

**Department of Social Welfare—Continued**

**Systemwide Planning, Management and Supporting Functions**

This program includes centralized activities and services regarding planning, direction, administration and audit control. In addition, this program includes general administrative staff, the Research and Statistics Bureau, the Electronic Data Processing Bureau and other departmental support staff.

**Fiscal Affairs**

The object of this function is to assure that the funds available for the department's programs are expended in accordance with state and federal law.

A recent study by the Department of Finance indicates that the department audits are released on an average of 20 months after the completion of the audits. The same study also shows that about 42 percent of the audit time is spent in supervision and general administration, and only 58 percent is actually devoted to field auditing.

The Controller believes his office could perform these audits more efficiently by reducing the reporting lag time and increasing the field audit time. We propose to explore the merits of transferring this audit function to the Controller's office and still retain federal funding and report to the Legislature.

**Human Relations Agency**

**DEPARTMENT OF INDUSTRIAL RELATIONS**

**Item 133 from the General Fund**

**Budget page 750**

Requested 1970-71	\$20,768,273
Estimated 1969-70	23,592,038
Actual 1968-69	21,822,406
Requested decrease \$2,823,765 (11.9 percent)	
Total recommended reduction	\$7,100,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

We recommend the following changes in the department's organization and operating procedures. Most of the recommendations are contained in the report of the Commission on California State Government and Economy in its 1969 study of the department. (Analysis page 696.)

1. "The commission recommends a study of the role of the state in apprenticeship programs. As an alternative proposal, we recommend the abolishment of the Division of Apprenticeship Standards for a General Fund savings of approximately \$2,000,000.
2. Consolidate the Divisions of Industrial Welfare and Labor Law Enforcement for a savings of \$100,000 annually.

## Department of Industrial Relations—Continued

3. Establish a schedule of fees to make the Division of Safety and the Self-Insurers Program self-supporting. This would provide an annual savings of \$5,000,000.
4. Reorganize the department to provide the director with sufficient authority to implement executive and legislative policy in administering the work of the department.
5. Continue the Fair Employment Practice Commission as a part-time commission, but limit its role to that of policy and rule-making rather than administration. Vest the administrative power in the Chief of the Division of Fair Employment Practices.
6. Require injured employees to notify their employer of their injury before they file an injury claim with the Division of Industrial Accidents.

## GENERAL PROGRAM STATEMENT

The Department of Industrial Relations was created by the Legislature in 1927 to "foster, promote, and develop the welfare of the wage earners of California, improve their working conditions, and advance their opportunities for profitable employment."

To fulfill these broad objectives, the department provides services through the following nine divisions: (1) Conciliation Service, (2) Industrial Accidents, (3) Industrial Safety, (4) Industrial Welfare, (5) Labor Law Enforcement, (6) Apprenticeship Standards, (7) Labor Statistics and Research, (8) Fair Employment Practices, and (9) State Compensation Insurance Fund. With the exception of the State Compensation Insurance Fund, which operates as a public service nonprofit

Table 4  
Staffing and Funding Data, Department of Industrial Relations  
(1966-71)

	1966-67	1967-68	1968-69	(Estimated) 1969-70	(Proposed) 1970-71
Personnel					
Man-years -----	1,647	1,599.8	1,602.1	1,612.5	1,438.5
Funding:					
General Fund ..	\$19,879,434	\$20,417,380	\$21,822,406	\$23,592,038	\$20,768,273
Department of Employment Contingent Fund -----	59,417	52,000	--	--	--
Federal funds (MDTA) <sup>1</sup> ---	722,639	781,554	612,448	650,446	654,193
Reimbursement:					
Federal <sup>2</sup> -----	47,328	54,126	57,732	67,419	550,978
State -----	44,309	141,588	138,125	88,975	49,100
Revenues to the General Fund <sup>3</sup> ---	719,384	631,567	665,740	703,435	706,420
Positions funded by federal MDTA <sup>1</sup> (Division of Apprenticeship Standards) ----	(58.1)	(63.1)	(32)	(31.2)	(30.9)

<sup>1</sup> Manpower Development and Training Act.

<sup>2</sup> Funds paid to the Division of Labor Statistics and Research by the U.S. Department of Labor.

<sup>3</sup> Fees from inspections of elevators, pressure vessels, licenses (industrial homework, artists' managers, nurses' registries, farm labor contractors), etc.

**Department of Industrial Relations—Continued**

enterprise, the department's programs will be discussed separately in the analysis and recommendations which follow.

The department's proposed \$20,768,273 budget is \$2,823,765 or 11.9 percent under estimated expenditures for the current year. Federal funding estimated at \$654,193 produces a total budget-year expenditure program of \$21,422,466. The lower budget level reflects a reduction of 222.4 positions from the department's currently authorized staffing level of 1,660.9 positions. Table 1 shows staffing and support data for the department over a five-year period.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval in the reduced amount of \$13,668,273.*

**DIVISION OF ADMINISTRATION**

The Division of Administration serves the administrative needs of the department's nine program divisions by providing the ancillary services of management analysis, fiscal management, personnel and training, duplication, data processing, and technical assistance in the compilation of statistical reports. The office of the director, which has the responsibility for planning, coordinating and executing the services provided by the semi-autonomous program divisions, is also budgeted within the Division of Administration.

The division proposes an expenditure of \$1,124,063 of which \$1,112,563 will be prorated to the other program divisions for services rendered.

**Reorganization of EDP Services**

A policy question was raised last year during the hearings on the department's budget concerning the propriety of the department's request for additional EDP equipment following the enactment of Chapter 1327, Statutes of 1968, which called for a master plan to provide optimum consolidation and utilization of state data-processing equipment. At that time, the Department of General Services was studying the feasibility of a bay area computer center which would utilize the existing advanced computer equipment in the Department of Public Health in Berkeley. Such a center was established on June 24, 1969, under the technical and policy guidance of the Office of Management Services and includes the Departments of Public Health, Health Care Services, Industrial Relations and Insurance, the Public Utilities Commission, and the Bay Area Transportation Study Commission.

The department's proposed expenditure of \$347,101 for EDP services is \$14,307 or 3.95 percent under the estimated current-year expenditure of \$361,414 and reflects the expanded services to be received from the Bay Area Service Center. Table 2 shows the cost allocation of the department's EDP program. Staffing for this program has been reduced by the transfer of 8.2 positions to the Department of Public Health. However, the salaries and related costs of these positions (totaling approximately \$78,269) are paid by the Department of Industrial Relations and are included within the "EDP services" item shown in Table 2.

## Department of Industrial Relations—Continued

Table 2  
 Department of Industrial Relations—EDP Allocation  
 (1970-71)

Personnel -----	\$200,665
Equipment -----	9,143
Contract services (keypunch, conversion services) -----	10,000
EDP services (service center) -----	102,193
Other costs (operating expenses) -----	25,100
	\$347,101

**INVESTIGATION, MEDIATION, AND ARBITRATION PROGRAM**

The Labor Code specifies that the department shall (1) investigate and mediate labor disputes on the request of any bona fide party involved in the dispute, (2) proffer mediation services to both parties when there is a threat of work stoppage and neither party requests intervention, (3) endeavor to promote sound union-employer relationships in the interest of preventing labor disputes, and (4) arrange for the selection of boards of arbitration on terms agreeable to all concerned parties.

In addition, the department has statutory responsibility for settling labor relations disputes or grievances relating to the nine transit districts or authorities (viz., the San Francisco Bay Area Rapid Transit District) now authorized by state law.

The department proposes an expenditure of \$417,448 for this program, which is \$48,152 or 10.3 percent under the estimated current-year expenditure.

**PREVENTING, SETTLING, AND ADJUDICATING WORKMEN'S COMPENSATION DISPUTES**

The Workmen's Compensation Appeals Board and the referee teams in the Division of Industrial Accidents are responsible for the adjudication of workmen's compensation claims. The appeals board is composed of seven persons appointed by the Governor, who also designates the chairman of the board. The division's staff, under the supervision of an administrative director who is also appointed by the Governor, provides supportive services to the board.

The objective of the program is to insure the prompt payment of workmen's compensation benefits to workers who suffer industrial injury in the course of their employment. These benefits include medical expenses, rehabilitation costs, legal fees, awards for loss of earnings not to exceed \$87.50 per week, and death benefits. The division proposes an expenditure of \$8,789,447, which is a decrease of \$335,327 or 3.6 percent under the estimated current-year expenditure of \$9,124,774.

This decrease reflects the deletion of 20.5 authorized positions (10 additional positions shown in the budget as deleted positions in the current and budget years were never established) of which 14.5 are now vacant. The department states that the remaining six positions may become vacant through attrition, but it notes that some layoffs may be necessary. The department has assured us that this reduction will not adversely affect the division's program.

**Table 3**  
**Division of Industrial Accidents—Claims and Staffing Pattern**  
 (1966-1971)

Year	New filings	Total filings		Total dispositions		Number of referee teams	Average number	Total pending
		Estimate	Actual	Estimate	Actual		of dispositions per team	
1966-67	55,611	-	113,829	-	116,779	106	1,101	18,454
1967-68	54,711	-	118,906	-	119,043	101	1,178	18,557
		(132,770) <sup>1</sup>						
1968-69	56,180	126,200 <sup>2</sup>	117,321	126,300	120,047	103	1,165	23,551
		(133,600) <sup>1</sup>		(134,000) <sup>1</sup>				
1969-70	58,500 (est.)	123,187 <sup>2</sup>	121,656 (est.) <sup>3</sup>	120,047 <sup>2</sup>	119,914 (est.) <sup>3</sup>	100	1,119 (est.)	26,329 (est.) <sup>3</sup>
1970-71	61,000 (est.)	129,346	-	108,500	-	101		

<sup>1</sup> Workload projection of previous year.

<sup>2</sup> Revised workload estimate.

<sup>3</sup> Based on first six months experience of 1969-70.

**Department of Industrial Relations—Continued**

The 1970-71 budget proposes a staffing level of 105 referees. However, only 101 of the referees will conduct hearings and the remaining four will perform administrative functions for the division (viz., writing briefs for the Workmen's Compensation Appeals Board, etc.). The staffing proposed will result in an additional field referee team over the current level. Table 3 shows the division's workload and staffing levels for the years indicated.

**PREVENTION OF INDUSTRIAL INJURIES AND DEATHS**

The Labor Code specifies that the Division of Industrial Safety "has the power, jurisdiction, and supervision over every employment and place of employment in this state, which is necessary adequately to enforce and administer all laws and lawful orders requiring such employment and place of employment to be safe, and requiring the protection of the life and safety of every employee in such employment or place of employment." Specifically excluded from the jurisdiction of the division are maritime workers, household domestics, federal employees and operating employees of interstate railroads.

The division provides services through seven program elements: construction, electrical, elevator, radiation, fumes and gases, industrial, pressure vessels, and educational activities. The budget proposes an expenditure of \$4,652,713 for this program, which is a decrease of \$404,157 or 7.9 percent under the estimated current-year expenditure of \$5,056,870.

This decrease reflects the deletion of 30 authorized positions, which results in a staffing level of 211.2 positions for the budget year. The department states that as of December, 1969, 20 of these positions were vacant, and it anticipates that the remaining 10 positions will become vacant through normal attrition, thus avoiding the necessity of laying off personnel.

**PROMOTION, DEVELOPMENT AND ADMINISTRATION OF APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING**

The Division of Apprenticeship Standards was established to promote training in the skilled trades by encouraging industry and labor to expand apprenticeship opportunities through a registered apprenticeship program and arrange on-the-job training for apprentices and journeymen.

The budget proposes an expenditure of \$2,384,073 for this program, which is a decrease of \$495,468 or 17.2 percent under the estimated current-year expenditure of \$2,879,541.

The division's staff is reduced in the budget year by 20.5 positions of which 3.5 were vacant as of December, 1969. All of the remaining positions are filled and include 12 apprenticeship consultants. The proposed budget shows a decrease in the number of authorized positions in 1969-70 as compared to 1968-69 and yet the number of registered apprentices has increased during the current year. It would appear, therefore, that the program staffing level has no significant relationship to the number of registered apprentices in California. Our recommendation concerning this division is contained in a later section of the analysis.

**Department of Industrial Relations—Continued  
Administration of Federal Training Act**

Training projects authorized by the federal Manpower Development and Training Act (MDTA) are monitored, inspected and serviced by the Division of Apprenticeship Standards under a contractual arrangement with the U.S. Department of Labor. The division is reimbursed by the federal government on the basis of the number of man-years utilized to service the projects.

The number of personnel conducting this activity was increased by 4.5 positions during the current year (from 26.7 to 31.2 positions), which results in an estimated federal reimbursement of \$454,193 in 1969-70. The budget proposes a federal reimbursement of \$454,193 to cover the cost of an estimated 30.9 man-years allocated for this activity in 1970-71.

**Veterans' Training Activity**

The Division of Apprenticeship Standards has been officially designated by the Governor as the state agency to administer on a contractual basis, all veterans apprenticeship and other on-the-job training programs authorized by Public Law 90-77 (Veterans Pension and Readjustment Act of 1967). The division's staff and travel costs attributable to the administration of this program are reimbursed by the federal government through the Veterans Administration. These reimbursements, which are estimated at \$196,253 in the current year, represent the salaries and support costs of 13.5 positions. The program is budgeted at approximately the same level for 1970-71. The contract with the federal government does not provide for reimbursement of other operating expenses or equipment associated with the program.

**PROMULGATION AND ENFORCEMENT OF LABOR STANDARDS  
FOR WOMEN AND MINORS**

The Division of Industrial Welfare enforces wage orders promulgated by the Industrial Welfare Commission and other state laws relating to the wages, hours, and conditions of employment for men, women, and minors. A series of 15 such wage orders covering 15 various industries or businesses has been promulgated by the commission. The orders are adopted by the commission in accordance with the Administrative Procedures Act and, therefore, have the effect of law.

The division proposes an expenditure of \$1,211,440, which is a decrease of \$291,846 or 19.4 percent less than the estimated current-year expenditure of \$1,503,286. This decrease reflects a reduction of 21.4 authorized positions, 9.75 of which are presently vacant. The department states that the deletion of these positions will not appreciably affect the level of service provided by the division.

**ENFORCEMENT OF LAWS RELATING TO WAGE PAYMENTS,  
CONDITIONS OF EMPLOYMENT, LICENSING AND  
ADJUDICATION**

The enforcement of all labor laws, including child labor laws, not specifically delegated to any other agency, is the responsibility of the Division of Labor Law Enforcement. The laws enforced cover such

## Department of Industrial Relations—Continued

areas as payment of wages, collections of unpaid wages, and the licensing and registering of artists' managers and farm labor contractors.

The division requests an expenditure of \$2,676,373, which is a decrease of \$549,220 or 17.2 percent from the estimated current-year expenditure of \$3,175,593.

Reflected in the decrease is a reduction of 45.9 positions, 19.5 of which are now vacant. The department states that these cuts are possible as a result of a change in its procedure for processing wage claims. Under this revised procedure, the department will accept wage claims only if the individual has first used every available recourse to resolve this issue (union agents, etc.) without success. The extent to which this will in fact affect the disposition of wage claims cannot be judged except with experience.

**COLLECTION, COMPILATION, ANALYSIS, AND DISSEMINATION OF  
CALIFORNIA LABOR STATISTICS**

The Division of Labor Statistics and Research is required by statute "to collect, compile, and present facts and statistics relating to the condition of labor in the state." Pursuant to this general directive, the division compiles statistics on (1) employment and payroll levels, (2) work injuries, (3) provisions of collective bargaining agreements, (4) work stoppage, (5) union membership, and (6) negotiated work settlements. The division also provides statistical services to the other departmental divisions.

The division proposes an expenditure of \$921,353, which is \$137,373 or 12.9 percent under the estimated current-year expenditure of \$1,058,726. This request is composed of \$370,375 in General Fund moneys (a decrease of \$620,932 or 62.6 percent from the current year) and \$550,978 in federal funds (which is an increase of \$483,559 or 717 percent above the estimated current-year federal expenditure). As discussed below, the sharp decrease in General Fund support results from an anticipated federal assumption of the full cost of the Employment, Hours, and Earnings Statistics Element.

The costs of the Employment, Hours and Earnings Statistics Element are currently shared by the state and the U.S. Department of Labor. Table 4 shows this funding arrangement over a five-year period.

Table 4  
Federal-State Funding of the Employment, Hours, and Earnings  
Statistics Element  
(1966-71)

	1966-67	1967-68	1968-69	(Est.) 1969-70	(Est.) 1970-71
General Fund -----	\$293,461	\$305,823	\$347,991	\$366,602	-----
U.S. Dept. of Labor--	47,328	54,126	57,732	67,419	\$550,978
Total -----	\$340,789	\$359,949	\$405,723	\$434,021	\$550,978

As reflected in Table 4, the department anticipates that the federal government will pay the entire cost of this element in the budget year. In other states where similar statistical services are performed by an employment security agency, the federal government pays the full



## Department of Industrial Relations—Continued

cost. Although the Department of Industrial Relations has not completed negotiations on its funding contract with the U.S. Department of Labor, there are indications that the federal government will assume full funding responsibility of the element within its present organizational framework. Both our office and the Department of Finance have urged in past years that the question of greater federal financial participation be explored.

**PREVENTION AND ELIMINATION OF DISCRIMINATION IN EMPLOYMENT AND HOUSING**

The Division of Fair Employment Practices, under the direction of the Fair Employment Practice Commission, is responsible for the administration and execution of (1) the provisions of the Fair Employment Practice Act (Labor Code Sections 1410-1433) relating to the rights of individuals in employment, and (2) that portion of the Health and Safety Code (Sections 35700-35745) relating to equal opportunities in housing. The director of the division, who serves as the executive officer of the commission, and the seven members of the commission are appointed by the Governor.

The division proposes an expenditure of \$928,234, which is a decrease of \$47,470 or 4.8 percent under estimated current-year expenditures of \$975,704.

**RECOMMENDATIONS OF THE COMMISSION ON STATE GOVERNMENT ORGANIZATION AND ECONOMY**

During the past 25 years, our office has made a number of recommendations regarding the organization and administration of the Department of Industrial Relations. These have covered a variety of subjects and problems. For example, we have suggested a general reorganization of the department, abolition of the Division of Apprenticeship Standards, consolidation of the Divisions of Labor Law Enforcement and Industrial Welfare, etc.

In a recent report to the Legislature, the Commission on State Government Organization and Economy has made a number of recommendations for improving the structure of this department and, in large part, they correspond with those previously made by us.

*Therefore we recommend approval and implementation of the recommendations of the Commission on California State Government Organization and Economy regarding the reorganization of the Department of Industrial Relations.*

We have reviewed the commission's report which was published in December, 1969, and believe that implementation of its recommendations would provide substantial savings to the state and also improve the operating efficiency and effectiveness of the department. The commission's report contained the following recommendations:

(1) *The commission questions the effectiveness of the apprenticeship program and recommends that the Legislature conduct a comprehensive review of the state's policy and role in apprenticeship programs.*

*As a preferable alternative, we repeat our recommendation of 1965 that the division be abolished for a General Fund saving of \$2,000,000 annually.*

## Department of Industrial Relations—Continued

In 1948 we made a recommendation, similar to the one now presented by the commission, and in our 1965 Analysis of the department's budget we proposed the abolishment of the division noting that, "The state lacks authority to increase the availability of apprenticeship training. The success of the program depends on decisions made by management and labor and historically has met only a fraction of the needs of the state's industries for trained certified journeymen. It is obvious that a considerable portion of this need is now being met outside this program. Our analysis listed 13 additional deficiencies which we believed supported the proposal to abolish the program. We estimate that abolishment of the division would save the General Fund approximately \$2 million annually based on the program's estimated current-year expenditure.

(2) *The commission recommends that the Governor prepare and transmit to the Legislature a reorganization plan for the Department of Industrial Relations that will provide the department and the director with sufficient authority to implement executive and legislative policy in administering the work of the department.*

This recommendation was originally made in our Analysis of the 1952 Budget Bill and in our 1963 Analysis we stated that, "The large number of appointees in this department results in some confusion of lines of authority and responsibility, tends to emphasize divisional autonomy and largely limits the director's effective control over the various divisions to so-called housekeeping matters. Attempts to introduce efficiencies through consolidation or redistribution of responsibilities, functions, and physical facilities are, therefore, more than ordinarily hampered." This condition, which still exists, could be eliminated in part through existing provisions in the Labor Code which provide that the "Director shall organize the department subject to the approval of the Governor, in the manner he deems necessary to segregate and conduct the work of the department."

(3) *The commission recommends that the functions of the Division of Labor Law Enforcement and the Division of Industrial Welfare be merged.*

This recommendation was also made in our 1952 Analysis of the department's budget request and has been reiterated in nine subsequent analyses. Table 5 illustrates the related functions performed by the two divisions.

Although the Division of Industrial Welfare was created originally to enforce the provisions of the Minimum Wage Law relating to women and minors, its jurisdiction has been extended through additional legislation as summarized in Table 5. The following statement in the department's budget document reflects this overlapping relationship: "the Division of Industrial Welfare's concept of enforcement directly benefits all of the employer's female and minor employees, and indirectly benefits the male employees. Male employees are directly benefited under the Equal Pay Law and the Homework Act."

The Division of Labor Law Enforcement's responsibility extends to the enforcement of laws relating to wages, working conditions, etc., for men, women and children.

## Department of Industrial Relations—Continued

Table 5

## Related Functions of the Divisions of Industrial Welfare and Labor Law Enforcement Responsibilities of:

<i>Division of Industrial Welfare Operating Authority</i>	<i>Division of Labor Law Enforcement Operating Authority</i>
<p>(Minimum Wage Amendment to the State Constitution, Section 17½, Article XX, and Labor Code Division 2, Parts 4 (Chapters 1, 2 and 3) and 10.)</p> <ol style="list-style-type: none"> <li>1. Enforces 15 Industrial Welfare Commission orders relating to: (1) minimum wages, (2) maximum hours of work, and (3) minimum standards for working conditions for women and minors.</li> <li>2. Enforces the Homework Act covering men and women (licensing for work done in the home).</li> <li>3. Collects wages pursuant to the provisions of adopted wage orders.</li> <li>4. Enforces the Equal Pay Law for men and women.</li> </ol>	<p>(Labor Code Division 1, Chapter 4, Section 95)</p> <ol style="list-style-type: none"> <li>1. Enforces labor laws relating to payment of health and welfare contributions, (2) child labor<sup>1</sup>, (3) violation of prevailing pay rates, (4) timely payment of wages, and (5) ventilation, sanitation and other factors that affect conditions of employment of men, women, and children.</li> <li>2. Enforces the licensing requirements for nurses and artist managers.</li> <li>3. Collects wage claims.</li> </ol>

<sup>1</sup> Relating to: work permits, school attendance, ages of employed minors, hours of employment, occupational restrictions, and employment in dangerous occupations.

Consolidation of the enforcement programs now administered by the two divisions would eliminate the presently ill-defined lines of jurisdiction, provide better coordination of the state's labor law enforcement efforts and produce, according to a 1962 Department of Finance study, a General Fund saving of approximately \$100,000 annually.

(4) *The commission recommends that (a) the Legislature provide the department with statutory authority to set fees for inspection to cover costs of the Division of Industrial Safety, and (b) the cost of supervision of self-insurance be borne by the self-insurers through a payment of license fees established in broad ranges based on the size of the self-insurer.*

Each of the above recommendations was contained in our Analysis of the department's budget in 1954 and 1959, respectively. Implementation of these recommendations would provide a General Fund savings of approximately \$5 million annually based on the estimated current-year expenditures of both programs.

(5) *The commission recommends that (a) the Fair Employment Practice Commission be continued as a part-time commission, but limited to a policy-making and rule-making body rather than an administrative body, and (b) the responsibility for the receipt, investigation, and conciliation of compliants should be placed with the division chief.*

## Department of Industrial Relations—Continued

The division's present organizational structure places too great a workload on individual commission members which contributes to the present backlog of cases. The division chief is presently only a titular head since most of the division's work is conducted directly between the commissioners and the division's staff.

(6) *The commission recommends that the Legislature authorize by statute the Workmen's Compensation Appeals Board to establish conditions precedent to the filing of an application with the board wherein the employee would be required under certain circumstances to give the employer or his insurer notice of his claim for injury prior to filing an action with the Appeals Board.*

The commission reports that many employees file an action with the board immediately after being injured without first notifying the employer. It has been found in many cases that litigation would not have occurred if the employer were first given an opportunity to respond to the claim. If such a requirement were established, the board's workload would be confined to cases involving actual disputes.

### WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 134 from the General Fund

Budget page 777

Requested 1970-71 -----	\$1,653,000
Estimated 1969-70 -----	1,532,000
Actual 1968-69 -----	1,359,612
Requested increase \$121,000 (7.9 percent)	
Total recommended reduction -----	None

## SUMMARY OF MAJOR RECOMMENDATIONS

We recommend that future costs of this program be funded from no-dependency industrial death benefit claims paid to the state. Implementation of this recommendation would require a constitutional amendment to permit the funding of the program through the insurance liability of the employer rather than by the state's General Fund.

## GENERAL PROGRAM STATEMENT

This annual appropriation funds the state's obligation for payment of injury compensation claims awarded by the Workmen's Compensation Appeals Board to workers who, after suffering a permanent disability or physical impairment in the course of their employment, again suffer an industrial injury. The award payments are administered by the State Compensation Insurance Fund (a public enterprise), and the money appropriated by this item includes the service charges of that agency and those of the Attorney General who represents the state's interests in the hearings before the appeals board or court.

**Table 1**  
**Selected Data, Workmen's Compensation for Subquent Injuries**

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Benefits paid -----	\$596,851	\$795,702	\$920,238	\$963,559	\$1,158,037	\$1,316,000 *	\$1,408,000 *
Service charges—S.C.I.F. -----	29,844	39,812	46,020	48,203	57,901	66,000 *	70,000 *
Attorney General Fees -----	119,434	119,312	137,656	177,825	145,266	150,000 *	175,000 *
General Fund Appropriation -----	775,000	775,000	900,000	1,150,000	1,300,000	1,444,000	1,653,000
Emergency Fund allocation -----	-	183,000	204,000	47,000	62,000	88,000 *	-
Number claims -----	139	184	168	189	229	N.A.	N.A.
Outstanding obligation -----	\$11,467,156	\$14,468,958	\$17,132,079	\$19,644,007	\$22,110,715	N.A.	N.A.

\* Estimated.

700

**Workmen's Compensation Benefits for Subsequent Injuries—Continued**

The purpose of the program is to provide an incentive for employers to hire persons who have been involved in a prior industrial accident which resulted in an award for partial disability or physical impairment by the appeals board. Under this program, the liability of the employer for any subsequent injury which aggravates the original injury is limited to that portion of the combined disability which is directly attributable to the latter injury. The difference between the employer's portion of the award and the total award, as determined by the appeals board, is funded through this appropriation.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Table 1 shows the growth of the appropriation and the outstanding liabilities of the state for the years indicated.

**Alternate Source of Funding**

*We again recommend that consideration be given to funding this program from a source other than the General Fund.*

Implementation of this recommendation would require a constitutional amendment, similar to ACA 72 of the 1961 session, followed by appropriate legislation to permit the program to be funded by no-dependency death benefit claims paid to the state. Twenty-six states now fund their subsequent injury programs totally or partially in this manner.

Under current law, the statutory death benefits which normally are paid to legal heirs are paid to no one if legal heirs cannot be found. Only a burial expense of not to exceed \$600 is paid under these circumstances. It does not seem reasonable, however, that when an employee who has no legal heirs dies as a result of an industrial accident the employer should be relieved of an insurable liability which he must assume if heirs exist.

ACA 72 provided that in cases of an accidental industrial death of an employee who had no legal heirs to whom the statutory death benefit could be paid, legislation could require that the death benefit be paid to the state and used for the payment of subsequent injury claims. It is estimated that such a provision would eliminate or substantially reduce General Fund expenditures for this program.

**STATE FIRE MARSHAL**

**Items 135 and 136 from the General Fund  
and the Dry Cleaners Fund**

Budget page 778

Requested 1970-71	-----	\$984,620
Estimated 1969-70	-----	1,141,680
Actual 1968-69	-----	1,012,271
Requested decrease \$157,060 (13.8 percent)		
Total recommended reduction	-----	None