. In the original studies of Cal Expo and the community center, it was considered desirable to include a sports area if it were feasible. However, the sports area was found to be the least feasible of the proposed features to be constructed by either Cal Expo or the city and was dropped from both projects. At this time when the major issue is whether the community center should be located at Cal Expo, consideration of the sports arena at Cal Expo serves as a distraction because it is of questionable feasibility even if undertaken as a joint project at Cal Expo. While a sports arena could be of major assistance to Cal Expo, it still will require a vote of the local people and an appropriation by the Legislature. In any event, if state-local cooper-

California Exposition and Fair—Continued

ation can make a heretofore infeasible sports arena into a feasible project, such effectiveness should tend to emphasize the even greater advantages to be gained by a joint approach between Cal Expo and the City and County of Sacramento on the community center.

At the extensive hearings of the Assembly Committee on Governmental Organization we indicated the need for the Legislature to reorganize the executive committee and to provide for the quality of management at Cal Expo that the Legislature intended when it placed the operation under a nonprofit corporation. The initial approach using both an executive committee and a nonprofit corporation is now generally regarded to have been an error. The Legislature can establish a new and improved structure based on the mistakes and experience of the past. A new organization with clearly defined financial responsibilities, strong management and imaginative leadership will be required to solve the problems at Cal Expo.

While the state is solving its problems and preparing for the reshaping of Cal Expo's future, there is time for the City and County of Sacramento to reconsider their positions and to evaluate whether they in fact can proceed with a community center on the basis now contemplated. Neither the state nor the city can solve their problems overnight. Perhaps a year or more will be required before it will be possible to determine the direction of movement needed to solve the many interwoven problems at Cal Expo.

During the intervening period of time, the state will secure no benefits and will run the risk of a financial fiasco if it continues to attempt to operate a totally deficient and customer unattractive Cal Expo. We therefore recommend that the funds designated for subsidizing the abbreviated operating season of 16 days next fall be denied the executive committee and only a horse racing season provided. The \$650,000 General Fund subsidy in Item 54 should be placed in a reserve in the Special Deposit Fund of the General Fund to be available when appropriated by the Legislature to complete the construction of the facilities at Cal Expo. However, \$100,000 of this money should be available for use, subject to the approval of the Director of Finance, to pay the costs of any study by the state, preferably in cooperation with local agencies of government, to develop the details of a reoriented plan for Cal Expo including community cultural, convention and other facilities.

Department of General Services**CALIFORNIA EXPOSITION AND FAIR EXECUTIVE COMMITTEE****Item 55 from the State Fair Fund**

Requested 1969-70	-----	\$2,246,240
Total recommended reduction	-----	\$650,000
		(partial)

California Exposition and Fair Executive Committee—Continued
SUMMARY OF RECOMMENDED REDUCTIONS

	Amount	Analysis page
Delete expenditures of General Fund Transfer (Item 54)-----	\$650,000	84
Reduce remaining appropriation to fund only a horseracing season -----	Undetermined	85

GENERAL PROGRAM STATEMENT

The State Exposition and Fair Executive Committee is organizationally within the Department of General Services. The committee supervises and conducts the operation of Cal Expo. Until July 1, 1968, the executive committee consisted of four members of the old State Fair Board, plus the Director of Agriculture, the State Controller, the Director of General Services, the Director of Public Works, the Director of Finance and four nonvoting legislative advisory members. After Cal Expo commenced operation on July 1, 1968, the 10 remaining members of the old State Fair Board also became members of the executive committee.

ANALYSIS AND RECOMMENDATIONS

Pursuant to the analysis of Item 54, we recommend that expenditure of the General Fund transfer of \$650,000 to the State Fair Fund be removed from this item and that the Department of Finance adjust the remaining appropriation of \$1,596,240 to reflect only the necessary funding needed to maintain the Cal Expo site for fiscal year 1969-70 and to conduct horseracing in the fall of 1969.

During the current year, between July 1, and September 10, 1968, Cal Expo held a 58-day exposition and fair. It became apparent early in the operating period that revenue projections had been greatly overestimated and a serious financial situation existed. Upon completion of the 58-day exposition, the difference between operating revenues and operating expenses was in excess of \$800,000.

In order for Cal Expo to exist during the current year, the Department of Finance is authorizing an Emergency Fund allocation of \$225,000 and a \$339,000 payment of revenue bond debt service from horseracing license fees, which in effect is General Fund money. To this must be added the \$414,603 General Fund loan appropriated by the Legislature last session. Thus, total identifiable General Fund support for Cal Expo during the current year will equal \$978,603. It should be noted that only by (a) major downward adjustments in management costs, (b) a reduction in operating personnel, (c) expenditure of capital funds for operating losses during the current year and (d) recovery of certain residual capital funds that were used for operating costs, an even greater deficit and thus larger direct General Fund subsidy was avoided.

The Legislature has requested the Auditor General to examine the financial statements of Cal Expo, and that office is presently conducting an audit. Our analysis of many of the funding relationships referred to in the preceding paragraph cannot be completed until the audit is completed.

General Services

Item 55

California Exposition and Fair Executive Committee—Continued

Shown below are the components of the proposed funding for Cal Expo in the State Fair Fund for the budget year.

Operating Revenues (Fair and Horseracing Revenues)---	\$1,392,559
Fair and Exposition Fund Grant (Section 19622 Business and Professions Code)-----	\$265,000
General Fund Transfer for Debt Service (Item 52)-----	1,130,000
General Fund Transfer for Anticipated Deficit (Item 54)-----	650,000
Total Subsidies -----	\$2,045,000
Total Resources -----	\$3,487,559
Less: Minor Capital Outlay (\$58,500)	
Board of Control Claims (\$2,819)-----	—61,319
Total Available for Support-----	\$3,376,240

An additional \$350,000 from the General Fund would be available "for temporary loans" to Cal Expo from Item 54. This is not shown in the traditional or program budget. Thus, total General Fund assistance of all types for the budget year is \$2,395,000.

Item 55 appropriates \$2,246,240 for expenditure through the State Fair Fund to pay the operating and maintenance costs of the executive committee and Cal Expo. Cal Expo's debt service of \$1,130,000 is expended through Item 53 rather than this item. The amount in Item 55 consists of operating revenues estimated to be \$1,392,559, a transfer from the Fair and Exposition Fund of \$265,000, less minor capital outlay of \$58,000 and a Board of Control Claim of \$2,819. The balance of the appropriation is the expenditure of the \$650,000 subsidy from the General Fund which is proposed to be transferred to the State Fair Fund by Item 54.

The Governor's Budget for the 1969-70 fiscal year proposes an operating program costing \$2,246,240, but neither the program budget nor the traditional budget provides material indicating the level of expenditures for the comparable operating period during the current year. This is because expenditures and revenues of the nonprofit corporation do not show in the budget. We have requested, and the Department of Finance has agreed, to prepare budget information that would permit a comparison between the budget year and the current year for all expenditures.

The Governor's Budget indicates that 16 management, clerical and maintenance positions are being deleted and 46.3 new positions are added consisting of 42.7 temporary help and 3.6 overtime for a total of 111.3 positions authorized for the budget year. This compares with a total of 211 positions authorized for the old fair site during the 1967-68 fiscal year. After recognizing the structural and plant layout differences between the old fair site and the new one, the 111.3 positions in total available manpower must be termed minimal and represents a work force that is capable of conducting only a marginal exposition in addition to the normal day-to-day maintenance of grounds and facilities at Cal Expo.

California Exposition and Fair Executive Committee—Continued

After analyzing the staffing provided in the budget for the 1969-70 fiscal year, we question the ability of Cal Expo to execute the described program. For example, page 84 of the program budget shows that in 1970 the exposition will be functioning between May 30th and September 8th. To do this, the Governor's Budget would have to include the necessary resources in the budget year to finance this activity between May 30, and June 30, 1970, or the administration must provide another emergency appropriation early in 1970. In addition, the available quantity and type of manpower in the Governor's Budget is entirely inadequate for either the planning or the operation of the revitalized fair as promised in 1970.

Horseracing Season

Under the management of the nonprofit corporation during the current year, the 14-day racing meet contributed \$335,370 in horseracing license revenues to the State Treasury. In addition horseracing generated \$845,366.75 in corporation operating revenues against \$740,149.02 in operating expenses to provide net operating revenues of approximately \$105,000 to the corporation's accounts.

For the 1969-70 fiscal year, the Governor's Budget shows \$1,392,559 in earned revenues accruing as a result of the exposition's operations. Of this amount in excess of \$966,000 or approximately 70 percent of the operating revenue is attributable to horseracing.

During the budget year, a similar 14-day racing activity is proposed. Although the Governor's Budget does not separate the proposed costs of horseracing from the rest of the budget year activities, it is possible that the operation of a similar racing season would have essentially the same relationship between revenues and costs as in the current year, other things being equal. Even though the proposed budget optimistically anticipates an increase in operating revenues of approximately \$121,000 (\$966,000 in 1969 versus \$845,000 in 1968) and at the same time reduces the purse offerings by \$57,930 (\$406,950 offered and paid in 1968 versus \$349,020 to be offered in 1969), horseracing may be expected to cover its costs. Hopefully net revenues should accrue as a result of horseracing at Cal Expo during the budget year in addition to the horseracing license revenues received by the State Treasury and therefore its continuance can be justified.

Because the operating revenues attributable to horseracing approximate 70 percent of all operating revenues, the balance of the activities proposed to be held during the budget year are clearly marginal in scale and are the activities that incur the operating deficits. Therefore, if the activity at Cal Expo during the budget year were confined to horseracing, a major operating deficit (exclusive of debt service) might be avoided. We conclude that the other planned exposition activities are too marginal in revenue producing capability and scope. In fact, adverse public reaction to a second year of poor quality may hamper any future operation at Cal Expo even if future funding for new facilities and site expansion become a reality.

CAPITOL BUILDING AND PLANNING COMMISSION**Item 56 from the General Fund**

Requested 1969-70	\$2,250
Estimated 1968-69	2,250
Actual 1967-68	817
Requested increase—None	
Total recommended reduction	\$1,000

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
General Support	\$1,000	--

GENERAL PROGRAM STATEMENT

The Capitol Building and Planning Commission was created by Chapter 1952, Statutes of 1959, to consist of 13 members appointed by the Governor, three each from nominations by the Mayor of the City of Sacramento and the Chairman of the Sacramento County Board of Supervisors, and the balance at the Governor's discretion. Members serve without compensation or reimbursement of expenses. The commission may, however, incur costs for professional and clerical services, the latter usually being supplied by the Department of General Services.

The mission of the commission is described as the preparation of a master plan for the long-range development of the area surrounding Capitol Park to the east, west and south with L Street continuing as the northern boundary of the state enclave. The plan is to be kept current and proposed changes are to be reported to the Legislature each session.

ANALYSIS AND RECOMMENDATIONS

We recommend the reduction of \$1,000.

The Department of General Services established new and more stringent standards for the utilization of state office space which should have the effect of delaying the need for additional buildings in the Capitol area for some years. The major exception would be a legislative office building. The changes in the master plan should, therefore, be minimal and the work of the commission equally minimal.

It will be noted that actual expenditures for the 1967-68 fiscal year were only \$817 and there is little reason to estimate that the current year would require any significantly greater expenditure. Consequently, we recommend that the proposed amount be reduced to \$1,250, which should be more than adequate for the purpose.

**COMMISSION ON CALIFORNIA STATE GOVERNMENT
ORGANIZATION AND ECONOMY**

Item 57 from the General Fund

Requested 1969-70 -----	\$55,469
Estimated 1968-69 -----	54,303
Actual 1967-68 -----	44,844
Requested increase \$1,166 (2.1 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

This commission was created by the 1961 Legislature (Sections 8501-8541 of the Government Code) to promote economy and efficiency in state government. The commission implements its objectives through study and review of state organization and administrative procedures, followed by recommendations submitted to the Legislature and the Governor.

The permanent staff of the commission is comprised of two individuals, an executive secretary appointed by the commission and a senior stenographer. The commission itself is composed of 13 members, nine of whom are general members and four of whom are legislators. Five of the general members are appointed by the Governor, two are appointed by the Speaker of the Assembly, and two by the Committee on Rules of the Senate. The members of the commission serve without compensation, but are reimbursed for all necessary expenses incurred in the performance of their duties.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

In 1967 the Legislature approved a number of recommendations including highway commission reorganization and abolition of the automobile seizure provisions in the state narcotic law. In 1968 the major accomplishment of the commission was the sponsorship of legislation which allows the State Treasurer to invest state funds in commercial paper of selected corporations. This type of investment typically yields a higher rate of return than government securities. In 1969, the active projects of the commission include studies on executive compensation, consolidation of state health organizations, a department of revenue, and various recommendations of the Governor's task force on efficiency and cost control.

The proposed budget represents a 2.1 percent increase over the current year and includes a small amount for temporary help.

STATE PERSONNEL BOARD**Item 59 from the General Fund**

Requested 1969-70	\$5,247,590
Estimated 1968-69	5,002,379
Actual 1967-68	4,387,413
Requested increase \$245,211 (4.9 percent)	
Increase to improve level of service \$43,637	
Total recommended reduction	\$38,637

SUMMARY OF RECOMMENDED REDUCTIONS

	<i>Amount</i>	<i>Analysis page</i>
Reduce electronic data processing costs	\$38,637	94

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**1. Annual report on sick leave and industrial accident losses**

We recommend that the board's annual report continue to include data and recommendations relative to losses and costs of sick leave and industrial injuries. (Analysis page 91)

2. Career Opportunities Development Project continuation

We recommend that this project be continued through the budget year with the current staff. (Analysis page 92)

3. Issuance of quarterly changes in "Civil Service Pay Scales" document

We recommend that the board consider issuing revisions of this document on a quarterly basis in lieu of the present procedure of issuing changes immediately following board actions. (Analysis page 96)

GENERAL PROGRAM STATEMENT

The State Personnel Board, a five-member constitutional body, is responsible for the operation and administration of the state civil service system. The board members are appointees of the Governor and serve 10-year staggered terms. They meet twice monthly, usually for a period of two days, to carry out routine functions. Additional meetings are scheduled as necessary to consider items of special interest. The board's objectives are to (1) provide leadership in personnel management, (2) improve personnel practices and procedures, and (3) recruit, select, and retain persons required to meet the staffing needs of all the agencies in state government. In addition, it provides expertise in technical personnel management to other public employers on a fully reimbursable basis.

PROGRAMS AND STAFF

To achieve its broad objectives, the board employs a total authorized staff of 516.1 positions. This staff, under the direction and supervision of the executive officer, is engaged in implementing two programs of the board—the State Personnel Services Program and the Contractual Personnel Services Program. The state program, because of its complexity, is divided into five elements and the contractual program into three elements.

State Personnel Board—Continued

The board, as required by statute, presents an annual report to the Legislature and the Governor which contains its recommendations on matters affecting the civil service employees of the state. In recent years, the board's recommendations and comments relating to salary adjustments, compaction of salaries at the executive levels, and fringe benefits have been the major issues discussed. This year, in response to a legislative request, the report contains sections on administration of sick leave and workmen's compensation costs.

Report on State Losses Due to Sick Leave and Industrial Injury

We recommend that the board continue to report on these losses and state costs in its annual report and to make such recommendations as it may deem necessary to achieve reductions in the level of industrial injuries and illness among state employees.

The board reports that with a full-time payroll of 116,544 civil service employees in fiscal year 1967-68, a total of 3,580 man-years of employment was lost through sick leave and 388 man-years of service were lost through industrial injury. These two losses of productive service represent an estimated \$2,979,968 in salaries and wages. The incurred losses for workmen's compensation liabilities for that year are estimated at \$6.5 million. The board has implemented two plans to control these costs, both of which require the close cooperation of the cabinet secretaries.

The objective of both plans is to reduce losses of productive man-years of employment. In the case of sick leave, the board publishes reports indicating which state departments are exceeding the state norm so that department heads may be alerted to this problem. Corrective action, if required, is the responsibility of the department heads. In regard to the workmen's compensation problem, the objective is to reduce the accident rate from 18.4 per million man-hours which was the experience in fiscal year 1967-68 to the rates of 17.0 and 16.5 per million man-hours, respectively, in 1968-69 and 1969-70. As in the case of sick leave, corrective action is the responsibility of the departments. The board's staff will provide assistance to departments in attaining these objectives if so requested.

Federally Reimbursed Program to Thailand

In 1965, the board entered a contractual agreement with the Agency for International Development to provide training services in personnel administration to the government of Thailand on a fully reimbursable basis.

This program will continue in the budget year, although no positions are indicated for its support. It is understood that when the contract with the Agency for International Development is firm, sufficient temporary help positions will be established in the board's budget to fulfill the contract. We are advised that this contractual program will terminate in September, 1970.

State Personnel Board—Continued

Career Opportunities Development Project

We recommend that the board continue this project through the budget year with the current staff.

The board implemented a new project in the current year titled "Career Opportunities Development Project" designed to restructure job classifications to provide additional entry-level employment opportunities for persons whose training or education does not qualify them to enter existing job classifications. Two man-years were diverted to this project from the normal job classification tasks assigned to them. This project is scheduled to be terminated in the budget year and the personnel will return to their prior assignments.

We believe that the board should continue to make available to disadvantaged persons the potential of state employment with opportunities for advancement through on-the-job and other training. Seven such employment opportunities were opened up through the restructuring of job classifications in the current year, the most productive of which was the hospital-worker entry class which will have approximately 230 new entry positions filled by June 30, 1969.

Workload Statistics

Table 1 shows selected workload statistics and projections for the budget year.

Table 1

Man-Years of Operational Staff Related to the State Personnel Services
Program Elements and Comparative Workload or Output Statistics

	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Actual</i> 1967-68	<i>Estimated</i> 1968-69	<i>Estimated</i> 1969-70
Operational staff ¹					
personnel man-years	433.8	442.9	378.1	434.0	437.4 ²
No. of examinations---	1,431	1,565	1,178	1,382	1,400
No. of applications---	248,262	214,247	210,792	211,520	234,256
No. of appointments---	62,258	49,188	47,466	49,839	51,832
No. of civil service employees -----	113,851	113,779	116,844	120,000	123,840
Separations (including leaves of absence) -	34,558	34,832	32,775	34,413	35,789
No. of qualification appraisal panel interviews -----	35,056	34,572	24,497	33,000	33,000
Board appeals-----	532	539	538	412	412
Hearing officer appeals	274	277	343	310	310
Incoming and outgoing mail -----	2,050,267	2,051,020	1,714,307	1,800,000	1,890,000
Duplicated pages-----	25,748,820	28,403,345	27,339,220	28,707,000	30,142,300
Information requests (including telephone requests) -----	701,097	551,677	531,644	600,000	607,000

¹ Total personnel man-years less board, administration and cooperative services.

² Proposed (includes new positions less salary savings).

ANALYSIS AND RECOMMENDATIONS

We recommend approval in the reduced amount of \$5,208,953.

Support of the Board

The proposed General Fund appropriation of \$5,247,590 finances the state personnel services program and its five elements. The contract

State Personnel Board—Continued

personnel services program which is budgeted at \$773,511, is fully funded by reimbursements. Additional reimbursements, representing services to other state agencies, are projected at \$127,049. Thus, the total proposed expenditure program for the board in the budget year amounts to \$6,148,150.

State Personnel Services Program**New Positions**

We have reviewed the justification material submitted in support of the 11 new positions requested for the state personnel program and recommended their approval.

For support of the "state program" the board has requested 11 new positions on the basis of increased workload. Four are proposed for one-half year only, three are funded by reimbursements for services rendered to other state agencies, and the remaining four (three clerical and one technical) are full-year positions. The maximum personnel man-year gain from new positions is nine due to the one-half year limitation placed on four of the requested positions. These positions are discussed hereafter under the program elements to which they would be assigned.

Selection and Placement Element

Four positions, one recruitment representative and three clerical positions to be effective January 1, 1970 (one-half year), are requested on a projected increased workload basis. The technical position will be devoted to overall recruitment effort and the three clerical positions will assist in maintaining the current level of service in the continuous testing program in the three field offices. The salary and wage cost of these positions for the one-half year is \$13,170.

Training Element

Three positions have been requested in the training element to implement on a reimbursable basis the cost of the Interagency Management Development School. This school offers a 20-hour course of instruction to state middle management employees and its cost is reimbursed through fees paid by state agencies whose employees are nominated and accepted for the training program. The board advises that this course is presently oversubscribed for the budget year, which is an indication of its value to state agencies. The salary and wage costs of these new positions is \$26,700.

Administration

One clerk-typist position is requested on an increased workload basis in the personnel and accounting office. This unit has not had an increase in authorized staff since 1950 and has continually borrowed services from other segments of the staff. The salary and wage cost of this position is \$4,980.

Selection and Placement Element

One senior clerk has been requested to perform clerical services in connection with the maintenance and use of the career executive ap-

State Personnel Board—Continued

pointment program files and roster which now exceed 1,200 individual records. This position is budgeted at \$5,904.

Administration

Two positions, one technical and one clerical, have been requested to maintain the current levels of service and reduce backlogs in the personnel transactions function. This function encompasses document processing, and maintaining, correcting and revising the statewide manual to reflect law and policy changes. These positions are budgeted at \$14,316 in salary and wages.

Operating Expenses and Equipment

Increases in Operating Expenses

A review of the proposed operating and equipment expense budget of the board indicates that most items are continued at current-year levels. However, two new items appear and a significant increase is noted for rental of data processing equipment.

Increased EDP Rental Costs

We recommend a reduction of \$38,637 in operating expenses for rental of data processing equipment.

The board has requested an increase of \$38,637 (from \$114,307 to \$152,944) in its operating expense budget for rental of EDP equipment. The limited discussion in the program budget document in support of this increase states that it is needed to replace outdated equipment, to provide additional EDP capabilities, and to keep pace with workload demands.

We have examined supplementary material prepared by the board which indicates that the board desires to upgrade its existing electronic computer system to a new computer system by January 1, 1970. The primary reason given for this upgrading is the fact that the random access disc file which is used for storage of roster records has nearly reached its capacity. Other reasons advanced include the desire to improve existing programs, to install video display terminals to permit remote entry of data, and to reduce staff by further automating manual operations in the Roster and Certification Sections.

The board's existing computer system was obtained in 1961 and is a "second-generation" small-scale computer with random access and tape capability. Cost estimates for the proposed new system are predicated on the installation of a relatively small-scale, "third-generation" computer with disc storage capacity, magnetic tapes and a mass-storage device for low unit-cost storage of records.

The current data processing function in the State Personnel Board operates on a 9½-hour day with some overtime being accumulated during peak periods. Normal usage of a computer for a one-shift operation is 176 hours a month. However, the State Personnel Board's usage was reported on April 4, 1968, to be 146 hours a month by the Office of Management Services' EDP inventory. The usage for the past three months averages 211 hours a month, compared to a total time available

State Personnel Board—Continued

of 528 hours per month based on a full, three-shift operation. The purpose for upgrading the EDP system, therefore, is not because maximum utilization of existing equipment has been reached.

Cost to Convert Present EDP System Not Fully Identified

The material submitted by the board reveals that the EDP rental costs for the second half of the 1969-70 fiscal year will be \$38,637 higher due to the installation of new equipment. On a full-year rental basis, as shown in the board's documentation, this equipment will actually cost \$51,072 more than the existing system would cost if it were upgraded to provide sufficient storage capability. The board states that one-time costs of \$8,032 are needed to convert the existing programs to the new computer. It estimates no personnel savings until fiscal year 1972-73, when \$5,972 is estimated to be saved through use of the new equipment. By 1974-75 the board estimates that \$95,524 in accumulated savings can be realized by reduction of personnel in the Roster and Certification Sections where manual operations will be eliminated by the computer. However, we believe that the costs of converting the existing systems and programs to the new computer have not been fully identified by the State Personnel Board. To utilize the new equipment adequately, substantial systems design and programming must first be accomplished, and these costs could well exceed the board's estimated salary savings discussed above.

Need to Evaluate EDP Alternatives

The State Personnel Board should examine alternate methods of fulfilling its EDP requirements in order to identify the most effective and efficient method of obtaining data processing service, and await the completion of a current study on this problem.

Chapter 1327, Statutes of 1968, sets forth legislative objectives and definitive policies to be followed in the use of electronic data processing equipment in state government. In particular, it calls for a master plan to provide for consolidation and optimum utilization of data processing equipment so that functional information systems can be developed around broad areas of subject matter.

In view of this policy, the State Personnel Board should examine all possible alternatives for obtaining electronic data processing service rather than considering only one alternative—the installation of a new single-purpose computer. Other alternatives include the consolidation of data processing functions with two or more state agencies (as is being done in the case of the Public Employees' Retirement System, the Department of Veterans Affairs and the Teachers' Retirement System), the receiving of data processing service from one of the newly designated data processing service centers, the contracting out of excess workload to another state agency, on the upgrading of its existing equipment.

Consolidated EDP System Now Being Studied

In 1968 the Legislature provided the Office of Management Services funds to conduct a preliminary study to determine the feasibility of

State Personnel Board—Continued

installing a comprehensive fiscal and personnel management information system which would meet the objective of a functional information system as set forth in Chapter 1327, Statutes of 1968. This study is ongoing at present with representatives of the State Controller, the Department of Finance and General Services, the Public Employees' Retirement System and the State Personnel Board participating. On April 1, 1969, a preliminary report of findings, including the budgetary implications of such a system, will be made to the Joint Legislative Budget Committee.

We believe that in lieu of the board's unilateral approach to its EDP needs, an integrated EDP system containing a common data base on state employees with respect to payroll and personnel information would produce numerous benefits such as reducing duplication of information and paperwork between control agencies and improving the accessibility of salary and statistical information on the state work force. The size of the computer system that would be required to maintain an integrated fiscal and personnel management system would have sufficient additional capacity to provide a complete computer service to the Personnel Board.

New Cost Items

(1) Parking Fees

We recommend approval of this item.

The board had budgeted \$1,000 for the first time to defray parking costs in state garages for the public members of the Qualification Appraisal Panels. Public members of these panels serve at no state cost and heretofore the parking service was provided at no cost to the board by the Department of General Services.

(2) Providing Civil Service Salary Scales to State Agencies at No Cost

We recommend approval of the board's proposal to provide a personnel document to state agencies at no cost in lieu of the current practice of selling the document.

The board has budgeted \$4,000 to provide all state agencies with a copy and revisions thereto of the document titled "Civil Service Pay Scales" at no cost to the agencies. At present, agencies purchase this document from the board at \$4.50 per copy. The board has determined that supplying this document to state agencies without reimbursement will be less expensive than the clerical and accounting costs now necessary to process the purchase orders.

Issuance of Changes in Civil Service Salary Document

We recommend that the board review its current policy relating to promulgation of changes in this document.

The current Civil Service Pay Scales document was published in late August 1968, and since September 1, 1968, nine changes have been promulgated. These changes average approximately 30 replacement pages and reflect the changes resulting from board actions in establishing new classes, reclassifications, title changes, etc., at its bimonthly meetings.

State Personnel Board—Continued

These changes are preceded by what is termed "pay letters" which provide interested agencies with current information upon which to base personnel decisions. We do not believe there is a need to immediately follow each pay letter with a page revision for the basic document. Quarterly changes in the document would be sufficient to meet all agency needs because the pay letters apprise agencies of job provisions on a current basis. We believe that such a procedure would result in significant savings in man-hours and printing costs.

Contract Personnel Services Program

This program provides technical personnel services to counties, cities and other public entities at cost under reimbursable contractual agreements. These services, which duplicate all but two of the elements of the state program, include recruitment, selection, examinations, management surveys and assistance in the establishment and operation of merit systems.

New Positions Requested

We recommend approval of the requested new positions.

The board has requested 11.6 new positions in support of this program in anticipation of additional workload to meet contractual demands. As the program is fully reimbursable, the positions will only be filled in the event that they are necessary to meet the workload demands of contracts during the budget year.

Secretary of State**COMMISSION ON VOTING MACHINES AND
VOTE TABULATING DEVICES****Item 60 from the General Fund**

Requested 1969-70 (Augmentation) -----	\$30,000
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The Commission on Voting Machines and Vote Tabulating Devices was established by Chapter 1107, Statutes of 1968. The principal program of the commission will be a study of proposed new voting machines and vote tabulating equipment. Liaison with counties as to the operational use of these new devices will also be studied.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The budget of the commission calls for the establishment of one position, that of executive secretary to the commission. His salary and staff benefits comprise almost two-thirds of the total amount allocated for the commission during the budget year. Machine testing accounts for \$7,600 during the budget year.

SECRETARY OF STATE**Item 61 from the General Fund**

Requested 1969-70 -----	\$1,342,874
Estimated 1968-69 -----	1,284,035
Actual 1967-68 -----	1,132,473
Requested increase \$58,839 (4.6 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The Secretary of State, a constitutional officer, has the responsibility for carrying out the duties prescribed by law. These are grouped in six major programs. A general description of the duties for each of the programs is as follows.

Corporate Filings

The legal staff examines all articles of incorporation, amendments thereto, records of elections to dissolve, and the final dissolutions of corporations for conformity to the statutes. Other duties are keeping records of official acts of the Legislature and the executive department. Trademarks, names of corporations, fraternal organizations and other documents are registered.

Elections

As chief elections officer, the Secretary of State compiles a statewide list showing the number of registered voters in each city, Assembly and senatorial district, and supervisorial district by party affiliation and the number who decline to state a party affiliation. He also compiles, authenticates and distributes election results and voter pamphlets.

Financing Statements

Financing statements are filed with the Secretary of State to protect the lender of money for goods, property, etc., where the seller retains possession. This program makes a matter of public record liens that have accrued against a certain piece of property. A security interest is perfected when a financing statement is properly filed in compliance with Sections 9302-9306, Chapter 3, of the Uniform Commercial Code.

Federal tax liens are also filed with the Secretary of State upon personal property in those instances where the person against whose interest the tax lien applies is either a corporation or a partnership whose principal place of business is located in the State of California.

Notary Public

The Secretary of State issues notary public commissions which are for a period of four years. Legislation passed in the 1967 session transfers this function from the Governor's office to the Secretary of State.

Archives

The Chief of Archives and two archivists screen public records and select those documents that have historical value. A document restora-

Secretary of State—Continued

tion technician repairs documents that are torn and fragmented. Documents are laminated for permanent preservation and reference services are provided for the public as part of this program.

Administration

The Secretary of State and his staff give direction and supervision to the program managers. Budgetary, personnel and accounting functions are the main subfunctions of this program.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of this item as budgeted.

The amount requested for fiscal year 1969-70 is \$1,342,874 which is an increase of \$58,839 over the amount estimated to be expended in the current fiscal year.

It is estimated that the Secretary of State will collect cash receipts of \$3,000,160 in the coming fiscal year. Four new clerical positions have been justified for a total increase of \$21,114. Two positions are needed to furnish information requested relating to corporations because telephone requests increased by 25 percent this year. One position is for requests for information on elections, voter registrations, campaign expenses, etc. One position will be used to handle ballot paper shipments, keep an inventory of equipment and the numerous forms that are used in the office. Table 1 illustrates the projected increase in voter registrations, election candidates certified and corporate documents filed.

Table 1
Corporate Documents Filed and Election Statistics

	1967-68	<i>Estimated</i> 1968-69	<i>Estimated</i> 1969-70
Voter registration -----	7,925,617	8,587,673	9,200,000
Candidates certified -----	772	542	900
Number of corporate documents filed-----	33,975	38,000	40,000

Automated Services Division

The Automated Services Division is responsible for the receipt and filing of financing statements and the furnishing of information from these files to interested parties as provided in the Commercial Code. An electronic computer system is used to maintain these files as well as files associated with the issuing of notary public commissions.

Seven and one-half positions totaling \$30,665 are requested to obtain additional computer operator, keypunch and clerical staffing. These positions are needed to process the increase in the number of filings of financing statements and tax lien notices and to furnish information relating to these statements. Complaints from lending concerns have been received by the Secretary of State relative to the time between requests and replies. These additional positions will correct this situation. The fees paid by industry more than cover the cost of this operation.

Table 2 contains workload data with respect to financing statements, federal tax liens and notary public appointments.

Secretary of State—Continued

Table 2
Filings of Financing Statements, Federal Tax
Liens and Notary Public Appointments

	1967-68	<i>Estimated</i> 1968-69	<i>Estimated</i> 1969-70
Number of financing statements and federal tax lien notices filed.....	181,108	219,500	254,000
Notary public appointments.....	14,813	24,000	24,000

Archives

One documents restoration technician trainee is needed at a salary of \$5,622 to relieve a large backlog of documents which need to be repaired and laminated. Archival material statistics and workload data are in Table 3.

Table 3
Archival Material on Hand, Additions and Documents
Processed, Restored and Laminated

	1967-68	<i>Estimated</i> 1968-69	<i>Estimated</i> 1969-70
Archival material	27,000 cu. ft.	27,600 cu. ft.	28,300 cu. ft.
Accessions	600 cu. ft.	700 cu. ft.	900 cu. ft.
Documents processed	300 cu. ft.	300 cu. ft.	500 cu. ft.
Documents restored	2,000 pages	2,000 pages	2,500 pages
Documents laminated	1,300	1,500	3,000

HERITAGE PRESERVATION COMMISSION

Item 62 from the General Fund

Requested 1969-70	\$1,000
Estimated 1968-69	1,000
Requested increase	None
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Heritage Preservation Commission is composed of representatives of four state agencies and a private college or university, six persons appointed by the Governor and two members of each house of the Legislature. The Secretary of State is the secretary of the commission.

The commission is in charge of preserving, displaying and restoring historic state documents on deposit with the Secretary of State. It was originally created by Chapter 1388, Statutes of 1963, and continued by Chapter 1383, Statutes of 1965.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

The commission has requested \$1,000 for the 1969-70 fiscal year. This amount is largely for travel and is the same as for the current year.