

**DEPARTMENT OF AGRICULTURE**

Item 59 from the General Fund

Budget page 115

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Requested 1970-71 -----	\$11,953,410
Estimated 1969-70 -----	13,472,756
Actual 1968-69 -----	11,511,377
Requested decrease \$1,519,346 (11.3 percent)	
Total recommended reduction -----	\$168,816

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

1. Eliminate the General Fund support of Beet Leafhopper Control Program—\$168,816.
2. Environmental Quality Recommendation:  
Transfer economic poison registration fees from Agricultural Fund to General Fund, and appropriate \$263,750 from General Fund for pesticide regulation activities.
3. Require review of the level of service and management of Bureau of Weights and Measures.
4. Require department to revise the federal-state cooperative Market News agreement.
5. Require revision of department's budget in general marketing services and fiscal office activities to reflect all reimbursements received and indicate true staffing levels.

**GENERAL PROGRAM STATEMENT**

The State Department of Agriculture has the authority under Section 3 of the Agricultural Code for . . . "promoting and protecting the agricultural industry of the state and for the protection of the public health, safety, and welfare." The scope of the department's authority ranges from the financial supervision of local fairs through agricultural pest and disease control to enforcement of quality, quantity and safety standards in certain agricultural and consumer goods.

The department's finances are derived from two major sources, the General Fund and the Department of Agriculture Fund. The former is generally expended to support activities which benefit or protect the general public, while the latter supports activities that serve identifiable interests which pay the costs of services received.

The total General Fund financing of \$11,998,467 in Items 59 and 60 equals 44.6 percent of the total departmental budget, while the Department of Agriculture Fund portion is 45.2 percent. Total proposed expenditures before reimbursements equal \$26,993,730.

An appropriation from the Fair and Exposition Fund derived from horseracing revenue supports the activities of the Division of Fairs and Expositions. The federal government contributes \$45,057 for matching research projects which encompass a federal-state interest. The federal contribution is matched by the General Fund. Other federal

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financial contributions are in the form of reimbursements or unbudgeted program support.

The department also collects and expends approximately \$14 million under 34 marketing order programs established at industry request to aid in solving problems relating to production and control and advertising of agricultural products. These marketing order expenditures do not appear in the Governor's Budget.

Personnel man years decline from 2027.1 in 1969-70 to 1930.9 in the budget year. This reduction is misleading due to certain budgeting changes which serve to understate staffing levels. See analysis page 133 for detailed discussion.

**ANALYSIS AND RECOMMENDATIONS**

*It is recommended that the department show the source of funding for each program element in its budget and the amount of split funding wherever it occurs.*

In past years we have noted that the program elements of the department's budget do not include information on split funding which occurs when one program element is financed by the General Fund, the Agricultural Fund or other fund sources. There is sufficient difference in objective and program content for these different funds that it would seem inappropriate to establish a program element which is funded from both the General Fund and the Agricultural Fund. Nevertheless, unidentified split funding is occurring in the department's budget. On occasions it confuses and obscures funding relationships. In fact we have found situations in which the department was unable to give a clear statement how the different sources of funding relate to the program activities. This situation should not continue. The department should either separate the work into different program elements, each with its own basic source of funding, or else show clearly the amount of split funding, reimbursements, federal funds, industry funds or other funds.

Our review of the department's budget this year also indicates that in general there is a large amount of narrative material describing the objectives and need, and providing other information on the program, but there is virtually no information on changes in program levels, shifts in emphasis, or revised funding from one year to the next. The missing information is one of the most important items of budgetary information. For example, in the pesticide residue program element there is a requested increase of \$112,748. The explanation of changes, the costs and anticipated results of the modified program states . . . "Legislation in 1969 broadened the responsibility of the department for reporting and controlling the use of pesticides. The increase in the budget year provides for this strengthened level of service." Information of this type is inadequate for purposes of control through legislative action and budget analysis. The effect of not including adequate information within the program budget could be to mislead the Legislature into believing that no changes are occurring when in fact major changes have occurred.

## Department of Agriculture—Continued

The Department of Agriculture organizes its budget into five major program areas for budgetary purposes. Table I shows these five program areas together with the dollars devoted to each program and the source of these funds.

Table 1

<i>Program Requirements</i>	<i>Actual 1968-69</i>	<i>Estimated 1969-70</i>	<i>Proposed 1970-71</i>
I. Agricultural Pest and Disease Prevention -----	\$7,599,053	\$9,018,500	\$7,942,265
II. Agricultural Standards and Inspection Service -----	7,444,471	8,849,922	9,291,324
III. Agricultural Marketing Services-----	8,596,284	9,747,841	9,309,546
IV. Financial Supervision of Local Fairs -----	306,691	334,873	305,608
V. Administrative Supporting Cost-Distributed to Programs -----	(915,367)	(1,044,760)	(1,076,685)
Distributed to trust funds and other state departments -----	164,715	192,581	144,987
Undistributed administrative costs -----	14,530	--	--
<b>TOTALS, PROGRAMS</b> -----	<b>\$24,125,744</b>	<b>\$28,143,717</b>	<b>\$26,993,730</b>
Reimbursements -----	-2,077,919	-2,661,685	-2,613,035
<b>NET TOTALS, PROGRAMS</b> -----	<b>\$22,047,825</b>	<b>\$25,482,032</b>	<b>\$24,380,695</b>
General Fund -----	11,511,377	13,472,756	11,998,467
Department of Agriculture Fund -----	10,214,758	11,648,179	12,159,098
Fair and Exposition Fund -----	205,149	232,931	178,073
Federal Funds -----	116,541	128,166	45,057

## AGRICULTURAL PEST AND DISEASE PREVENTION

The objective of this program is to prevent the introduction and spread of injurious insect or animal pests, plant diseases, and weeds. Elements of this program include plant quarantine, entomology, plant pathology, apiary inspection, nursery inspection, weed and vertebrate pest control, animal health, veterinary laboratory services, and various pest eradication and control activities.

The cost of this program is \$7,942,265 in 1970-71, a decrease of \$1,076,235 or 11.9%. The General Fund input in this program is \$6,743,597, or \$1,515,560 less than the current year. Agricultural Fund expenditures are \$1,104,091 in the budget year, up \$453,915 from 1969-70. The remainder of program funds come from reimbursements which amount to \$94,577.

## Beet Leafhopper

*We recommend that the General Fund support of \$168,816 for the Beet Leafhopper Control program be eliminated.*

The beet leafhopper is the only known carrier of curly top virus which causes damage to crops such as sugar beets, tomatoes, flax, beans, melons, squash, and several others. The Department of Agriculture has engaged in beet leafhopper control work since 1943 with General Fund moneys. This control program has cost the state an estimated \$5.8 million during its 26 years of operation, while enabling the sugar beet and tomato industries to minimize their losses.

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Relative to the General Fund financing of this program, we have previously pointed out that there is an important difference between eradication and control programs. In terms of responsibility, the two concepts are quite different. The General Fund traditionally has been used to finance an eradication effort. However, when the department seeks General Fund financing for a control effort, this amounts to the state assuming responsibility for a cost that should properly be the responsibility of an individual or industry as a cost of doing business. This is the case in the Beet Leafhopper Control Program.

During consideration of the 1968-69 Governor's Budget, the Legislature reaffirmed the policy that General Fund financing is to be used for "eradication" programs but not for "control" programs. The Department of Agriculture, however, stressed two major reasons for its inability to develop industry financing. These were: (1) many different crops are susceptible to damage and therefore an assessment formula is difficult to develop and (2) the program involves spraying private land, the owners of which are not directly concerned with the problem.

We pointed out last year with regard to the first problem, that heavy damage has generally been confined to two major processing crops, i.e., beets and tomatoes, except during years of heavy infestation when some damage has occurred in melons, flax, spinach, squash and various minor crops. However, regardless of the number of crops that may be affected, it is the producers of these crops and not the general public who receive the major economic benefit. Regarding the second reason, we noted that although the spray program is confined to private lands not owned by individuals directly interested in the beet leafhopper program, the source of funding (whether from the General Fund or industry funds) does not determine where the department executes a control program. The state would probably have to administer any spray program irrespective of the source of funds or extent of the program.

In considering the 1969-70 budget last year, the Legislature did not accept our recommendation to delete General Fund money for the beet leafhopper program. It allowed the funds largely due to the claimed difficulty in allocating costs.

In the 1970-71 budget, the department proposes a state-industry cooperatively financed program. The plan contemplates equal state-industry cost sharing but as of the date of writing this analysis no agreement has been reached with the industry on financing. In the past the department has objected to the inequities and technical problems of collecting money from the industry. If the department now believes it can overcome these problems for half the program costs, it can overcome them for all the program costs. We continue to recommend the elimination of all General Fund support for this program.

**Pink Bollworm**

Pink bollworm infestation of California by movement from Arizona and Mexico first occurred in 1965. Thereafter a combined eradication

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and control spray program was initiated by the department and the federal government.

The pesticide "Sevin" was applied with the initial goal of controlling the infestation along the Colorado River and in the Antelope Valley while keeping the insect from spreading into the San Joaquin Valley, where 90 percent of the state's cotton crop is grown. By the end of 1966, all the remaining cotton-growing areas south of the Tehachapi Mountains had nevertheless become infested. Spraying increased from 5,000 acres in 1965, to 116,000 acres in 1966 and 300,000 acres in 1967. Then, in 1967, four moths were discovered in the San Joaquin Valley and attention shifted there.

In December 1967, joint hearings were held by the Senate and Assembly Agriculture Committees at which the department's extensive spray program was the subject of intense scrutiny. It was generally concluded the spray program had failed and that cultural controls and sterile moth releases should be tried. A new program was developed to eradicate the insect from the San Joaquin Valley through the sterile moth technique and cultural controls while the spray efforts along the Colorado River were discontinued.

The current effort is a cooperative program of the U.S. Department of Agriculture, the California Department of Agriculture, county agricultural commissioners, the University of California, and the state's cotton industry. The four major activities of this cooperative program are: release of sterile moths, survey, regulatory work, and continued research and development.

The greatest emphasis in the department's program is to be in the San Joaquin Valley in 1970-71. However, the magnitude of the effort is not yet known by the department. The results of pink bollworm population surveys must first be assessed to identify the areas of infestation, the degree of infestation, and effectiveness of past efforts.

The sterile moth approach to control and eradication of the pink bollworm still appears to be the best weapon against this insect. The approach was first used on a large scale during 1968 in Kern County and was extended in 1969 to the Coachella Valley. It will be further extended into the Imperial Valley in 1971. The department estimates that it will be necessary to release as many as 310 million sterile moths in California in the budget year. This number represents a substantial increase over the approximately 130 million sterile moths released in the current year. In addition the acreage estimated to be sprayed in 1970-71 is 40,000 versus 19,200 in 1969-70. The intensified sterile moth and spray activities of the department are required because of the failure of the program in the current year to eradicate the pink bollworm in the San Joaquin Valley and to achieve the anticipated control in the southeastern cotton-growing areas.

**Industry Assessments for Pink Bollworm**

In recognition of the direct benefit to be received by the cotton industry, the Legislature established through Chapter 170, Statutes of 1967, a 50 cent per bale assessment on cotton grown in California to assist

## Department of Agriculture—Continued

in financing pink bollworm programs. Shown in Table II are program expenditures by source for four years.

Table II

	<i>Actual</i> 1967-68	<i>Actual</i> 1968-69	<i>Estimated</i> 1969-70	<i>Estimated</i> 1970-71
General Fund -----	\$1,016,022	\$263,800	\$414,457	—
Agricultural Fund -----	—	263,799	414,457	\$860,225
(50 cent per bale assessment)				

The current statute levying the 50-cent assessment will expire February 1, 1971. Further legislation will be necessary in order to extend industry participation in this program. The department has provided us with data on the accumulated balance of the assessment in the Agricultural Fund which indicates that on June 30, 1971 the unexpended balance of assessment fees will total approximately \$1,269,900.

Table II shows that during the fiscal year 1967-68 the pink bollworm spray effort was supported entirely by the General Fund because no assessment money had yet been collected. Last year and this year the state's effort is financed equally by General Fund and industry money. However, next year the budget projects a continuing level of expenditure of \$860,225 which will be financed entirely by industry money. This arrangement appears equitable because the General Fund will still have paid more than half the costs for the four-year period.

In last year's budget \$139,267 was allocated for research on the pink bollworm under a contract with the University of California. The major research objectives involved development of safer and more effective pesticides, work on cultural control practices, study of the biology, ecology and seasonal population development of the pink bollworm in California, basic studies on parasitism of cotton by pink bollworm, and biological control. The department expects to continue this research program at approximately the same level in 1970-71, but has not yet negotiated a contract for the budget year with the University.

**AGRICULTURAL STANDARDS AND INSPECTION SERVICE**

This program is made up of different elements of overall agricultural standards regulation and inspection. The department inspects meat and dairy products for wholesomeness and samples nearly all other agricultural commodities for pesticide residues. Another element of this program is the maintenance of standards in agricultural chemicals and the insuring of accurate weights, measures and counts of commodities purchased by the public. The protection of the health, safety and welfare of the general public is a major element of this program.

Agricultural standards and inspection services are budgeted at \$9,291,324 in 1970-71. The General Fund cost of this program has increased by \$240,935 in the budget year or 6.7 percent over 1969-70. The Agricultural Fund will provide \$3,300,272 of program resources in 1970-71, and reimbursements from various sources will total \$2,161,232. The largest increases in total program expenditures are \$112,748 for pesticide residue testing and \$168,454 for meat inspection.

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**Revision of Pesticide Program Financing**

*We recommend that on July 1, 1970 any balance of pesticide registration fees and any accruals in FY 1970-71 be transferred to the General Fund and that \$263,750 be appropriated from the General Fund to finance the pesticide registration work.*

The Department of Agriculture exercises the only statewide authority in California to control the use of pesticides. For years the department annually registered all pesticides before they could be sold or used in California, established tolerances for residues (usually the same as federal tolerances), licensed agricultural pest control operators, required special permits for or limited the use of certain highly toxic pesticides (injurious materials), and restricted the areas of their application.

In the past, the requirements for registration have been that each pesticide be labeled to show its chemical composition, contain directions for use, and include a caution or warning statement. Much of the test data required for registration have been supplied by the manufacturer. The decision to grant or deny registration was based on an office evaluation of these data, other information in the open literature, and the advice of other government agencies. In general, the conformity of the labels to various regulations and the capability of the pesticides to do the pest control jobs ascribed to them appear to have been the primary considerations for registration of pesticides.

The above registration policies of the department have reflected the desire of the agricultural and the pesticide industries for the state to police their industry, to assist them in assuring quality standards and to provide for safety and accuracy in labeling. However, the provisions of the Agricultural Code have never limited the role of the department to the above purposes but for years have given the Director of Agriculture broad rule making powers to establish and enforce regulations for the registration and use of pesticides that could have protected the public interest.

In prior analyses, we have given considerable attention to the need for stronger policy direction and more protection of the public interest in the administration of pesticide registration in the Department of Agriculture. In this regard, we have noted the limited amount of objective information available on the possible future cumulative dangers of pesticides to public health and wildlife, the large numbers of formulations being registered annually for use in California, the department's limited ability to test these formulations in its laboratories and the large quantities of these materials that are used each year in California. We have recommended that the department formulate policies to guide it in the registration of pesticides.

**Administration of New Pesticide Responsibilities**

Chapter 1169, which was enacted in 1969, established a state policy in statutory form for the director to prohibit or regulate use of any economic poison which endangers the environment. It also provided more precise guides for the director in registering or suspending eco-

## Department of Agriculture—Continued

nomie poisons which he finds are injurious or potentially injurious. The director was given authority and specific direction to cancel or refuse to register any economic poison which: (a) demonstrates uncontrollable effects within or outside the agricultural environment, (b) is of less public value or greater detriment to the environment than the benefit received by the user, (c) has a reasonably effective and practical alternative which is demonstrably less destructive to the environment, (d) is detrimental to vegetation, except weeds, to domestic animals or to the public health or safety, (e) is of little or no value for the purpose intended, and (f) is the subject of false or misleading statements by the registrant or his agent. An advisory committee was established to assist the director in the administration of the above provisions.

Most of the department's pesticide work is carried out through two programs. The first is the Agricultural Chemical Program which is budgeted at \$581,183 of which approximately \$333,000 is for registration of all pesticides, herbicides and rodenticides which are known as economic poisons, and for field testing of these chemicals to enforce standards. Most of this work is financed from registration fees.

At the present time a registration staff of three specialists reviews registration applications on 14,000 economic poison formulations and 744 fertilizer, mineral and soil chemicals in a relatively superficial manner. The pesticide registration activity, according to the department, costs approximately \$35,000 with an additional \$4,000 for fertilizer registration. The staff was not large enough nor did it have the technical skills to carry out the provisions of legislation prior to 1969 and is even more inadequate to carry out the policies of Chapter 1169.

The department is now attempting to apply the policies of Chapter 1169 to new registrations. However, it is not attempting to apply these policies systematically to old registrations which comprise the majority of registration workload. The registration activity has traditionally reacted to problems identified elsewhere in that it has tended to review the registration of problem pesticides to determine compliance with law after problems have arisen. The department has no policy or departmental capability to prevent registration of pesticides which for various reasons should not be used in California. Instead, it liberally registers pesticides and then attempts to control their use under the "injurious materials" restrictions. Even with the passage of Chapter 1169 the department has no clear administrative policy on registration and is waiting on the pesticide advisory committee to establish guidelines.

In order for the department to fulfill the provisions of Chapter 1169 most efficiently, effectively, and in the best interests of the public, we believe it should evaluate and qualify all pesticides based on environmental hazards, injurious properties and the public interest at the time of registration. No pesticide should be registered for use, that is, licensed for use in California, until its environmentally hazardous and injurious properties are established and all restrictions on its use fully determined. It is illogical to register pesticides and then add expensive programs to control their use and protect the public.



**Department of Agriculture—Continued**

The present practice has not adequately protected the environment or the public. It has resulted in the need for restrictive legislation which has brought about economic loss to the pesticide industry. The agricultural industry has suffered from adverse public relations and uncertainty as to the future of acceptable pesticide applications. If the department has no pesticide registration policies, the individual farmer has no guidance on the proper selection of pesticides nor has the pesticide industry any basis to develop improved pesticides. The registration staff should therefore develop registration policies to supplement Chapter 1169 and administer its provisions. It should review all registrations by means of these policies and it should institute steps to require manufacturers to furnish the necessary additional data on which to evaluate their pesticides.

The remainder of the pesticide registration funds amounting to approximately \$298,000 is spent on sampling and testing various pesticides to enforce labeling and quality control. The department has regularly expended most of the registration fees for quality and label control rather than developing an effective registration program. This unusual arrangement appears to be due to the fact that the pesticide industry directly finances the program.

Unfortunately, however, even the quality control aspects of the program have not been completely effective. In recent years the percentage of deficient mislabeled, or unregistered economic poisons discovered has exceeded 17 percent of those sampled. The deficiencies alone were 16 percent in 1965-66, 12 percent in 1966-67, 17 percent in 1967-68, and 11 percent in 1968-69. The level of these violations and their large unexplained fluctuations raise serious questions as to the accuracy of the sampling procedures of the department and the protection furnished to the public through its enforcement activity. The department should make an attempt to define an "acceptable" level of qualitative compliance, and enforce this standard if the program is to be an effective one.

The pesticide registration function and the sampling and testing are financed through the Agricultural Fund by means of annual license fees. Annual revenues from these fees have remained fairly constant over the past few years at approximately \$264,000. A revised method of financing pesticide registration must be developed if the program is to protect the public interest.

**Basis for Financing Pesticide Registration**

When a governmental regulatory service is financed through special funding, as opposed to General Fund financing, there is a natural tendency for the groups supplying the funds to view the expenditure of the funds in a proprietary manner and to attempt to influence the program objectives for which the money is spent. The state employees who are paid with the funds are naturally aware of the source of the funds.

General Fund financing is the surest way for the public to protect itself. However, the general public should not have to bear the cost of

## Department of Agriculture—Continued

protecting itself from a hazardous industry which it permits to flourish. The pesticide industry is not given a monopoly position which must be regulated by government as in the case of public utilities. However, the industry is responsible for incurring major social costs which justify regulation in the public interest.

Social costs, by definition, include all direct and indirect losses sustained by the general public as a result of a particular activity. These losses are difficult to determine and mitigate when environmental deterioration, health hazards and reduction of human well-being occur. However, social costs have long been recognized in California as justifying regulation. Social costs have also been recognized as the basis for requiring certain industries and persons to make investments to protect the public and the environment from adverse waste discharges as in the case of water and air pollution. The financial cost of protecting the public from social costs has increasingly been considered to be a burden to be borne by the industry or person being benefited, that is, it is a cost of doing business.

However, it is clear that even though the funds for regulation to mitigate social costs are collected from the industry benefited, the expenditure should be made through the General Fund in order to assure protection for the general public. The registration fees collected by the Department of Agriculture from the manufacturers and/or sellers of pesticides should be viewed as license fees to permit the sale of pesticides pursuant to the police powers of the state.

The protection of the public depends on *how* the state regulatory powers are used, not *whether* they are used. The fiscal and regulatory orientation of the department should be revised to deemphasize activities that serve to assist the industry and maintain quality control of pesticide products as a form of intraindustry regulation. The pesticide industry should recognize that its annual registration fees are not a reimbursement for services rendered by the state, but are a payment which supports the regulation that is necessary to permit the industry to conduct a hazardous business in California, to protect the public interest, and to minimize social and environmental costs.

We believe the most important immediate step is to revise the fiscal structure supporting the pesticide registration program by transferring \$263,750 for support of the registration program from the Agriculture Fund to the General Fund.

## Injurious Materials

The spray residue program is the second and complimentary, though separate, pesticide program. It monitors pesticide residues and is supported by the General Fund. The cost of the residue program for the current year is estimated at \$371,704, and for the budget year, \$484,452. This program serves the dual purpose of (1) field sampling of fruits, vegetables, nuts, hay, fodder, and other produce for hazardous levels of pesticide residue and, (2) checking results of pesticide field applications to determine that proper procedures have been followed in handling, application, use and safety precautions for injurious materials.

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Presumably the new classification of environmentally hazardous materials will be administered partly under the injurious materials activity and also by labeling revisions in the registration work. Essentially the injurious materials and spray residue activities seek at General Fund expense to protect the public from the pesticides which are liberally licensed for use under the industry supported registration program.

The department has placed the reporting system of injurious materials use which was established by Chapter 1169 in the injurious materials activity because both are designed to assure that the 35 pesticides now classified as injurious are used in conformity with established regulations and do not endanger the user or the environment. *The injurious materials activities should be a direct cost of business and we therefore recommend that the injurious materials activity, which is presently in the pesticide residue program be shifted to the agricultural chemical program and be financed by pesticide registration fees.* If this is done there will be a logical, integrated program in which registration is the key element in determining the use of pesticides in California.

As previously noted the department cannot do an effective regulatory job with its present staff. More of the registration fees should be used to finance technically qualified positions to make policy studies, established registration policies and evaluate pesticides during the registration process. *We recommend that the Legislature direct the department to shift positions from pesticide sampling to an effective pesticide registration program.*

In the long run, the Agricultural Code should be revised to provide that the fees for registration of pesticides are placed directly in the General Fund to finance pesticide registration, injurious materials regulation, environmentally hazardous regulation and spray residue testing.

**Bureau of Weights and Measures**

The department has general authority over the accuracy of weight and measures, weighing and measuring devices sold or used in the state and the accurate packaging of goods, merchandise, commodities and foodstuffs in containers. The director has the responsibility for enforcing these regulations but the work is primarily performed by county sealers of weight and measures acting under the supervision of the director. The department is required to report annually to the Governor and the Legislature regarding the activities of the Bureau of Weights and Measures, and make any recommendations it feels are necessary. We have reviewed this program with special care because of the increasing concern with consumer protection.

The bureau consists of four general program activities. These activities are quantity control, weighing and measuring devices, petroleum products, and weighmaster enforcement. The total budget year allocation for these four activities is \$1,075,292. The Bureau of Weights and Measures quantity control and weighing and measuring device activities are financed by the General Fund. The petroleum products

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and weighmaster enforcement expenditures of \$555,024 are paid for by license and other fees.

The objective of the quantity control program is to insure that purchasers receive the true value of weight and measures in packages by requiring that all statements of quantity on packaged goods be accurate and in plain view and easy to understand. This program is extremely important to the consumer. The department accomplishes the work by cooperating with the counties in training personnel and it also assists the county personnel who are engaged in package control work. The weighing and measuring device program is responsible for providing services to the counties, industry and other state agencies. These services consist of certification of accuracy of all county standards, providing training to county personnel in all phases of device inspection, participation in county surveys to determine whether or not the county sealer is complying with the provisions of the Business and Professions Code, and surveying the quantity and quality of work being performed in the county. The bureau does inspection work for counties under contract when the counties do not have sufficient equipment or expertise. The department also inspects new devices presented by the industry for type approval, and lastly the department tests and certifies devices for the highway patrol and state institutions.

The objective of the bureau's petroleum products program is to control quality and certain advertising of petroleum and related automotive products. The department achieves these objectives through inspection and sampling of stocks of petroleum products available for sale. Quality and labeling standards of antifreeze, automatic transmission fluid and brake fluid are enforced through registration, laboratory testing and control of sales permits. The weighmaster enforcement program is designed to assure true weights and measures of commodities and services purchased and in commercial transactions involving certified weights, measures, or counts on certificates issued by licensed weighmasters. These certificates are used by weighmasters and records must be kept on their issuance for the dual purpose of protecting the weighmaster against unfounded claims and safeguarding the consumer against dishonest weighmasters.

**County Surveys**

The bureau supervises the county sealers of weights and measures by conducting surveys in approximately 10 counties selected at random throughout the state each year. These surveys are done under the authority of Section 12105 of the Business and Professions Code which (1) requires the department to inspect, at least once in two years, the work of local sealers, and (2) empowers them to inspect the weights, measures, balances or any other weighing and measuring devices of any person. The purpose of these inspections, as stated by the department, is to determine whether or not the county sealer is complying with the provisions of the Business and Professions Code, and to determine the quantity and quality of the work performed.

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Since the first survey conducted by the Bureau of Weights and Measures in Riverside County in 1962, only 49 county surveys have been completed. The bureau intends to maintain its level of survey activity at about 10 county inspections per year. This means that the bureau will be unable to finish the first complete cycle of inspections in the state in less than eight years. It should be noted that when special problems exist, counties may request a survey which the bureau will perform without regard to its priorities determined through the regular random survey selection approach.

The failure of the bureau to achieve compliance with the legal requirement that every county sealer's work be inspected once in every two years necessitates revision of the law or modification in this activity. The department should study this activity to ascertain whether or not the legal requirement is meaningful and it should report its findings to the Legislature in its next annual report.

If this activity is justified on a biennial basis, we feel that a number of alternatives for program change are open to the department. The survey activity presently involves staff of each of the four bureau programs. Each survey requires a different amount of staff time and effort, but the bureau informs us that the average time is approximately one week. The bureau has further estimated that it expends approximately \$50,000 for survey activities each year, including personnel and equipment costs. Two alternatives to the present survey activity might be: (1) to reduce the scope of the state surveys and the number of samples taken, i.e., the level of state service, or (2) to rely increasingly on participation of county personnel, and use of county data and equipment in state-conducted surveys. These two alternatives are examples of what might be done by the department.

Another deficiency exists in the present bureau survey activity. Counties are chosen on a random basis with each county given an equal chance of being selected for survey. The bureau has chosen to quantify the value of its survey and other activities in dollars saved buyers and sellers in transactions involving weighing and measuring devices, and certified weights and measurers. When output is being measured in terms of dollars saved buyers or sellers, i.e., benefit from accuracy, the selection criteria for surveys should be "weighed" to reflect the population or value of transactions occurring in a given county. Under the present sample methods large counties, such as: Los Angeles, San Diego, Alameda, and San Mateo have been surveyed once. This is the same level of service being provided the smaller counties.

We recognize the fact that smaller counties often have limited staff, equipment, and funds for the county sealers' activities, while larger counties can afford more sophisticated equipment and larger and more specialized staff. In revising survey selection criteria the bureau should maintain an adequate level of service to protect the residents of less populous counties, but it should also recognize that emphasis must be placed where the largest volume of transactions occur, and in general this means where large population concentrations exist.

## Department of Agriculture—Continued

In addition, there should be a followup with the counties surveyed. After a survey by the bureau, its survey results are transmitted to the county sealer in the form of a report. The report includes the results of tests conducted by bureau personnel in each of its four programs, including recommendations for change in these programs, and in such other areas as staffing, organization and record keeping. Where serious deficiencies are found, "strong" recommendations for change may be made. After these survey recommendations are sent to the county there is no systematic program for checking the response of the counties to the bureau's recommendations. It is possible for the state's recommendations to be ignored without knowledge on the part of the bureau of this inaction. In order for the bureau to maximize the benefit to the public from this activity, it is essential that it know the response, attitudes, and problems experienced by the counties relative to the state's survey recommendations. In order to make the survey activity truly effective, the director should achieve compliance with survey recommendations. The department has in recent years received authorization to establish four new positions to assist in establishing sampling techniques and improved management methods. These positions should be utilized in the review of the weights and measures program.

*We recommend that the department review the bureau's survey program in detail to correct the deficiencies of the present program. Special emphasis should be placed on the systems whereby the state maintain standards and supervises the work of county sealers.*

## AGRICULTURAL MARKETING SERVICES

The objective of this program is to directly assist and protect agricultural producers and handlers, and indirectly the public, by providing regulatory, informational, and other marketing services. The total department expenditure in 1970-71 for Agricultural Marketing Services is budgeted at \$9,309,546. This consists of \$1,425,050 from the General Fund, and Agricultural Fund expenditures of \$7,754,735, with the remainder of \$129,761 coming from federal funds and reimbursements. The largest activities in this program are market news (\$1,005,274), milk pooling (\$1,046,065), shipping point inspection (\$2,789,940) and canning tomato inspection (\$1,179,623). Together these four activities account for 64.7 percent of the program's total budget.

## Market News

*We recommend (1) that the federal-state cooperative market news agreement be revised to define and establish funding responsibilities, and (2) that restrictive provisions prohibiting the imposition of charges for Market News reports be deleted from the agreement.*

The primary function of the Bureau of Market News is the dissemination of current information on prices, supplies, and other economic measures of food, feed, and fiber commodities for California agriculture. This program is intended to facilitate the orderly marketing of agricultural products by providing data and analysis of market conditions.

## Department of Agriculture—Continued

The program is a joint federal-state activity with the California Department of Agriculture cooperating with the U.S. Department of Agriculture Federal-State Market News Service. In the current year the financing of market news activities is approximately \$643,086 federal and \$1,092,825 state. In the budget year the General Fund support for this program is \$1,005,274. The state expenditures for market news have been increasing at a rate of about 6.7 percent per year since 1963-64. However, in the budget year there is a reduction of \$87,551, or 8 percent. The Federal Cooperative Program is anticipated to be of a similar magnitude to that of 1969-70, because federal inputs into this activity have been between 36 and 38 percent of state expenditures since 1963.

The Bureau of Market News collects, analyzes and disseminates information on current market prices, commodity supply, demand, movement, quality, location and other relevant market news. This information is collected by bureau personnel from major agricultural terminals and shipping points and is compiled, and in many cases, reported daily. Dissemination takes place through printed reports, which the department has been furnishing free of charge to those who request them, and by telephone and teletype.

The Bureau of Market News operates under a cooperative agreement with the U.S. Department of Agriculture, which has remained essentially the same for the past decade. The agreement delineates areas of state versus federal responsibility and contains general provisions relative to the funding of this program. The funding of the program, however, is basically a product of historical development, and therefore, is the source of problems.

The funding relationship between the state and federal governments reflects the fragmented organizational structure of the market news program. At the federal level different commodity news activities are operated by different managers and are often independent and not necessarily coordinated. Integration of all market news activities in California under some central leadership would be beneficial not only from a management but also from a financial standpoint. Further integration of personnel and facilities could lead to savings for both the federal government and the state through increased coordination and elimination of duplication. Due to the complexity of the present funding responsibilities and federal market news management system, any program modifications should be mutually determined by the federal and state governments. The first step in such negotiations should be a revision of the funding arrangements in the federal-state cooperative agreement. A more rational and explicit funding basis for this activity which would be related to program or responsibility would facilitate management and program integration.

The federal-state cooperative agreement contains a restrictive provision which requires that the 120 market news reports be furnished

## Department of Agriculture—Continued

free of charge to all parties demonstrating a need and requesting this information. The department estimates that it mails between 3.5–4.0 million such reports per year. The information provided in most of these reports is of a technical nature and therefore those using the reports generally have a direct financial or business interest in this type of data. The department has furnished us with a breakdown of the occupations of those receiving certain of their more widely distributed reports. This information is reproduced in Table III.

Table III  
Receivers of Market News Reports, Occupations by Categories

	<i>Percent</i>
Agricultural Production—Grower, packer, shipper, farmer -----	50.2
Marketing—Buyer, dealer, broker, distributor, sales agent -----	22.9
Transportation—Railroads, trucking -----	2.1
Finance—Banks, investors -----	4.5
Education—Schools, colleges, universities, libraries -----	3.5
Other—Radio, Government, Consuls, CPA, warehouse, real estate, manufacturing, equipment, Cooperative, sales representatives, bakery, mills, milling, exporters, importers, Associations, management, consultants, newspaper, retailers, etc. -----	16.8

The purpose of the market news program, which is to provide timely and accurate market information on agricultural commodities and to prevent wasteful imbalances in supply and demand of these products, is similar to the purpose of the Marketing Act of 1937. This act provides a mechanism whereby the producers and others directly concerned with marketing various agricultural products may combine and act for their mutual benefit. The purposes of the act is to enable the producers in the state with state aid to correlate the marketing of their commodities with demand for these commodities, to establish orderly marketing of certain commodities, to provide uniform grading and proper preparation for market, to provide methods and means for the maintenance of present markets, to eliminate or reduce economic waste in marketing, and to restore and maintain adequate purchasing power for the state's producers. With the exception of providing for uniform grading, maintenance of markets, and the application of these provisions to only certain specific agricultural products, the purposes of this act are basically the same as those of market news.

The scope of the market news activity is quite broad involving information on 160 different food, fibre and feed commodities. However, this program serves basically the same "public" as do marketing orders, that is, the agribusiness industry of California. The funds to administer and enforce marketing orders set up under the Marketing Act of 1937 are entirely provided by the industries served. This is not the case with market news. The General Fund is the sole state source of revenue for this program. Because of the similarity of concept between market news and marketing orders and their totally different funding, we believe that the state's present financial responsibility for market news warrants review. If our recommendations are effected, the



## Department of Agriculture—Continued

way will be open for more rational federal-state financial arrangements, and organizational improvements in Market News. In addition, future policy decisions by the Legislature with regard to the state funding of this program will not be restricted by the federal contract.

## General Marketing Services

The Marketing Service Program consists of five principal activities. The primary program activity is related to agricultural marketing orders and involves analyzing market problems, advising in the preparation of marketing orders, and assisting in administering and enforcing established marketing orders. In another program activity the department also performs an advisory and informational function for various segments of the agricultural industry on general economic and marketing problems. The other program activities include assisting producers in the formation of agricultural cooperatives, research into marketing problems of general industry interest, and preservation of prime agricultural land for agricultural use through assisting in the administration of the Land Conservation Act of 1965.

*We recommend that the department continue to show all expenditures and employees of the general marketing services program under that program.*

In the budget year the department has reduced its staffing in this program from the 1969-70 level of 28 man-years to 11.4. The support appropriation is correspondingly reduced in the Governor's Budget from \$368,119 in 1969-70 to \$153,306 in 1970-71. Table IV describes the sources of the funds for this program, together with past, current and budget year expenditure totals.

Table IV  
General Marketing Services

	1968-69	1969-70	1970-71
General Fund .....	\$108,899	\$144,954	\$100,520
Agricultural Fund .....	16,210	18,165	19,252
Reimbursements from marketing order funds .....	209,608	205,000	33,534
Total costs .....	\$334,717	\$368,119	\$153,306

The apparent reduction in the budget year results from a transfer of staff from a reimbursement to a direct cost charged to marketing orders. Because marketing order expenditures do not show in the Governor's Budget, the expenditure has not been shown. Therefore, the department also shows the abolition of 18 authorized positions in 1970-71. However, no actual abolition of positions will occur because the only change is a technicality in showing the funding, and the positions will remain in the department. Therefore, the budget is incorrect in showing the abolition of the following positions and a reduction in marketing order reimbursements:

## Department of Agriculture—Continued

## Positions Removed from Governor's Budget

<i>Positions</i>	<i>Number</i>
Bureau chief -----	1
Senior economist -----	3
Program supervisor -----	1
Associate economist -----	2
Supervising clerk II -----	1
Senior clerk-typist -----	1
Steno II -----	4
Clerk-typist II -----	5
<b>Total</b>	<b>18</b>

The director of the department is charged with the responsibility by law (Marketing Order Act of 1937) of enforcing and administering marketing order provisions. The law specifically indicates that before issuing a marketing order or amending it, the director shall make the following findings: (a) that the order is necessary in order to effect a reasonable correlation of the supply of the commodity with market demands for the commodity; and that the marketing order will maintain a level of prices for the commodity that will provide profits from this commodity which are adequate to maintain the necessary producers in business; (b) the marketing order should tend to produce equality of purchasing power for the producer at as rapid a rate as is feasible in view of the market demand for the commodity; (c) marketing orders and amendments to marketing orders are in conformity with the provisions of the Marketing Act; and (d) such marketing orders and amendments to it protect the interest of consumers of such commodities.

The director has to exercise his discretion in determining if the marketing order is in conformity with the law in promoting agriculture, and whether the general consumer is protected. In order for the director to fulfill this legal obligation, it is vital that those employees in the department who are directly involved in advising the director of the legality of proposed marketing orders and evaluating the performance of the industry under the marketing orders be financially independent of the industry. The system of budgeting this program in the past and present year conforms to these criteria. In the past the department's personnel working on supervising marketing orders have been partially insulated from the industry they supervise by their status as employees of the State of California. As already noted, the department has been reimbursed for the staff time spent in supervisory capacities involving marketing orders or in activities of marketing order enforcement. There seems to be no public interest served in altering the present funding arrangement. The present system provides an element of public protection in control of marketing orders, and also allows full legislative review of this program. The proposed budgetary change will lessen legislative control over expenditures and make the execution of departmental supervisory responsibilities more dependent on and amenable to the marketing order boards who will directly fund part of the costs of supervising their activities.

**Department of Agriculture—Continued**  
**Financial Supervision of Local Fairs**

The function of this program is to allocate state funds and supervise the expenditure of other funds raised locally for support and construction of the 76 district and county fairs. The program is budgeted to expend \$305,608 in 1970-71. This expenditure is proposed to be funded by an appropriation of \$178,073 from the Fair and Exposition Fund and two reimbursements. One of these reimbursements is for \$69,135 which the budget would use to finance four positions that supervise construction by local fairs. The reimbursement would come from the capital outlay allocation of \$2,250,000 for local fairs as provided in Section 19630 of the Business and Professions Code. This reimbursement largely substitutes for a direct support appropriation which has been made in past years by the Legislature pursuant to Business and Professions Code Section 19621.

We find no authority in Sections 19621 and 19630 for a direct transfer of capital outlay funds to the support budget of this division. However, the division probably could provide for a reimbursement by each local fair receiving a capital outlay allocation. The net result of any proposed reimbursement process is to reduce capital outlay funds and increase the flow of funds into the General Fund by an amount corresponding to the reduction.

The department is reducing the staff of this program in the budget year from the 17.3 man-years in the current year to 15.3 man-years as a result of "improved methods in financial allocations to and control of district and county fairs." In addition, the budget eliminates the audits of local fairs by the Department of Finance. We recommend approval of these economies because we believe as we have previously pointed out, that it is costing the state too much money to administer financial assistance to local fairs.

**ADMINISTRATIVE SUPPORTING SERVICES**

Total department expenditures for administration, excluding certain direct reimbursements omitted from the budget, are budgeted at \$1,221,672 in 1970-71. All of these costs are either allocated to other department programs (\$1,076,685) or to other agencies (\$144,987).

The department administrative support program involves six separate activities. The first is an executive activity which involves various elements of overall agency administration. Second, is the information activity which informs the public of the departments programs and policies through the various public communication media and other means.

The third activity under the administration program is the fiscal office. This office is responsible for budget preparation and control, automotive management, capital outlay projects, negotiation of licenses and contracts, collections and disbursements for the marketing trust program, and various other departmental financial "housekeeping" activities.

The fourth administrative activity is the personnel office which provides personnel management services to various department programs, such as, recruitment, performance, evaluation, employee grievances, etc.

## Department of Agriculture—Continued

The final two activities are office services and data processing. Office services provides copy and reproduction service, supply service, and mail service to the department. The data processing center provides services in various departmental programs and also to certain other state agencies on a total reimbursement basis.

**Department of Agriculture  
MARKETING RESEARCH**

**Item 60 from the General Fund****Budget page 148**


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Requested 1970-71 .....	\$45,057
Estimated 1969-70 .....	57,093
Actual 1968-69 .....	46,604
Requested decrease \$12,036 (21.1 percent)	
Total recommended reduction .....	None

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**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The state and federal government share equally in the cost of conducting research in various agricultural projects of joint interest under the Federal Cooperative Marketing Research Program.

In the budget year the federal government and the state each are allocating \$45,057 for marketing research projects. The state share of these costs is provided from the General Fund. There are four matched fund projects proposed for the budget year. These are: (1) fruit acreage sampling, to provide information on bearing and nonbearing acreage by fruit type and variety, (2) marketing practice improvement, to develop solutions to various agricultural marketing problems and to facilitate marketing and decisionmaking through development of a system of data compilation on commodities covered by existing California marketing orders, (3) plant pathology, to improve the quality and marketability of certain "vegetatively" propagated nursery stocks through elimination of virus and related disease, and (4) almond production forecasts, to develop and test various sampling methods for forecasting the production of almonds.

**DEPARTMENT OF AGRICULTURE****Item 61 from the Agriculture Fund****Budget page 115**


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Requested 1970-71 .....	\$12,159,098
Estimated 1969-70 .....	11,648,179
Actual 1968-69 .....	10,214,758
Requested increase \$510,919 (4.4 percent)	
Total recommended reduction .....	None

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Department of Agriculture—Continued  
ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

This item appropriates from the Department of Agriculture Fund that portion of the department's budget requested by or benefiting particular agricultural groups. The fund is composed of fees and assessments derived from a variety of industry sources. Discussion of the programs which are fully or partially financed by the Agriculture Fund are discussed in Item 59 of the Analysis.

**Department of Agriculture**  
**DIVISION OF FAIRS AND EXPOSITIONS**

**Item 62 from the Fair and Exposition Fund** **Budget page 150**

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Requested 1970-71 .....	\$178,073
Estimated 1969-70 .....	232,931
Actual 1968-69 .....	205,149
Requested decrease \$54,858 (23.6 percent)	
Total recommended reduction .....	None

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ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The Division of Fairs and Expositions derives its support through the operation of Section 19621, Business and Professions Code, which provides for an annual appropriation from the Fair and Exposition Fund to the Department of Agriculture for the cost of "supervising" local fairs. Analysis of this item is contained in Item 59, under Financial Supervision of Local Fairs.

**Department of Agriculture**  
**DISTRICT FAIRS**

**Item 63 from the Fair and Exposition Fund** **Budget page 157**

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Requested 1970-71 for transfer to the General Fund .....	\$130,000
Total recommended reduction .....	None

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ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

This item reappropriates \$130,000 from the Fair and Exposition Fund in the budget year for transfer to the General Fund. This amount is a portion of the annual appropriation from horseracing revenues to the Fair and Exposition Fund for support of district and county fairs. The \$130,000 is allocated for one fair that does not qualify for financial support and another fair that no longer exists. This reappropriation is consistent with the action taken by the Legislature in the current and past fiscal years.