

item. Approximately 300 awards were made in 1970 and 41 of these were presented for legislative review. This office will prepare a supplemental report on the 1971-72 claims and present it to the subcommittees when the item is set for hearing.

DEPARTMENT OF AGRICULTURE

Item 81 from the General Fund

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Requested 1971-72	\$12,178,574
Estimated 1970-71	12,315,863
Actual 1969-70	12,694,095
Requested decrease \$137,289 (1.1 percent)	
Total recommended reduction	\$500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Department Budget. Recommend that all department and 189 marketing order budgets be shown in Governor's Budget or a supplement.

2. Woolly Whitefly Program. Recommend department sub- 191 mit plan for partial industry support at such time as this program changes from eradication to control.

3. Predatory Animal Control. Recommend department de- 192 velop plan for partial industry support to be implemented in 1972-73 budget.

4. Plant Quarantine. Reduce \$500,000. Recommend reduc- 193 tion in support for border inspection activities.

5. Pesticide Quality Control. Recommend the Legislature and 197 department study feasibility of issuing citations to aid enforcement of pesticide quality standards and pesticide use regulations, and that the department develop a program to improve pesticide quality control.

6. Pesticide Registration. Augment Item 82 by \$60,000. Rec- 199 ommend (1) that the pesticide registration program become a General Fund activity with fees deposited in the General Fund and (2) that the pesticide registration program be augmented by \$60,000 from available registration fees.

7. Bureau of Weights and Measures. Recommend weigh- 200 master license fee increase to finance program deficit, augment staffing, and improve container tare regulations.

8. Market News. Recommend department develop plan for 204 deriving financial support from primary users of Market News information.

GENERAL PROGRAM STATEMENT

The Agricultural Code grants the State Department of Agriculture the authority to: (1) promote, protect and further the agricultural industry in the State of California, (2) assure producers, handlers and

Department of Agriculture—Continued

consumers true weights and measures of commodities and services, and (3) protect the health and welfare of the people of this state. The department's activities are broad in scope and range from the financial supervision of local fairs through agricultural pest and disease control, to enforcement of quality, quantity and safety standards of certain agricultural and consumer goods.

The financial resources of the department are derived from two major sources, the General Fund and the Department of Agriculture Fund. The former is generally expended for activities which benefit or protect the general public, while the latter supports activities which serve identifiable interests which pay the costs of the services rendered.

The total General Fund financing for the Department of Agriculture in Item 81 is \$12,178,574 in the budget year, which is equal to 63 percent of the total department budget. The Department of Agriculture Fund portion is 36 percent, or \$7,005,232. This amount excludes \$1,500,000 received under Chapter 1571, Statutes of 1970 (discussed on page 189. The Department of Agriculture Fund support portion is appropriated under Item 82. The total proposed department expenditures from all sources before reimbursement are \$24,977,669 in 1971-72. There have been significant funding changes in the Governor's Budget for the Department of Agriculture in the budget year which are discussed in the appropriate parts of this analysis.

Additional sources of Department of Agriculture support include revenues of \$205,585 for 1971-72 from the Fair and Exposition Fund derived from horseracing. This revenue supports most of the activities of the Division of Fairs and Expositions. The federal government contributes a substantial amount to the overall budget of the Department of Agriculture in the form of reimbursements or unbudgeted program participation. The major area of support is in the Meat Inspection Program where the federal government will reimburse \$2,000,081 in 1971-72. This contribution approximates 50 percent of total budget expenditures for meat inspection.

The department also collects and expends approximately \$17.5 million under 39 marketing order or similar programs established at industry request to aid in solving problems relating to production, control and advertising of agricultural products. These marketing order expenditures do not appear in the Governor's Budget because they are handled as special trust fund accounts.

Three of our recommendations relative to improving the department's program budget were accepted last year by the Legislature and included in the Supplementary Report of the Committee on Conference. These include the following:

1. That in future years the department show the source of funding for each program element in its budget.
2. That in future years the department show all expenditures and employees of the general marketing services' activities in the Governor's Budget.

3. That the department place the injurious materials activity, presently in the pesticide residue program, in the agricultural chemical program.

The Department of Agriculture has implemented none of these directives in its present program budget. Therefore, these recommendations are repeated in the appropriate place in this analysis.

ANALYSIS AND RECOMMENDATIONS

Legislative Changes Affecting Budget

It is recommended that all department and marketing order budgets be shown in the Governor's Budget or in a supplement.

The Department of Agriculture Fund expenditures reported in the Budget have been reduced by approximately \$5.6 million in 1971-72 from the current year. This results from a transfer of certain program costs to "trust" fund accounts as provided in Chapter 284, Statutes of 1970. Prior to the passage of Chapter 284, these Agricultural Fund expenditures were part of the support budget of the Department of Agriculture and were printed in the Governor's Budget. Chapter 284 specifically exempts certain moneys in the Agricultural Fund derived under certain Agricultural Code sections governing livestock identification, shipping point inspection, canning tomato inspection and wine grape inspection from the requirement in the Government Code for control by the Department of Finance. Instead these funds and the programs they finance are under the control of the Director of Agriculture. The department therefore believes it is not required to report the total expenditures for these programs in the Budget.

It is important for the Legislature and the public to have a clear picture of department programs and activities, especially when the police power of the state is being used to serve interested groups as in the above programs. Some minimal provision of information on all programs dependent upon the power of the state for their existence should be provided the Legislature. This should include marketing order programs established at industry request to aid in production, quantity control and advertising of agricultural products. In this way the Legislature would have a view of total department activities and expenditures. In order to provide this minimal information, we recommend that the department show all departmental positions and their costs in the Budget. In addition, all marketing order trust accounts and other similar programs should be shown in a separate budget supplement. This supplement could be similar to, or included in the present budget supplement on district, county and citrus fruit fairs.

Unrefunded Gasoline Tax Revenue

Another significant change in the revenue structure of the department's budget occurred with the passage of Chapter 1571, Statutes of 1970. Chapter 1571 provides for the transfer of the unrefunded taxes derived from gasoline purchases for off-highway agricultural use to the Department of Agriculture Fund where they are appropriated for the following purposes in 1971-72.

1. For reimbursement for administrative expenses charged programs supported from the Agricultural Fund—\$500,000 each year.

Department of Agriculture—Continued

2. For emergency detection, eradication, and research on agricultural plants, pests, or diseases, \$1 million each year. These are primarily General Fund programs. Any balance which remains unencumbered at the end of each fiscal year is to be added to the amount payable to counties during the next fiscal year, as provided in (3) below.

3. The remainder of the unrefunded taxes transferred each year after the above two allocations is to be transferred to counties for partial reimbursement of expenses for programs authorized by the Agricultural Code and supervised by the Department of Agriculture.

In the current year, Chapter 1571 made available \$500,000 for reimbursements for state administrative costs, \$569,000 for emergency pest detection and eradication, and \$1,250,000 to counties. The department estimates that approximately \$819,000 will be available for the latter transfer in 1971-72 to the counties.

Table 1
Department of Agriculture Total Expenditures by Program

	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
PROGRAM REQUIREMENTS			
I. Agricultural Pest and Disease Prevention	\$8,479,117	\$8,797,791	\$9,085,139
II. Agricultural Standards and Inspection Service	8,419,367	9,458,779	8,400,293
III. Agricultural Marketing Services	9,028,278	9,818,209	5,743,822
IV. Financial Supervision of Local Fairs	261,740	334,718	355,522
V. Assistance to Counties for Agricultural Purposes	171,431	1,422,046	991,046
VI. Administrative Supporting Costs:			
Distributed to programs	(1,062,206)	(1,116,069)	(890,358)
Distributed to continuing programs, other state departments and trust funds	205,048	159,304	401,847
Undistributed administrative costs	-4,939	---	---
TOTALS, PROGRAMS	\$26,560,042	\$29,990,847	\$24,977,669
Reimbursements	-2,606,143	-2,746,412	-3,097,232
NET TOTALS, PROGRAMS	\$23,953,899	\$27,244,435	\$21,880,437
General Fund	12,865,526	12,487,909	12,350,620 ¹
Department of Agriculture Fund	10,759,855	14,524,677	9,324,232
Fair and Exposition Fund	213,035	184,928	205,585
Federal Funds	115,483	46,921	---
General Fund Change from prior year	11.8%	-2.9%	-1.1%

¹ Consists of Items 81, 84 and 85.

AGRICULTURAL PEST AND DISEASE PREVENTION

The objective of this program is to prevent the introduction and spread of injurious insects or animal pests, plant diseases, and weeds. The 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 other pest eradication and control activities.

The General Fund contribution to this program in the budget year is \$7,085,500. The Agricultural Fund portion of the program is \$1,866,657,

with the remaining funds derived from reimbursements. The total program expenditures are \$9,085,139 or 3 percent above the current year. These expenditures include the \$1,000,000 appropriation from Chapter 1571, Statutes of 1970 for emergency detection and eradication of agricultural pests and diseases. The department has no present budget plans for expenditure of this appropriation but will use this money for emergency purposes.

Beet Leafhopper

Chapter 1017, Statutes of 1970, established industry sharing of the Beet Leafhopper Control Program in the amount of \$168,816. This law was an urgency measure and appropriated \$168,816 from the Department of Agriculture Fund to the department in augmentation of its 1970-71 budget. The chapter requires every producer or producer-handler of commercial agricultural crops susceptible to curly top virus to pay an assessment to the Director of Agriculture. It further establishes districts for the purposes of the assessment and authorizes the director to establish the assessment by district and crop. The assessment is to be at a rate sufficient to reimburse the director for 50 percent of the expenditure by the Department of Agriculture in carrying out the Beet Leafhopper Control Program. The department anticipates that the industry contribution to this program in 1971-72 will be \$156,878. This amount, plus the amount advanced from the Agriculture Fund in 1970-71, will approximate 50 percent of total program expenditures for the years of 1970-71 and 1971-72.

At the time this analysis was written in January, the department had collected about \$400 from the industry for support of this program. The department indicates that additional funds from the assessments will soon be available and will be sufficient to equal 50 percent of the program's expenditures for the Beet Leafhopper Control Program by the end of 1971-72.

Woolly Whitefly

We recommend that at such time as the Woolly Whitefly Program becomes one of control rather than eradication, the department present a plan for 50 percent industry support.

The woolly whitefly is an alien insect pest originally discovered in metropolitan San Diego. It attacks more than 30 crops and ornamental plants, including such important agricultural crops as citrus. Its presence in high populations results in honeydew-like residues on leaf and fruit surfaces and reduction in the vitality of plants and lowers crop returns. If not stopped in the San Diego area, the Department of Agriculture expects this infestation to spread to all citrus-growing areas of the state within 12 to 15 years. If this occurred, the department estimates potential future crop losses and control costs at approximately \$5,000,000 annually. The eradication of such pests in the past has been considered a public responsibility, with the program being financed from the General Fund. Such has been the case with this program since it began in 1968. The total cost to the General Fund, including the fiscal year 1971-72, is approximately \$1,100,000.

Department of Agriculture—Continued

The objective of this program over the four years of its operation has been the complete eradication of the woolly whitefly infestation in the San Diego area. Reduction in woolly whitefly populations has been achieved chiefly through the use of chemical sprays.

It appears at this time that the eradication of the woolly whitefly will not be possible. Infestations have recently been found over a wide geographic area in the Southern California region near San Diego. A partial cause of this spreading has been the reentrance of the insect from Mexico. Biological controls are being used in Mexico at this time by the Mexican government, with the help of the University of California, and these seem to be making substantial headway. It appears doubtful at this time, however, that complete eradication will be possible in California. The department informs us that a change may be proposed for this program in a short time. Such a proposal we assume would reorient the program from eradication to long-term control.

If the department shifts away from its eradication objective to an integrated spray and biological control program, then the basis for General Fund financing will change, and we recommend that the department submit a practical plan for 50 percent industry support.

Predatory Animal Control

We recommend that the department work with the livestock and poultry industries in developing for 1972-73 a method for industry financing of half the Predatory Animal Control Program.

The primary objectives of predatory animal control are (1) wildlife rabies control and (2) the protection of poultry and livestock. This program is managed and executed by the federal government and funded jointly by the federal government, the counties, and the state.

Funding of Predatory Animal Control in California

1970-71				1971-72			
State	County	Federal	Total	State	County	Federal	Total
\$341,200 ¹	\$386,100	\$210,900	\$938,200	\$349,000 ¹	\$398,000	\$206,000	\$953,000

¹ Includes \$94,000 contribution by Department of Public Health.

In 1969, the state recognized that rabies control was a significant program objective of the predatory animal control and, thereafter appropriated \$94,000 to the Department of Public Health each year for public health purposes of the program. The federal officials who manage the program in California have indicated that the remaining state money amounting to \$255,000 contributed through the Department of Agriculture's budget is spent solely for agricultural-related problems.

Predatory Animal Control Funding

The primary beneficiaries of predatory animal control are livestock and poultry producers. Over 85 percent of all reported depredation damage involves livestock or poultry. The damage done by predators to these producers is estimated at \$3,691,000 by the Department of Agriculture in 1970-71. Only a \$50,000 loss to crops and orchards is reported from predators in the current year. The Bureau of Sport Fisheries and Wildlife of the U.S. Department of the Interior informs us that 6,846 of their 7,246 damage control requests are attributable to

livestock and poultry losses. The remaining 400 requests were mostly related to wildlife rabies control. Of the total of 81 man-years available for predator control, 59 man-years are spent on livestock and poultry problems, with the remaining 22 man-years spent almost entirely on rabies-related work.

Since the rabies component of this program which is directly for public health protection is separately funded, it is reasonable to expect the livestock and poultry industries to finance their share for the special service they receive through this activity. The state's share of this program, directed chiefly toward mitigation of livestock and poultry losses in 1970-71 is estimated at about \$255,000.

The concept of requiring the primary beneficiaries of any department pest control program to pay for such a control program is well established. We recommend that the State Department of Agriculture work with the livestock and poultry industries in developing for 1972-73 a method of industry financing for half of the portion of this program presently financed by the General Fund through the Department of Agriculture.

Plant Quarantine

It is recommended that \$500,000 be removed from the border inspection station activity of the Plant Quarantine Program.

This program is responsible for (1) preventing the introduction and spread of new pest organisms, (2) detecting incipient infestations, and (3) preventing entry of poor-quality produce with improper labeling or packaging into the state. The proposed budget for the program is reduced from \$1,733,512 in 1970-71 to \$1,712,996 in the budget year. This reduction of \$20,516 is partially the result of shifting emphasis from plant quarantine border inspection stations to an increased in-state pest detection effort.

In the 1969-70 budget, the department proposed a major reduction in the operation of border inspection stations and a shift in emphasis to interior inspections and eradication efforts if any infestation should enter the state. This program change was dropped when the counties objected to the possible increased costs which they might incur for detection and eradication purposes. However, the department did get funds that year to increase its interior inspection staffing. The 1969-70 funding level of border inspection was approximately \$1,450,000 but this will be reduced to approximately \$1,300,000 in the budget year.

Chapter 1571 will provide \$1,000,000 annually to the department for emergency detection and eradication purposes while the counties will receive approximately \$1,000,000 or more annually to pay their costs for various purposes including detection and eradication. The department now has both the border inspection stations and the emergency eradication effort. With this new funding it should now be possible for the state to carry out the department's original proposal to reduce border inspection costs. There has never been an acceptable basis to evaluate plant quarantine and border inspection benefits and costs. Therefore, a reduction in the border inspection effort of \$500,000 is recommended for 1971-72 to further the shift in emphasis from border inspection to interior inspection and eradication efforts.

Department of Agriculture—Continued

AGRICULTURAL STANDARDS AND INSPECTION SERVICE

The Agricultural Standards and Inspection Service Program is made up of diverse elements involving the enforcement of standards and regulation of claims for agricultural products, inspecting meat and dairy products for wholesomeness, and sampling agricultural commodities for pesticide residues. Another element of the program involves maintaining standards in agricultural chemicals, and insuring accurate weights, measures and counts of commodities purchased by the public. More than any other program administered by the Department of Agriculture, this program is intended to promote the health, safety, and general welfare of the public, as well as promoting agricultural production. The overall budget for this program is \$8,400,293 in 1971-72, or \$1,058,486 less than the current year. In the budget year the General Fund contribution to this program is \$3,692,308 compared to \$3,865,446 in the current year. The Agricultural Fund support is reduced from the current level of \$3,368,757 to \$2,358,089 in the budget year. This reduction is chiefly due to the elimination of the livestock identification program element.

Pesticide Regulatory Activities

In recent years the Legislature and the public have shown major interest in the administration of pesticide statutes by the department. New legislation has not yet been fully implemented by the department. This section reviews the departments pesticide program, discusses deficiencies in administration of pesticide responsibilities, and makes recommendations for corrective action.

The department's pesticide regulatory activities consist of three program elements. These elements and their funding are:

1. Pesticide registration and quality control, \$306,873.
2. Pest control operators, \$117,900.
3. Pesticide residue, \$504,938.

The pesticide and commercial fertilizer program elements which were combined in the previous budget are separated in the present budget for purposes of program clarity.

Before any agricultural chemical may be sold in California, it must be registered with the California Department of Agriculture. The department had a staff of three registration specialist positions and 1.5 man-years of temporary help in the pesticide program in 1970-71 to review pesticide labels to determine if registration applications meet the necessary requirements. The present economic poison registration file of some 14,000 registrants is comprised 60 percent of the common agricultural or home-garden pesticides with the remainder running from hospital fungicides to mothballs.

Another part of the pesticide program element is the enforcement of label and quality requirements of different agricultural chemicals through statewide inspections and chemical analysis of pesticide samples and prosecution of violations. Pesticide registration activities, accord-

ing to the department, cost approximately \$67,000, while quality control and labeling inspection cost approximately \$207,000, and about \$33,000 is allocated for data processing.

Legislation Affecting Pesticides

Chapter 1092, Statutes of 1970, amended present law to accomplish the following:

1. Increase annual registration fees for manufacturers and dealers to \$40 per licensed product through 1971-72.

2. Establish a statutory policy that pesticide registration fees be deposited in the Agricultural Fund to be used for enforcement of Agricultural Code regulations involving economic poisons, injurious materials and environmentally harmful materials.

3. Specify the authority and duties of the director relative to evaluation and registration of economic poisons, including placing restrictions on use, quantity applied, area and manner of application, and establishing performance standards and tests to be financed and/or conducted by manufacturers.

4. Provide that the department is to develop an easily understood container identification code for economic poisons specifying their toxicity and other factors affecting safety.

5. Appropriate \$56,308 from the Agricultural Fund in augmentation of the 1970-71 budget of the department to establish a "pesticide information system." The system collects data on the location, amount and type of pesticide applied by commercial operators, government agencies, and to a limited extent, private farmers.

Chapter 1415, Statutes of 1970, requires physicians or surgeons or any other person having reasonable cause to believe that a person is suffering from pesticide poisoning, to report such fact to a local health officer. The local health officer is required to report any such case to the county agricultural commissioner, the Director of Agriculture and the Director of the Department of Public Health.

Resolution Chapter 219 of 1970, (ACR 129) requests the Department of Agriculture to propose a program for the safe and efficient disposal of unwanted environmentally harmful pesticides and to cooperate with the federal government in any similar program which it may initiate.

Chapter 1169, Statutes of 1969, requires the department to evaluate the environmental impact of economic poisons before registration. There has not been adequate change and expansion in the registration program to secure and evaluate the necessary information on the ecological and environmental impact of pesticides. The information presently being provided on new pesticides is mostly on the pesticides' effectiveness, with some information on toxicity and hazards involved in handling the chemicals. There is often very little information on toxicity to wildlife and other environmental information of this type. For those pesticides not registered at the federal level, a large amount of technical data is submitted to the Department of Agriculture for state registration purposes. The present registration staff of the department does not have the technical expertise or time to evaluate this information effectively. Even in cases where there have been a large number of

Department of Agriculture—Continued

studies on environmental effects of a pesticide, the department does not possess the permanent staff necessary to evaluate this information.

The department is able to call on the aid of the Director's Pesticide Advisory Committee and personnel of federal and other government agencies to assist in evaluating environmental problems. However, the department needs a permanent specially skilled staff to develop and implement suggested policy guidelines received from the Pesticide Advisory Committee to adequately carry out its regulatory and public protection objectives. The department recognizes the need for this additional technical capability.

Chapter 1092, Statutes of 1970, requires the director to evaluate thoroughly the environmental dangers of an economic poison before it is registered for the first time. Appropriate restrictions are to be placed on use of these pesticides. All economic poisons presented for registration renewal are also to be evaluated under these same criteria. Chapter 1092 states "The department may establish performance standards and tests which are to be conducted or financed, or both, by the manufacturer of such economic poisons."

Chapter 1092 gives the department an important tool which it could use to begin development of the needed data to evaluate the environmental impact and approved uses of various pesticides. This work can be begun even without a substantial augmentation of the department's budget or specialized staff. The department has been slow to utilize this enabling legislation and to formulate criteria so that the industry knows what will be required of it. The department should develop criteria which would enable the efficient evaluation of dangerous chemicals. Obviously such criteria would be difficult to develop and must be developed in concert with the federal government. Such criteria and performance standards and tests should be a major priority of the department's pesticide regulatory staff.

The safe disposal of unused pesticides and used or empty pesticide containers is one of the more obvious potential environmental hazards from pesticides today. At the present time, the law is not being complied with in disposal of used pesticide containers, and there is no reasonable interim policy to follow until the law is amended or compliance is made technologically feasible. Resolution Chapter 219 of 1970 (ACR 129) requested the department to propose a program for the safe disposal of unwanted pesticides. The department is working on such a program but at this time the problem remains.

In California approximately \$180,000,000 worth of pesticide products are used each year. It has been estimated that approximately 3.9 million agricultural pesticide containers require disposal annually. The present law requires the disposal of former containers of injurious or restricted materials in a manner which will not present a hazard to man, animal or agricultural crops. Only class 1 dump sites are authorized to accept most economic poisons. There are approximately 11 class 1 dump sites in the entire state with none in the San Joaquin Valley.

Our discussions with county agricultural commissioners and other individuals in various counties throughout the state have provided the following information concerning container disposal. Some counties have large stocks of deteriorating-used pesticide containers with no present means of disposal. Some counties burn containers in violation of the air pollution laws, because they feel this is a less dangerous alternative than continued storage. Other counties crush pesticide containers and then dispose of them without segregation from other refuse in local dumps which is also a violation of the law.

Although various studies have been made of the pesticide container disposal problem in California, it appears that the worst elements of the problem remain. There are many possible alternatives for providing safe disposal of these containers. These alternatives include using returnable containers, establishing central decontamination disposal stations, and establishing state-operated class 1 dump sites. The optimal long-range method of disposal of these containers at the present time seems to be disposal in special incinerators. The estimated cost for individual incineration facilities to accomplish this disposal runs over \$500,000 each.

Pesticide Quality Control

We recommend that the Legislature and the department (1) study the feasibility of issuing citations to enforce pesticide quality control standards and pesticide use regulations, and (2) that the department improve its pesticide quality control.

In the first three quarters of 1970-71, the field sampling (quality control) activities of the pesticide program element encountered deficiency of about 17 percent among pesticides sampled in the field for conformity to label description, proper branding, and registration regulations. Of the 682 samples tested, 117 did not pass. This is substantially the same percentage deficiency found in 1968-69 and shows no improvement achieved through this activity. The level of violations raises serious questions as to the effectiveness of this enforcement activity.

We have also observed that the department's enforcement policies do not result in a large number of prosecutions or in serious monetary penalties for those violating these pesticide quality standards. In most cases the only penalty the manufacturer of a deficient chemical suffers is the removal of deficient chemicals from the shelves to be sent back to the factory for reformulation or relabeling. It appears that stronger enforcement or stronger penalties in this program are necessary to bring about an adequate level of compliance with the law.

The issuance of citations by department personnel is being attempted in the current and budget year to enforce the regulations of the Bureau of Weights and Measures. Such proceedings could provide a more direct and effective penalty for the violator where large numbers of minor violations occur. We recommend that the Legislature and the department evaluate the experience of the Bureau of Weight and Measures with citations and other relevant experience, to determine the practicability of this concept in enforcement of pesticide quality control standards and use regulations.

Department of Agriculture—Continued

The second program element of the department's pesticide program is the pest control operator element. This element is designed to regulate through examination and licensing agricultural pest control operators, pest control pilots, and pesticide dealers. Enforcement activities may involve the surveillance of pesticide applications to determine if use is in conformance with label directions. Another activity is the enforcement of provisions of law which require that recommendations for pesticide applications be in writing and a copy delivered to the county agricultural commissioner, Director of Agriculture, and Director of Public Health. This program element is budgeted at \$117,900 in the budget year and is fully financed by industry fees.

Prosecution of commercial pest control operators (PCO's) and farmer applicators for pesticide use violations is now an extremely cumbersome process. Examples of violations are: operating as a commercial PCO without a license, spraying injurious agriculture chemicals unsafely, failure to follow authorized dosage and crop limitations, and not complying with worker reentry or other safety requirements. There are two general enforcement procedures now being used by the department and county commissioners to control pesticide use violations. These are administrative hearings and prosecution by the local district attorney.

District attorneys are often reluctant to handle pesticide law violations because of their large general caseload and their lack of familiarity with pesticide laws. Therefore, an administrative hearing is the most common procedure followed. However, even administrative hearings brought against a violator of pesticide laws still require lengthy preparation of evidence by state and county personnel and often take as much as 90 days before any action begins. These administrative hearings can result in revocation of a PCO's license, suspension or a fine at the director's discretion. However, these procedures are too unwieldy to be used frequently.

Many county and state personnel have expressed the desire for a more efficient enforcement tool. A system that would provide for on-the-spot citations by designated state and county personnel for certain pesticide use violations seems to be preferred. This system would allow the public officer to immediately commence an enforcement action by issuing a citation.

We recommend that the efforts of the Bureau of Weights and Measures and any other relevant state experience with enforcement through citations in similar conditions, be studied by the Legislature and the department to assess the merits and drawbacks of using such a state-county enforcement tool in pesticide use regulation.

The pesticide residue program element is the third major pesticide program activity of the Department of Agriculture. It is supported by the General Fund. The cost of the residue program for the current year is \$483,649 and for the budget year is \$504,938. The pesticide residue program involves regular inspections and sampling of fruits, vegetables, nuts, hay and other produce for hazardous residues of pesticides. Samples are taken at wholesale and retail markets and at the farm for chemical analysis at state laboratories.

All commercial applicators of pesticides and users of injurious materials and government agencies must report pesticide usage for compilation and data storage by computers and publication of summaries of pesticide use. The pesticide use data supplements in-field inspection to determine (1) if pesticides are being properly applied, (2) to analyze changes in usage patterns; and (3) to investigate areas where problems may have occurred. Pesticide use reporting is also intended to enable the gathering of factual information on the uses of pesticides for guidance in environmental protection.

Funding of Pesticide Regulatory Activities

We recommend that pesticide registration fees be placed in the General Fund and that the registration cost be transferred to the General Fund. We further recommend an augmentation of \$60,000 for the pesticide registration program.

We recommended last year that the injurious materials work be consolidated with the registration activity and that pesticide registration fees be placed in the General Fund so that both the registration and injurious materials work would become a General Fund program. This recommendation was accepted by the Assembly but was dropped from the Budget Bill because of technical difficulties.

Legislation enacted in the past year provided that registration fees be increased from \$10 to \$40 per registration and that the fees for economic poisons may be expended only for the administration and enforcement of laws on pesticide registration, injurious materials and environmentally harmful materials. In addition, the "Supplementary Report of the Committee on Conference, 1970-71," recommended that the Department of Agriculture place the injurious materials activity in the pesticide registration program to be financed from the Agricultural Fund. These legislative directives were not followed by the department. The department's 1971-72 budget does not shift the injurious materials activity to the registration program nor does it propose changing the financing.

We continue to recommend that (1) the injurious materials work be funded as part of the registration program, but (2) that the entire registration process be shifted to the General Fund, with pesticide registration fees paid into the General Fund. This funding transfer will require legislation and cannot be done through the Budget Bill as was attempted last year.

If the injurious material activity were added to the pesticide registration element, the total expenditure for that activity would be approximately \$341,000 while the revenues are estimated at \$400,000. The department has been careful in qualifying its estimate of pesticide registration fee revenues, because it is unsure of the effect of the increased fees on the number of registrants. After one month of experience with the new fee schedule, the department indicates that the number of registrations appears to be about 20 percent below normal. Approximately \$275,000 had been received by late January. On the basis of this preliminary experience, the department should receive at least \$400,000 in registration fees. It would appear therefore

Department of Agriculture—Continued

that this program will have a surplus of fees over expenditures in 1971-72 of approximately \$59,000.

We have pointed out in the past that the pesticide program element is both underfunded and understaffed to accomplish its statutory responsibilities. The department has estimated that it will require approximately 21 additional positions in order to properly carry out the responsibilities added by recent legislation. The department indicates that it will need two new registration specialists in order to periodically review all registrations to enforce safety guidelines and improve label review procedures. In addition, a chemist, entomologist, bacteriologist-mycologist, toxicologist and biologist will be needed. These specialists would be involved in reviewing formulations and evaluating analytical material submitted, determining whether tests and procedures were sufficient to satisfy department guidelines, reviewing pesticide accidents, and working on revision of the pesticide program of the department. Additional staff support would be in the form of two agricultural chemists and two laboratory technicians. Four additional field inspectors would be added to the program to do field work for registration personnel, check field use of chemicals and investigate complaints. The remaining position would be a clerical position in the business service office. The cost of these additional positions would be approximately \$117,000 in the first year and \$424,000 in the second year (including \$204,000 in equipment), with decreasing amounts thereafter. We agree that this approach and this type of funding is necessary.

It was indicated above that the department may have a surplus of approximately \$60,00 in 1971-72 in pesticide registration fees. With this revenue the department should be increasing the pesticide evaluation staff. We therefore recommend an augmentation of the department's budget in the amount of \$60,000.

Bureau of Weights and Measures

We recommend that fees charged deputy weighmasters be increased sufficiently to (1) finance the present \$20,000 deficit of the weighmaster program, (2) add additional skilled personnel to the program to increase the bureau enforcement capability, and (3) establish improved regulations for the container tare activity.

The Department of Agriculture has general authority over the accuracy of weights and measures and weighing and measuring devices sold or used in this 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 done by county sealers of weights and measures.

The bureau's program is divided into four general program elements. These elements are quantity control, weighing and measuring devices, petroleum products and weighmaster enforcement. Quantity control and weighing and measuring devices program elements are financed by the General Fund at a cost of \$157,001 and \$301,367, respectively, in 1971-72. Petroleum product activities are budgeted at \$387,073 and

weighmaster enforcement at \$192,840 in 1971-72. Both of these programs are financed through license and other fees.

Program Changes in the Current and Budget Years

In our analysis of the Bureau of Weights and Measures prepared for consideration of the 1970-71 budget, we indicated certain problem areas in the bureau's activities. The bureau supervises county sealers by many means, one of the most important of which is the random conduct of county surveys each year. We indicated that the bureau's county survey selection criteria were questionable, that followup was negligible, and that the bureau was failing to comply with statutory provisions relative to the frequency of county weights and measures surveys.

The bureau was directed by the Legislature to review its survey activities and report to the Legislature relative to the above problems. The bureau has responded by modifying the survey activities to accomplish the following:

- (1) Survey equipment serving a larger proportion of the total state population by giving greater emphasis to that in population centers.

- (2) Give a higher priority to more frequently used weighing devices and using county equipment to a larger degree.

- (3) Followup surveys of county deficiencies to assess the improvement achieved through state survey recommendations.

Weighmaster Enforcement Problems

The weighmaster enforcement activity of the Bureau of Weights and Measures is designed to assure true weights and measures of commodities and services purchased in commercial transactions involving weights, measures, or counts certified by licensed weighmasters. The certificates are issued by weighmasters and records must be kept on certificates issued for the dual purpose of protecting the weighmaster against unfounded claims and safeguarding the consumer against dishonest weighmasters. The Director of Agriculture has the statutory duty of enforcing this law and carrying out its provisions and requirements. Weighmasters are licensed by the Department of Agriculture and bonded by the state to insure their accuracy.

Almost all bulk commodities sold by weight in this state are traded on the basis of weighmaster certificates issued by licensed weighmasters. Among the products involved are: all agricultural, horticultural, and viticultural and vegetable products; flaxseed and cottonseed; livestock; scrap metal and salvage material; rock, sand and gravel; ready-mix concrete and earthfill; and commercial freight and furniture being transported. There are approximately 3,500 principal weighmasters at 6,000 locations in California and 29,000 deputy weighmasters. These principles and their deputies issue approximately 30 million certificates of weights and measures each year.

The California Department of Agriculture estimates that 1970 farm production in California was approximately 41.1 million tons with total gross cash receipts of over \$4.5 billion. Minor inaccuracies in weighing equipment could cause very large losses to those dependent on weighmaster certified accuracy. For example, an error of 1 percent in favor

Department of Agriculture—Continued

of purchasers of agricultural products would have resulted in a loss of \$45 million in 1970 to sellers.

During the past fiscal year, significant problems have been uncovered by the department in the weighmaster enforcement program. Serious violations of weighmaster laws have been found to be widespread throughout the state. Examples of the types of violations found are the following:

(1) Increasing the gross weight at the request of a truck driver, sometimes with a bribe involved.

(2) Decreasing the weight of a truck being weighed for motor vehicle license purposes.

(3) Weighing trucks with persons on the vehicle. This is only legal with earth, stone, sand or gravel.

(4) Issuing a certificate for a vehicle not weighed.

(5) Weighing without a license.

The department has reacted to these violations by notifying all public weighmasters in California of the survey results and the serious violations which have been found.

The container tare program is another element of the weighmaster enforcement program. A tare is the weight of a container which is deducted from the total weight of a filled container to determine the weight of the contents. The major portion of all containers certified under this program are bins used to transport agricultural products. The Department of Agriculture is authorized to establish a tare for each of several types of containers and pallets used in making deliveries of edible agricultural commodities in this state. The department may also prescribe tolerances as may be necessary for the proper protection of persons engaging in transactions where the computation of tares affects purchase price.

Tares are normally determined as the simple average weight of a certain number of bins or containers of like design, material and construction. The only requirement for containers on which an average tare is determined is that they be of like design, material, and construction. There are no regulations to take into account the extent of weight variations which may exist between different containers which are assigned the same average tare.

In a recent study the department conducted 12 tests on agriculture bins which are currently classified as being of like design, material and construction. In the tests 25 bins were selected each time and weighed. The bins were of the 200-pound category and were chosen from those of several counties and different companies. The average variation in the weight of the 12 different samples tested was 24.5 pounds. These bins are the type used to transport dried fruit and nuts, whose value can be as much as 60 cents per pound. Despite the large weight variation involved the above tested bins meet present regulation requirements because they are of like design, material and construction.

There have also been many complaints from industry that county sealers of weights and measures who establish tares are not doing an adequate job. One reason is that the laws at the present time are so

general that the county sealer may weigh as many bins as he feels is necessary or has the time to weigh in order to determine an average tare. The bins may be chosen at random, or from one side of a stack; they may be wet or dry, or they may be delivered by a firm which has already preselected containers for the sealer to weigh. There is a clear need for more precise regulations in order to achieve greater accuracy.

The department indicates that with a relatively small increase in manpower it would be able to improve container tare regulations and utilize state personnel to establish all container tares in California. This appears reasonable because the counties where the bulk of agricultural tares are determined each year are concentrated in the central California area.

Funding of Weighmaster Enforcement Program

At the present time the principal weighmaster pays a \$25 license fee and each deputy employed by the principal pays a \$2 license fee. These funds are used by the Department of Agriculture to finance its weighmaster enforcement program, including the container tare activity. These fees at the present time bring in approximately \$170,000 each year. Expenditures are now over \$190,000. It appears that the first step in improving the department's weighmaster enforcement activities is to increase the license fees charged principal and/or deputy weighmasters. When a driver's license to operate a motor vehicle on the highway is \$4 and a hunting license is \$4, it seems inconsistent that a license for deputy weighmasters to do business is only \$2. With a modest increase in deputy weighmaster fees to \$5, the department could finance the present program deficit and be given the enforcement staff and resources to reorient this program to cope with the recently discovered problems in weighmaster practices and the container tare program.

The department is taking steps at this time under the present budget to correct the abuses encountered in the weighmaster enforcement activity. Reform of the container tare activity through improved program organization, better statistical sampling techniques and specific regulations for county sealers in determining tares are also necessary now.

Because of the present operating deficit in the weighmaster enforcement activity of the department, and the clear need for additional enforcement capability, we recommend that fees on deputy weighmasters be increased sufficiently to (a) finance the present \$20,000 deficit in the program, (b) add additional skilled personnel to the program to increase the bureau enforcement capability, and (c) establish improved regulations for the container tare activity.

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 departmental expenditure in 1971-72 for Agricultural Marketing Services is budgeted at \$5,743,822. This consists of \$1,400,776 from the General Fund and \$4,280,486 from the Agricultural Fund. The Agri-

Department of Agriculture—Continued

cultural Fund expenditures for this program are reduced by approximately \$3,935,032 from the current year level. This reduction is chiefly due to the elimination of the shipping point inspection, canning tomato inspection, and wine grape inspection programs from the Governor's Budget. These activities are now financed from "trust" funds with their expenditures removed from the department's budget.

Market News

We recommend that the Department of Agriculture work with the agricultural industry in developing equitable methods of funding a substantial industry contribution to the Market News Program in 1972-73. The department should report the results of its efforts to the Legislature by December 1, 1971.

The primary function of the Bureau of Market News is the dissemination of current information on prices, supplies, and other economic measures of the agricultural commodities of California. The program is intended to facilitate orderly marketing of agricultural products by providing data and analysis of market conditions. The bureau 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 then compiled and reported. Dissemination takes place through printed reports, newspapers, teletype, telephone recordings and personal contact.

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 budget year, the General Fund support for this program is \$1,006,872. This is a reduction of \$54,198 from the current year's budgeted figure of \$1,061,070. The Federal Cooperative Program is anticipated to be similar to the \$792,000 of the 1970-71 year, although the federal inputs into this activity have not been budgeted at this time. Total program expenditures including state and federal funds are about \$1,800,000 in the current year.

The General Fund decrease of \$54,198 for the Market News Program reflects the elimination of six positions as a result of consolidation of various market news offices in the state. The reduction will result in the following:

1. Elimination of positions:
 - a. Marketing specialist position in Sacramento.
 - b. Clerk-typist position in Sacramento.
 - c. Clerk-typist position in Los Angeles.
 - d. Clerical position at Fresno.
 - e. Clerk-typist position in San Francisco.
2. Consolidation of the Blythe and Coachella offices with the El Centro office.
3. Elimination of the state contribution to ornamental crop reporting program at San Francisco, and elimination cross-office teletype.
4. Elimination of the cross-office teletype relay system in Sacramento.

We concur with the Department of Agriculture that these reductions will result in a more efficient market information system through the use of improved methods and the reduction of low-priority work.

Compliance With Supplementary Report on 1970-71 Budget

The department was directed in the Supplementary Report of the Committee on Conference to the 1970 Budget Bill to (1) attempt to revise the Federal-State Cooperative Market News Agreement to more clearly define and establish funding responsibilities, and (2) delete the restrictive provisions prohibiting the imposition of charges for market news reports. In the current year, the department has attempted to implement these two recommendations. However, the federal government has declined to allow the state to delete from the market news agreement the restrictive provisions prohibiting the imposition of charges on market news reports although certain fees were found to be permitted. Negotiations are in progress at this time on a federal-state consolidation of market news activities in California. The department is optimistic that some change in the funding relationship between the state and federal governments and possibly further integration or consolidation of offices can be made in the future.

Alternative Sources of Funding

The department started the policy in the current year of consolidating market news offices and eliminating some news activities. Another method of reducing the General Fund support of this program which should be thoroughly studied is the development of industry financial support. In last year's analysis we indicated that a departmental evaluation of the occupations of those receiving certain of the more widely distributed market news reports showed a very high concentration among those in agricultural production (50 percent) and marketing (23 percent). We commented that these were persons chiefly concerned with this information for business purposes and who were therefore receiving direct economic benefits from the program. Legislative policy has been increasing in the direction of charging for services which benefit particular groups. Since the General Fund is the sole source of this program's revenues, we recommend that a thorough review of this program's funding should be undertaken by the department. This review should develop a broad based means of assessing the industries benefiting from this program.

Developing industry support is a feasible task. As mentioned in a federal communication to California, Arizona finances its share of market news costs by a fee imposed on each carload of fruits and vegetables shipped, while market news reports are furnished free of charge.

ADMINISTRATIVE SUPPORTING SERVICES

Total department expenditures for administration, excluding certain direct reimbursements not shown in the Governor's Budget, are \$1,292,205 in the budget year. These costs are all either allocated to other department programs or are reimbursed from trust funds, other state departments, or continuing appropriations.

Department of Agriculture—Continued

The department's administrative support program is composed of six subelements. These subelements are (1) Executive, \$533,034; (2) Information, \$46,015; (3) Fiscal Office, \$378,827; (4) Personnel, \$138,330; (5) General Office, \$94,999; and (6) Data Processing, \$101,000.

The only substantial change in the administrative support program in this budget is a reduction of \$19,734 in the public information program element. This reduction is due to an adjustment in the news releases to the press and other media, and a reduction in out-of-state travel. An assistant information officer position is also transferred from this program to the Agricultural Pest Disease and Prevention Program.

DEPARTMENT OF AGRICULTURE

Item 82 from the Agriculture Fund Vol. I p. 279 Budget p. 65

Requested 1971-72	\$7,005,232
Estimated 1970-71	13,274,677
Actual 1969-70	10,759,855
Requested decrease \$6,269,445 (47.2 percent)	
Total recommended increase	\$60,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. *Pesticide Registration.* Augment \$60,000. Recommend augmentation to permit expenditure of all available revenues to carry out the program established by the Legislature.

ANALYSIS AND RECOMMENDATIONS

This item appropriates from the Department of Agriculture Fund that portion of the department's budget requested by or benefiting particular groups. The fund is composed of fees and assessments derived from a variety of industry sources.

The \$60,000 augmentation is to allow an increase in the technical pesticide evaluation staff in the Department of Agriculture's pesticide program. The large decrease in the budget year Agricultural Fund expenditures is misleading as \$5.6 million in expenditures which appears in the current budget is no longer shown in the Governor's Budget. There is no major reduction in programs. Discussion of the above augmentation, and the large decrease in Agricultural Fund expenditures is found under Item 81 of the analysis.

Department of Agriculture

DIVISION OF FAIRS AND EXPOSITIONS

Item 83 from the Fair and
Exposition Fund

Vol. I p. 311 Budget p. 65

Requested 1971-72	\$205,585
Estimated 1970-71	184,928
Actual 1969-70	213,035
Requested increase \$20,657 (11.1 percent)	
Total recommended reduction	None

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.

The program increase in the budget year is caused by the need for audit staff to provide a minimal audit of local fair operations. The budget increase of \$20,657 will provide one governmental auditor II. This position is necessary because the Audits Division, Department of Finance has discontinued its auditing of local fairs.

SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS

Item 84 from the General Fund

Vol. I p. 313 Budget p. 67

Requested 1971-72	\$171,600
Estimated 1970-71	171,600
Actual 1969-70	170,985
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates funds in accordance with Sections 2221-2224 of the Agricultural Code, which provide for cost-sharing agreements for portions of agricultural commissioners' salaries in order to provide adequate and uniform enforcement of applicable Agricultural Code provisions. This appropriation makes available, through agreement between the Director of Agriculture and any county board of supervisors, a sum not to exceed \$3,300 per year or two-thirds of the salary of each commissioner, whichever is less. Fifty-two counties are participating in this program.

ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT

Item 85 from the General Fund Vol. I p. 313 Budget p. 67

Requested 1971-72	\$446
Estimated 1970-71	446
Actual 1969-70	446
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

The California Land Conservation Act (Chapter 1443, Statutes of 1965) provided that owners of prime agricultural lands, and other lands compatible with agricultural uses, may enter into 10-year contracts with cities and counties for the establishment of agricultural preserves to restrict use of such lands to "agricultural" purposes. The act also provided for an annual payment of \$1 per acre for land under the contract to cities and counties. These moneys could be used for the cost of administration and to make, or assist in making, additional payments to owners of land under contract.

In 1969, the act was amended so that prior contracts and agreements would be consolidated and in the future the \$1 per-acre payments would be eliminated. However, the existing dollar-per-acre payment of \$446 will continue until the one remaining contract in Fresno County is amended. The Department of Agriculture at the present time is attempting to bring this about.

DISTRICT FAIRS

Items 86, 87 and 88 from the Fair and
Exposition Fund

Vol. I p. 330 Budget p. 69

For reappropriation of support for district fairs.	
For transfer to the General Fund 1971-72	\$473,000
Transfer to the General Fund 1970-71	130,000
Transfer to the General Fund 1969-70	130,000
Recommended change in transfer	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The sum of \$4,680,000 is appropriated annually from horseracing revenues in the Fair and Exposition Fund for allocation by the Department of Agriculture to district and county fairs for support purposes. The authority for this continuing appropriation is contained in Section 19627 of the Business and Professions Code. While Section

19627 appropriates a total of \$4,680,000 each year, the code also allocates the money between district agricultural associations and the county agricultural fairs, with the limitation that an annual allocation by the department to any one fair may not be more than \$65,000. This budget item is concerned only with the \$3,185,000 available for operations of district fairs. The county fairs are the subject of Item 91.

The Governor's Budget for 1971-72 proposes in Item 86 that \$435,500 of the money appropriated by Section 19627 for support of district agricultural fairs be reappropriated from the Fair and Exposition Fund to the General Fund during the 1971-72 fiscal year. The reappropriation is a 10-percent reduction in the statutory allocation of \$3,185,000 (excluding \$130,000 for 22nd and 51st District Agricultural Associations). This reduction amounts to \$305,500. In addition to this \$305,500, certain additional funds are also transferred to the General Fund by this item. There are 48 district fairs at the present time eligible for support appropriations under Chapter 19627. However, this section was amended in 1959 to add specific language that the allocation to each fair would be "on the basis of need of each fair for financial assistance..." As a result of this amendment to the law in 1959, the 22nd District Fair (Del Mar) has not been technically eligible for financial support and therefore has not received an allocation since the 1959 amendment. The 51st District Fair, which no longer exists, has its statutory allocation of \$65,000 annually reappropriated or transferred to the General Fund. This makes \$130,000, which is equal to the amount transferred in the current and past years to the General Fund. The \$130,000 plus the \$305,500 are the amounts transferred by Item 86.

In addition to the above amounts, 10 percent has been reduced from the allocations to the 1-A District Agricultural Association (Cow Palace) amounting to \$25,000 in Item 87 and \$12,500 in Item 88 has been reduced from the 48th District Agricultural Association (Great Western Livestock Show). These amounts are also reappropriated to the General Fund. The sum of all of these reductions makes a total transfer to the General Fund of \$473,000 from district fairs.

Generally in past years there have been further reductions from the \$3,185,000 available for district fairs, which are the so-called administrative savings. These administrative savings vary each year, but have been on the order of \$300,000. They consist of savings resulting from the review of each district fair's "needs" by the Division of Fairs and Expositions. This review can result in less than the statutory maximum of \$65,000 being allocated to a particular district fair. The savings flow to the General Fund.

Local Assistance

COUNTY FAIRS AND CITRUS FRUIT FAIRS

Items 89, 90 and 91 from the Fair and
Exposition Fund

Vol. I p. 333 Budget p. 70

For reappropriation of support for county fairs.

For transfer to the General Fund ----- \$192,500

Recommended change in transfer ----- None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The sum of \$4,680,000 is appropriated each year for support of district, county and citrus fruit fairs from the Fair and Exposition Fund subject to allocation by the Department of Finance. Of this amount, approximately \$1,925,000 is for support of county agricultural and citrus fruit fairs. Under Section 19627 of the Business and Professions Code, eligible county fairs may receive an annual appropriation for support not to exceed the maximum of \$65,000 per fair (See District Fairs, Item 86 for further information).

The Governor's Budget proposes to transfer \$192,500 of the money appropriated by Section 19627 for support of county, and citrus fruit fairs, from the Fair and Exposition Fund to the General Fund during the 1971-72 fiscal year. This appropriation represents a reduction of 10 percent in the amount annually appropriated for county and citrus fruit fairs. The transfer is comprised of \$149,500 from county agricultural fairs in Item 91, \$25,000 from the Los Angeles County Fair in Item 89 and \$18,000 from the citrus fruit fairs in Item 90.

DEPARTMENT OF COMMERCE

Item 92 from the General Fund

Vol. I p. 336 Budget p. 71

Requested 1971-72 ----- \$1,274,676

Estimated 1970-71 ----- 1,282,542

Actual 1969-70 ----- 1,349,655

Requested decrease \$7,866 (0.6 percent)

Total recommended reduction ----- \$16,452

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Public Education in Science and Industry. Reduce \$16,452.* 212
We recommend elimination of the unfilled educational consultant position.

GENERAL PROGRAM STATEMENT

The Department of Commerce, formed under the Governor's Reorganization Plan Number 1 of 1968, consolidated the following functions:

1. The promotion of business and industrial growth.
2. The expansion of California's export trade.
3. The promotion of tourism.
4. The furtherance of public education in science.

The first three of these are carried on within the department's business, industrial and world trade development program. The fourth is provided by the Museum of Science and Industry which is located in Exposition Park in Los Angeles. Its exhibits depict man's scientific progress and inform Californians and visitors of the state's scientific capabilities and accomplishments. Through its educational program, the museum fosters public interest in the field of science with particular emphasis on the young.

The Director of the Department of Commerce establishes overall policy, working in concert with pertinent commissions which advise him in the various functions of the department.

These commissions are:

1. California Industry and World Trade Commission.
2. Tourism and Visitor Services Commission.
3. Board of Directors of the Museum of Science and Industry.

BUSINESS, INDUSTRIAL AND WORLD TRADE DEVELOPMENT**Reduced Level of Economic Promotion**

This program includes the collection, analysis and dissemination of economic data necessary for the expansion of existing and the location of new industries in California. It also includes the promotion of the state's export and tourist trade. The department implements its objectives by responding to individual requests from industry and the tourist sectors for economic data, and provides liaison between business firms and local organizations engaged in economic and tourist promotion.

Table 1 shows the allocation of manpower among the three functions in this program. The staffing level was reduced during the current fiscal year as a result of budgetary reductions made by the 1970 Legislature.

World Trade Library to Terminate as State Activity

The \$27,300 workload adjustment in the budget year represents the elimination of the San Francisco World Trade Library as a state function. During the current year, the library and its three employees were privately financed. It is expected to operate as a private entity in the future.

Department of Commerce—Continued

Table 1
Personnel and Program Cost of the Business,
Industrial and World Trade Program

	<i>Man-years</i>		
	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Industrial and world trade development -----	8	4	4
Tourism promotion -----	4.7	2	2
World trade library -----	3	3	0
Total man-years -----	15.7	9	6

	<i>Program cost</i>		
	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Continuing program cost -----	\$271,717	\$162,507	\$162,507
Workload adjustments -----	—	7,866	-27,300
Total program cost -----	271,717	170,373	135,207
Reimbursements -----	-34,320	-27,300	—
General Fund costs -----	\$237,397	\$143,073	\$135,207

PUBLIC EDUCATION IN SCIENCE AND INDUSTRY

This program is performed by the Museum of Science and Industry. The director and his staff, in cooperation with the nine-member board of directors, administers the museum and has responsibility for security of the museum buildings and Exposition Park.

Education Program

The primary purpose of this program is to create and stimulate the interest of Californians in the field of science. It is particularly geared to reach the largest possible number of the state's young, with the anticipation that some will pursue scientific careers and thereby provide California with needed talent in this field. The program consists—in addition to permanent and temporary exhibits—of lectures, seminars, summer science workshops and teaching institutes led by eminent scientists from all over the country. A major portion of these latter activities is financed by the Museum Foundation Fund which is supported by private contributions.

Admission to the museum is free, and attendance records underscore continued public interest in it.

Table 2
Attendance Record at the Museum of Science and Industry

	1967-68	1968-69	1969-70	1970-71	1971-72
Total attendance -----	1,790,265	2,636,343	3,043,505	3,100,000	3,100,000
Educational expenditures --	\$552,274	\$576,835	\$647,402	\$664,372	\$664,372
Cost per visitor -----	\$0.31	\$0.22	\$0.21	\$0.21	\$0.21

We recommend elimination of the vacant educational consultant position for a General Fund saving of \$16,452.

Seven positions currently participate in the direction and coordination of the educational program of the museum. In July 1969, an educational consultant position was established to work in this program, but it has never been filled. The administrative assistant, with the help of the other positions shown in Table 3, has directed this program.

Table 3
Positions Participating in the Museum's Education Program

<i>Position</i>	<i>Estimated percent of time spent on Education Program</i>
Museum director -----	15%
Administrative assistant -----	100
Educational consultant -----	vacant
Manager, Hall of Health -----	40
Secretary -----	100
Secretary -----	60
Two information and education officers -----	25 (each)

The fact that the consultant position has not been filled since its creation is strong justification for its elimination. Also, the other seven positions are sufficient to direct this program.

Administration

This function assures the proper operation and maintenance of all plants and facilities. It includes operation and security of museum buildings, as well as providing security within Exposition Park, which includes portions of land leased to the Coliseum Commission and to the County of Los Angeles. The museum also operates 26 acres of public parking, catering to patrons of the museum, the coliseum, the sports arena and swimming stadium. Parking fees for special events at these facilities were recently raised by the museum to bring them more in line with private parking rates in the surrounding area.

With the consolidation of the Museum of Science and Industry Fund into the General Fund in the 1970-71 Budget, the museum's requested budget will be entirely funded from the General Fund. The past, present and proposed budgetary requirements of the museum are summarized in Table 4.

Table 4
**Budgetary Requirements for the Public Education in
 Science and Industry Program**

	<i>Personnel Man-years</i>			<i>Expenditures</i>		
	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
Total requirements --	106.5	113.6	113.6	\$1,116,210	\$1,145,469	\$1,145,469
General Fund -----	--	--	--	671,355	1,139,469	1,139,469
Museum of Science and Industry Fund -----	--	--	--	440,903	--	--
Reimbursements -----	--	--	--	3,952	6,000	6,000
Program elements						
Education program ---	61.8	65.9	65.9	647,402	664,372	664,372
Administration -----	44.7	47.7	47.7	468,808	481,097	481,097

The \$6,000 reimbursement shown in Table 4 is from Los Angeles County and City and represents maintenance services performed by the museum's staff at Exposition Park property which the city and county rent from the museum.

The museum is proposing a status quo budget. Merit salary adjustments of \$21,704 in the budget year are offset by an almost identical increase in salary savings. The funding for operating expenses and equipment is held constant, despite cost increases.

DEPARTMENT OF CONSUMER AFFAIRS

Items 93 through 128 from
Various Funds

Vol. I p. 343 Budget p. 72

Requested 1971-72 -----	\$12,722,916
Estimated 1970-71 -----	12,561,128
Actual 1969-70 -----	11,279,646
Requested increase \$161,788 (1.3 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The former Department of Professional and Vocational Standards was renamed the Department of Consumer Affairs by the Governor's Reorganization Plan No. 2 of 1970. During the 1970 legislative session, 115 bills were enacted which deal with various phases of this department's activity. A number of these measures will be referred to in the following analysis.

This department, under its former name, was established in 1929 for the purpose of placing many of the state's independent regulatory bodies under the administrative direction of one agency. The department is headed by a director appointed by the Governor and serving at his pleasure. Subject to such authority as is conferred upon the director by specific statute, each constituent agency within the department conducts its own statutory program.

For purposes of administrative and budgeting convenience, the department has arranged its constituent agencies in the following functionally related program groups:

1. Healing Arts
2. Fiduciary
3. Design and Construction
4. Business and Sanitation
5. Consumer Services

In addition to these program groups, there is an administrative program, the cost of which is distributed pro rata to the constituent agencies. While each agency maintains a semi-independent status, the departmental administration division provides such centralized services as accounting, budgeting, personnel management, internal auditing, and legal assistance. The department's Division of Investigation provides investigative and inspection services for constituent agencies. Electronic data processing services are secured under contract from the Board of Equalization. The administrative division manages the Sacramento headquarters building and maintains offices in San Francisco and Los Angeles. The Division of Investigation maintains branch facilities in several cities as does the Contractors' State License Board.

Each program element or individual agency has the statutory objective of regulating an occupational group for the purpose of protecting the general public against incompetency or fraudulent practices. Each agency seeks to accomplish its objective through two types of activity—licensing and enforcement of laws, rules, and regulations. Licensing

may involve a variety of activities such as the establishment of curricula, school accreditation, and required experience periods; examination, issuance and renewal of licenses or certificates; or a registration procedure. Law enforcement or compliance consists of procedures to insure that licensees obey laws, rules and regulations governing business or professional conduct. Compliance activity involves inspections, investigations, administrative hearings (before an officer of the Office of Administrative Procedures) or court proceedings where the act being enforced so provides.

Division of Consumer Affairs (Item 102)

In 1959, the Legislature created the Office of Consumer Counsel as an advisory office to the Governor and the Legislature. This office subsequently was placed in the Agriculture and Services Agency by the Governor's Reorganization Plan No. 1 of 1968. Pursuant to an executive order, it was transferred late in 1968 to the Department of Professional and Vocational Standards to serve as a "complaint desk" for a newly created Division of Consumer Affairs, a departmental program group.

Chapter 1394, Statutes of 1970, which becomes operative July 1, 1971, abolishes the Office of Consumer Counsel and transfers its functions and any General Fund appropriation balance to the department. Known as the Consumer Affairs Act, the 1970 legislation defines objectives and authorizes activities which significantly broaden the department's responsibility and functions in the field of consumer affairs.

Chapter 1399, Statutes of 1970, created within the department a Division of Consumer Services, which replaced the former Division of Consumer Affairs. This legislation also transferred administrative responsibility for the Nurses' Registry Program from the Labor Commissioner to the Division of Consumer Services. The "nurses' registry" licenses employment agencies which secure employment for nurses. The budget proposes a \$10,000 General Fund appropriation to finance the activities of the division relating to matters of general consumer interest. Consumer-oriented matters specifically relating to the activities of constituent agencies are covered by the special fund assessments which support departmental administration.

Funding

In addition to the new Division of Consumer Services which is supported in part by the General Fund, two other departmental agencies, the Athletic Commission and the Board of Guide Dogs for the Blind, are wholly supported by the General Fund. Each of the remaining agencies is supported by one or more special funds.

Departmental Administration

The principal function of the administration program is to provide centralized housekeeping services and fiscal direction for the 31 agencies which presently constitute the department. These functions are designated as executive, administrative (business services), data processing, building management, and investigation. Table 1 shows staffing levels and operating costs which, as noted above, are financed by pro rata assessments levied against agency budgets.

Department of Consumer Affairs—Continued

Table 1

Departmental Administration, Staffing and Cost Data

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Man-years -----	186.9	198	196.5
Cost (prorated) -----	\$3,668,270	\$3,881,511	\$4,089,035

Healing Arts Group to be Transferred

The Governor's Reorganization Plan No. 1 of 1970, whose effective date was rescheduled by Chapter 1434, Statutes of 1970, for July 1, 1972, provides for the establishment of a State Department of Health for the purpose of consolidating the health care services presently administered by the Department of Mental Hygiene, Public Health, Health Care Services, Social Welfare, and Rehabilitation. One portion of the plan provides for transferring to the new department 10 of the 12 boards now comprising the healing arts program within the Department of Consumer Affairs. The Board of Guide Dogs for the Blind and the new Board of Examiners for Nursing Home Administration are the two exceptions. The healing arts program currently represents a substantial portion of the support requirements of the Department of Consumer Affairs as shown in Table 2.

Table 2

Staffing and Cost Data for Healing Arts Group
Affected by Reorganization Plan No. 1 of 1970

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Man-years -----	103.8	131.7	133.8
Cost -----	\$3,332,699	\$3,974,473	\$4,159,229

(See page 344 of supplementary Volume No. 1)

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the departmental administration and agency budget requests.

The net total budget request for the administrative costs of the department and its constituent agencies is \$12,722,916, which is \$161,788 or 1.3 percent above estimated net expenditures for the current year. Reimbursements, estimated at \$235,635, produce a total proposed expenditure program of \$12,958,551. Due to the organizational changes which have taken place in the department during the current year, it is difficult to draw meaningful comparisons between current and proposed expenditure levels. Generally, however, the departmental and individual agency budget requests propose maintenance of the present level of service.

There follows hereafter selected workload statistics and summaries of the funding requests, excluding reimbursements. In a number of instances, we comment on recent legislation and administrative proposals which affect agency programs or operating procedures.

Board of Accountancy

The proposed budget reflects a 13.8-percent increase and the addition of a part-time position to handle added workload resulting from the enactment of the Professional Corporation Act.

Items 93-128

Consumer Affairs

Item 93 (Special Fund)

Vol. I p. 358 and 383 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenseses -----	27,525	27,600	28,000
Examinations -----	4,618	5,975	6,800
Complaints -----	777	750	750
Man-years -----	11	10.6	10.8
Cost -----	\$360,982	\$363,099	\$412,419

Board of Architectural Examiners

Item 94 (Special Fund)

Vol. I p. 360 and 384 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenseses :			
Architects -----	5,837	5,850	5,900
Building designers -----	1,181	1,190	1,195
Complaints -----	42	45	45
Man-years -----	5.3	6.4	6.4
Cost -----	\$126,243	\$139,261	\$148,849

Athletic Commission

Item 95 General Fund

Vol. I p. 365 and 385 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenseses -----	3,004	3,004	3,004
Complaints -----	458	458	458
Inspections/investigations -----	3,373	3,373	3,373
Man-years -----	11.4	10.9	10.9
Cost -----	\$167,620	\$169,520	\$152,800
Revenue (General Fund) -----	\$305,244	\$220,621	\$280,621
(Net General Fund revenue) -----	\$137,624	\$51,101	\$107,821

Board of Barber Examiners

Item 96 (Special Fund)

Vol. I p. 366 and 385 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenseses -----	38,624	38,750	39,000
Examinations -----	2,148	2,300	2,500
Complaints -----	294	300	350
Inspections -----	20,220	20,300	20,350
Man-years -----	11.7	11.2	11.2
Cost -----	\$444,049	\$465,818	\$491,001

Board of Behavioral Science Examiners

Item 97 (Special Fund)

Vol. I p. 354 and 386 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenseses -----	8,555	10,010	10,000
Examinations -----	255	900	900
Complaints -----	277	200	150
Investigations -----	11	15	20
Man-years -----	3.3	5.3	6.5
Cost -----	\$86,080	\$115,465	\$140,885

Legislation enacted last year (1) changed the name of the former Social Worker and Marriage Counselor Qualifications Board and the supporting special fund to the above title, (2) increased the number of board members from 9 to 11, (3) increased licensing requirements for clinical social workers, (4) placed educational psychologists under

Consumer Affairs**Items 93-128****Department of Consumer Affairs—Continued**

licensure, and (5) revised the marriage counselor program. Two positions were added administratively during the current year, and 1.2 positions are requested for the budget year to handle added workload resulting from the changes.

Cemetery Board**Item 98 (Special Fund)****Vol. I p. 358 and 387 Budget p. 74**

<i>Detail</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
Licenseses -----	1,720	1,735	1,745
Examinations -----	479	490	500
Complaints -----	45	50	55
Investigations -----	111	120	125
Man-years -----	4.2	4.4	4.4
Cost -----	\$76,828	\$83,483	\$83,793

Board of Chiropractic Examiners**Item 99 (Special Fund)****Vol. I p. 345 and 388 Budget p. 74**

<i>Detail</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
Licenseses -----	4,388	4,425	4,460
Examinations -----	128	135	145
Investigations -----	73	80	85
Man-years -----	3.4	3.2	3.2
Cost -----	\$101,106	\$106,116	\$111,712

Bureau of Collection and Investigative Services**Items 100 and 101****(Two Special Funds)****Vol. I p. 367 and 389 Budget p. 74**

<i>Detail</i>	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
Collection Agency Program			
Licenseses -----	1,228	1,230	1,240
Complaints -----	654	700	750
Man-years -----	8.4	11.2	11.3
Cost -----	\$180,815	\$193,148	\$210,922
Private Investigator and Adjuster Program			
Licenseses -----	2,400	2,700	2,970
Complaints -----	150	150	165
Man-years -----	4.2	4.3	4.4
Cost -----	\$116,379	\$120,722	\$114,472

Effective November 23, 1970, the Governor's Reorganization Plan No. 2 of 1970 abolished the Collection Agency Licensing Bureau and the Bureau of Private Investigators and Adjusters and consolidated their functions under a Bureau of Collection and Investigative Services. The individual statutory provisions and separate support funds relating to the two programs were retained. Staffing for the collection agency program has been increased administratively by 2.8 man-years during the current year, and an additional 0.1 man-years is proposed in the budget year to handle field audits and provide for temporary help. The private investigator program is requesting a staff increase of 0.1 man-years on a workload basis.

Contractors' State License Board

The budget request includes approximately two additional man-years of temporary help.

Item 103 (Special Fund)

Vol. I p. 361 and 391 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licensees	85,007	92,000	90,000
Examinations	3,969	4,000	4,000
Investigations	18,377	18,500	18,500
Complaints	19,663	20,500	20,500
Man-years	155.8	154.7	156.5
Cost	\$2,582,922	\$2,746,875	\$2,787,557

Board of Cosmetology

Item 104 (Special Fund)

Vol. I p. 370 and 392 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licensees	165,565	179,000	190,000
Examinations	11,830	11,500	11,500
Investigations	1,645	1,600	1,600
Complaints	646	700	700
Man-years	27	30	30.3
Cost	\$766,793	\$884,403	\$885,993

Board of Dental Examiners

Item 105 (Special Fund)

Vol. I p. 346 and 393 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licensees (all classes)	18,385	19,835	21,285
Radiation safety certificates	-	20,000	25,000
Examinations	1,582	22,075	15,220
Complaints	402	450	500
Investigations	81	100	110
Man-years	5.8	10.6	10.9
Cost	\$222,405	\$300,003	\$301,581

Under the provisions of Chapter 1338, Statutes of 1969, every dental licensee using radiographic equipment must have passed no later than January 1, 1972, an examination in radiation safety conducted by the board. Staff has been increased administratively by 3.5 positions during the current year and by an added 0.3 positions in the budget year to meet the additional examination workload.

Board of Dry Cleaners

Item 106 (Special Fund)

Vol. I p. 371 and 394 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licensees	18,755	19,836	0
Examinations	915	1,000	0
Investigations	693	700	0
Man-years	8.2	8.6	0
Cost	\$298,578	\$315,909	\$40,000
Fire Marshal Support	121,680	123,120	163,120

In the interests of economy and elimination of duplication, the administration proposes to abolish the Board of Dry Cleaners and transfer its functions under the Dry Cleaners' Act to the Office of the State Fire Marshal.

We concur with this proposal. Presently, the board inspects dry-cleaning establishments to ascertain compliance with standards of

Department of Consumer Affairs—Continued

sanitation in the cleaning process, while the Fire Marshal inspects for fire hazards and safety of equipment. The Fire Marshal is reimbursed these inspection costs from the Dry Cleaners' Fund. Consolidation of the program under the State Fire Marshal would permit substantial annual saving to the Dry Cleaners' Fund. A reduced budget of \$40,000 is proposed for the Board of Dry Cleaners to provide for an orderly transfer of the program.

Bureau of Employment Agencies

Item 107 (Special Fund)

Vol. I p. 377 and 395 Budget p. 74

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	1,434	1,500	1,600
Examinations	512	400	550
Complaints	953	1,110	1,200
Counselor registrative applications	4,300	6,115	10,000
Man-years	4.2	7.2	8
Cost	\$214,229	\$231,566	\$256,903

Two positions (an exempt bureau chief and a stenographer) were added administratively in the current year and are requested for continuance in the budget year on a basis of workload increases. The bureau has been operated by an assistant chief under the supervision of a division chief.

Board of Funeral Directors and Embalmers

Item 108 (Special Fund)

Vol. I p. 371 and 396 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	4,656	4,670	4,700
Complaints	114	100	105
Inspections/investigations	2,231	3,080	3,150
Man-years	5.4	6.3	6.2
Cost	\$106,379	\$107,755	\$112,000

Bureau of Furniture and Bedding Inspection

Item 109 (Special Fund)

Vol. I p. 378 and 397 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	22,049	19,900	21,550
Complaints	600	650	700
Samples analyzed	2,065	2,065	2,065
Articles ordered relabeled	6,721	6,000	6,000
Man-years	13.6	14.6	14.6
Cost	\$340,211	\$429,816	\$441,617

Chapter 844, Statutes of 1970, requires the bureau to set standards requiring that all mattresses sold after January 1, 1973, be made of flame-retardant material.

Board of Registration for Geologists

Item 110 (Special Fund)

Vol. I p. 362 and 398 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	1,768	4,100	4,300
Man-years	2.1	2.3	2.2
Cost	\$57,535	\$55,920	\$55,640

Items 93-123

Consumer Affairs

State Board of Guide Dogs for the Blind

Item 111 General Fund Vol. I p. 347 and 399 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	18	19	19
Man-years	0.1	0.1	0.1
Cost	\$2,250	\$2,631	\$2,600

Board of Landscape Architects

Item 112 (Special Fund) Vol. I p. 362 and 399 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	800	820	840
Complaints	39	40	40
Man-years	1.4	1	1
Cost	\$37,968	\$39,236	\$39,519

Board of Medical Examiners

Items 113, 114, and 115 (Three Special Funds)

Vol. I p. 348 and 400 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses:			
Medical Practice Act	62,667	67,172	72,752
Psychology Certification Act	2,919	3,400	3,200
Licensed physical therapist	4,303	4,500	5,000
Corporations	1,615	2,500	4,000
Hearing aid dispensers (new)	-	-	1,000
Physicians' assistants	-	-	500
Complaints	1,085	1,300	1,100
Man-years	21.5	33.9	33.9
Cost (all funds)	\$1,054,829	\$1,284,928	\$1,318,549

Current and budget-year expenditure levels for this board reflect legislation enacted in the 1970 session which established (1) a Hearing Aid Dispensers' Committee and supporting special fund covering licensing and regulation; (2) a student medical loan program; (3) a physician's assistant program; (4) a malpractice reporting program, and (5) provided for disciplinary action against licensees who supply unnecessary or excessive services. To handle the increased workload, seven new positions (1 administrative, 5 clerical, 1 temporary help) were added administratively in the current year and are requested for continuance in the budget year.

State Board of Examiners of Nursing Home Administrators

Item 116 (Special Fund) Vol. I p. 350 and 402 Budget p. 75

Detail	Actual 1969-70	Estimated 1970-71	Proposed 1971-72
Licenses	1,228	1,253	1,278
Man-years	-	3.2	3.2
Cost	-	\$46,639	\$78,489

Board of Nursing Education and Nurse Registration

Proposed adjustments include (1) the abolishment of three clerical positions and the addition of two man-years of clerical help, and (2) the inclusion of \$35,000 in both the current and budget years to fund a nursing manpower development program provided by Chapter 995, Statutes of 1970.

Consumer Affairs

Items 93-128

Department of Consumer Affairs—Continued

Item 117 (Special Fund) Vol. I p. 349 and 403 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Schools of nursing -----	80	80	84
Licenses -----	146,000	148,000	153,000
Investigations -----	225	225	315
Hearings -----	85	91	105
Man-years -----	26.7	29.5	29.1
Cost -----	\$645,763	\$743,413	\$749,053

Nurses' Registry

Item 118 (Special Fund) Vol. I p. 379 and 404 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenses -----	-	100	100
Man-years -----	-	1	1
Cost -----	-	\$8,200	\$13,764

(partial year)

Chapter 1399, Statutes of 1970, transferred this program, which licenses and regulates nurses' employment agencies, from the Office of the Labor Commissioner, Department of Industrial Relations, to the Division of Consumer Services, Department of Consumer Affairs. That statute also created the Division of Consumer Services. The program is staffed by one position.

This is a new program, established by Chapter 1137, Statutes of 1970, effective November 23, 1970. The staff, consisting of an executive secretary, two clerical positions and 0.2 man-years of temporary help, has been established administratively for the current year and is proposed at the same level in the budget year pending development of a full-year's operating experience.

Board of Optometry

Item 119 (Special Fund) Vol. I p. 351 and 405 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenses -----	3,238	3,353	3,465
Applications -----	117	140	200
Complaints -----	286	300	315
Man-years -----	2.7	3	3
Cost -----	\$95,921	83,366	\$84,205

Board of Osteopathic Examiners

Item 120 (Special Fund) Vol. I p. 352 and 406 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenses (all classes) -----	306	306	302
Investigations -----	7	8	7
Man-years -----	-	-	-
Cost -----	\$13,365	\$14,793	\$13,788

No new osteopathic physicians have been admitted to practice in California since 1962. Pursuant to existing law, when the number of licensees declines to 40 or less the remaining licensees will become

subject to the jurisdiction of the Board of Medical Examiners. Current staff service is provided to the osteopaths' board under contract with the Board of Chiropractic Examiners.

Board of Pharmacy

Item 121 (Special Fund)

Vol. I p. 352 and 407 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	22,099	22,500	23,000
Complaints -----	1,700	1,800	2,000
Man-years -----	23.8	25.2	26.2
Cost -----	\$661,955	\$721,243	\$760,819

The board's budget request reflects added workload resulting from 1970 legislation which required (1) that restricted dangerous drugs be marked to identify the manufacturer; (2) that the quantity of drugs sold on prescriptions be stated on the label of the drug container, and (3) established a board-administered program requiring documentation of the transport and handling of restricted drugs. The board proposes to establish a new full-time position of Director for Intern Pharmacists to supervise the internship training of candidates for licensure. Such training is authorized by existing law, but the board has not heretofore provided staff supervision.

Board of Registration for Professional Engineers

Item 122 (Special Fund)

Vol. I p. 363 and 408 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	58,467	59,000	59,500
Complaints -----	545	600	600
Investigations -----	616	600	600
Man-years -----	42.8	39.4	38.9
Cost -----	\$642,203	\$694,937	\$719,047

Bureau of Repair Services

Item 123 (Special Fund)

Vol. I p. 375 and 409 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	6,000	5,941	5,900
Complaints -----	2,223	2,445	2,659
Inspection/investigations -----	3,553	3,555	3,560
Man-years -----	8	12.2	12.3
Cost -----	\$251,447	\$308,629	\$324,411

The name of the Bureau of Electronic Repair Dealers Registration was changed to "Bureau of Repair Services" by the Governor's Reorganization Plan No. 2 of 1970. A field representative position (already authorized in the current budget) has been transferred to the bureau from the department's Division of Investigation. In addition, the bureau proposes to continue in the budget year two positions (a bureau chief and a stenographer) which were added administratively in the current year. Under the previous organization structure, the bureau was operated by an assistant chief supervised by a division chief.

Consumer Affairs

Items 93-128

Department of Consumer Affairs—Continued

Certified Shorthand Reporters' Board

Item 124 (Special Fund)

Vol. I p. 372 and 410 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	1,500	1,682	1,822
Complaints -----	25	50	60
Man-years -----	1.5	1.7	1.7
Cost -----	\$37,298	\$42,829	\$43,012

Structural Pest Control Board

Item 125 (Special Fund)

Vol. I p. 364 and 411 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	4,514	4,650	4,700
Complaints -----	1,246	1,300	1,300
Inspection/investigation -----	1,108	1,150	1,150
Man-years -----	17.2	18.7	18.7
Cost -----	\$523,819	\$555,638	\$536,432

The 3.5-percent decrease in proposed expenditures results from a reduction in data processing costs.

Board of Examiners in Veterinary Medicine

Item 126 (Special Fund)

Vol. I p. 355 and 412 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Licenseses -----	3,133	3,300	3,500
Complaints -----	242	250	275
Investigations -----	352	750	775
Man-years -----	2.3	1.2	1.2
Cost -----	\$78,156	\$76,723	\$80,724

Board of Vocational Nurse and Psychiatric Technician Examiners

Items 127 and 128

(Special Fund)

Vol. I p. 356 and 413 Budget p. 75

<i>Detail</i>	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
Vocational Nurses:			
Licenseses -----	36,089	39,200	45,340
Complaints -----	567	600	685
Psychiatric Technicians:			
Licenseses -----	11,402	12,021	12,726
Complaints -----	85	105	125
Man-years -----	14.2	16.5	16.5
Cost -----	\$346,356	\$439,946	\$469,917

This board administers two programs, each of which is financed by its own account in the Vocational Nurse and Psychiatric Technician Examiners Fund. Chapter 995, Statutes of 1970, appropriated \$65,000 from the vocational nurses account to establish a vocational nurse scholarship and development program. The board has established administratively in the current year an educational consultant position and a 1.5-man-year temporary help position and proposes to continue them in the budget year on the basis of increased workload.

BOARD OF CONTROL

Item 129 from the General Fund

Vol. I p. 432 Budget p. 76

Requested 1971-72	\$121,085
Estimated 1970-71	121,085
Actual 1969-70	105,785
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

This item provides administrative support for the Board of Control and the Merit Award Board which share a single staff under the day-to-day supervision of the Secretary of the Board of Control.

THE BOARD OF CONTROL

General claims against the state for refunds of overpayment, mistaken payment, or relief from unjustified or seemingly arbitrary assessment are presented to the Board of Control for review and disposition. Although this is the primary function of the board it also adopts the administrative rules governing state employees travel pay, moving allowances, and other fiscal affairs within the power granted by the Legislature. The board also makes grants to victims of violent crimes (see Item 46) and awards in tort liability (see Item 45) each of which is budgeted separately. Each tort liability claim must be acted upon in a timely manner since denial by the board is a prerequisite to bringing suit in court. Obviously, however, those approved by the board are not carried further. Table 1 reviews the workload in the board during the most recent four years and as proposed for the budget year.

Table 1
Annual Total of Board of Control Claims

	1967-68	1968-69	1969-70	1970-71	1971-72
Original Estimate	2300	2608	2759	2980	3190
Actual	2086	2429	2652	2896*	---

* Based on the July-November average.

The 1968-69 and 1969-70 totals have been adjusted downward because of an unusual caseload in June and July 1969. These claims resulted from a flood condition in southern California, were handled in two large groups, and were disposed of without special burden to the staff. They are not included because they would distort the figures for those two fiscal years.

THE MERIT AWARD BOARD

The Merit Award Board reviews all employee suggestions for more efficient operation of government service and recommends cash awards for those whose ideas are adopted. In Table 2 we show the recent history of this program.

Board of Control—Continued

Table 2
Annual Total of Employee Suggestions

	1969-70	1970-71	1971-72
Original Estimate -----	3,025	3,000	3,100
Actual -----	2,735	2,720 *	-

* Based on the July-November average.

The proposed expenditure level for this agency is identical to the amount estimated for the current fiscal year.

CALIFORNIA EXPOSITION AND FAIR

Items 130, 131 and 132 from the General Fund and transfer from the State Fair Fund

Vol. I p. 434 Budget p. 76

Requested 1971-72 (General Fund) -----	\$1,288,859
Requested 1971-72 (State Fair Fund) -----	265,000
Estimated 1970-71 (General Fund) -----	1,291,651
Estimated 1970-71 (State Fair Fund) -----	380,177
Requested decrease—General Fund \$2,792 (0.2 percent)	
Total recommended reduction -----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Limit use of unbudgeted additional net revenues to reduce the General Fund subsidy. 228

GENERAL PROGRAM STATEMENT

The California Exposition and Fair Executive Committee operates the California Exposition and Fair. The committee is composed of 14 members appointed by the Governor. The exposition and fair (Cal-Expo) is the successor to the old State Fair and is located on a site in northeastern Sacramento. The original concept of the exposition and fair was for an exposition of the resources, commerce and unique values of California, in addition to various educational and recreational features. It was intended that the exposition would operate approximately 9 or 10 months each year, with the fall period augmented by special exhibits and agricultural attractions which would be similar to those at the old State Fair.

The state has invested approximately \$30,000,000 in the new site and facilities at Cal-Expo. This investment was funded primarily from three sources:

- (1) A \$13,000,000 revenue bond issue on which the General Fund is paying \$1,130,000 annually for principal and interest because revenues from Cal-Expo are insufficient to cover any part of this cost.
- (2) A \$7,010,000 loan from the Public Employees' Retirement System to which approximately \$675,000 in interest is being added each year.
- (3) Approximately \$8,000,000 appropriated from the General Fund.

In addition to miscellaneous other amounts the above funds were used to prepare the site, put in roads, utilities, racing facilities, the fair activities complex and the exposition center. Other facilities which were planned in the original Cal-Expo concept were not constructed because funds were not available.

During the 1969 session of the Legislature, the executive committee and the administration announced the policy of selling all property and facilities at Cal-Expo and at the old fair site to private enterprise. Another segment of this plan was to have private enterprise complete some unspecified structures and facilities at Cal-Expo and permit the state to use the premises each year to conduct a State Fair. Due to the lack of success of this policy, responsibility for disposal of the surplus property at Cal-Expo was transferred to the Department of General Services. That department informs us that the sale of approximately 230 acres at the Point West site (Cal-Expo surplus area) is progressing with a firm bid of \$7,300,000 having been received. This amount would liquidate all obligations and costs of the state involving the property. Pending resolution of a lawsuit challenging the legality of this sale, the transaction would be completed by the beginning of the 1971-72 budget year. A number of offers on all or substantially all of the surplus property on the old State Fair site have been received. There is a good prospect that sale of a substantial portion of this surplus property will occur in the near future.

Plans for the 1971 Fair

In 1971, the California Exposition and Fair is scheduled to extend from August 20 to September 8, 1971, with the executive committee proposing to use all areas of the exposition grounds. Some of the more significant activities, programs and changes to be included in the 1971 fair include the following:

- (1) County displays by 30 or more counties of the state.
- (2) Floriculture program in the floral pavilion.
- (3) A livestock program scheduled to include 4-H and FHA livestock activity.
- (4) A collector's fair to replace last year's environmental show.
- (5) Displays of foreign products and exhibits of their unique cultures.
- (6) A National Aeronautics and Space Administration commitment to display space hardware and other material at Cal-Expo.
- (7) A competitive art show.
- (8) A horserace meet to coincide with all but three days of the California Exposition and Fair.
- (9) A Mexican village including performers, artists, and merchants from Mexico.
- (10) Entertainment for teenagers and young adults spread throughout the entire fair complex and not isolated in a single area as in 1970.

Interim use activities will again be promoted to the highest degree possible.

California Exposition and Fair—Continued
ANALYSIS AND RECOMMENDATIONS

We recommend approval.

We further recommend that the Department of Finance be directed through language in the Supplementary Report on the Budget Bill to provide that any net revenue beyond that included in the budget revenue estimates for 1971-72 be applied to reduce the General Fund operating subsidy for Cal-Expo.

In the budget year the General Fund appropriation request for Cal-Expo is \$1,288,859 or \$2,792 below the General Fund estimated expenditure for this budget in 1970-71. This appropriation covers two purposes: (1) \$1,130,000 for principal and interest payments on the original \$13,000,000 revenue bond issue and (2) a \$158,859 General Fund support subsidy for operating Cal-Expo. The General Fund support subsidy in the current year is \$161,651. Additional funding is provided by an automatic annual \$265,000 transfer from the Fair and Exposition Fund. The total expenditures budgeted for 1971-72 of \$3,706,896 for the California Exposition and Fair, including reimbursements (chiefly from revenues), approximate the present year's level of \$3,743,584.

Results of the 1970 Fair

Both the 1969 and the 1970 fair programs at Cal-Expo resulted in more attendance and operating revenue than was estimated in the Governor's Budget. The current 1970 estimates of Cal-Expo operating revenue are approximately \$2,045,500. These revenues exceed the 1969-70 actual revenues of \$1,913,015 by \$132,485. This appreciable revenue growth occurred even after the Cal-Expo budget, as proposed originally by the Governor in 1970, was reduced approximately \$390,000 by the Legislature to assist in balancing the General Fund budget of the state.

Revenues From State Exposition and Fair

1969-70		1970-71		1971-72
Budget estimate	Actual	Budget estimate	Present estimate	Budget estimate
\$1,392,559	\$1,913,015	\$1,906,000	\$2,045,000	\$2,137,662

The first stated objective of the Cal-Expo management in the Governor's Budget is to "... demonstrate that the exposition is attractive to private enterprise whose investments will eventually reduce or eliminate the necessity for state subsidy." The Cal-Expo budget for the current year was originally submitted with a \$357,000 General Fund operating expenditure increase compared to 1969-70, while revenues were estimated to increase by only \$57,000. The net effect of this expenditure increase would have been that the state would have spent about \$6 for each dollar of new revenues. The Legislature accepted our recommendation for a reduction in the 1970-71 Cal-Expo budget of \$357,000.

The subsequent experience of the 1970 fair demonstrated that revenues could be increased by improving management and revising programs and funding. Increased operating costs were financed from

increases in operating revenues rather than by more General Fund subsidy. How long this improvement can continue remains to be determined by additional experience. At present the state's variable costs at Cal-Expo have been reduced to the point where it would cost the state more to close operation of Cal-Expo, while retaining the property, than to continue operation at the present funding level.

The estimated revenues in the 1971-72 budget show an increase for the current year of \$139,000 over the Governor's Budget estimate made a year ago. These revenues have not been applied to reduce subsidies to Cal-Expo. This \$139,000 and a deficiency authorization of \$115,177 from the State Fair Fund have been used to finance salary increases and miscellaneous other operating costs. Additionally, in the budget year, the exposition management has not followed its stated objective of self-support, as the estimated additional revenue of approximately \$90,000 for the budget year has not been used to reduce the General Fund subsidy. The General Fund subsidy decreases by only \$2,792 in 1971-72, because increased revenues are used to finance increased costs. The Governor's Budget for Cal-Expo in 1971-72 includes about \$230,000 in increased revenues over the 1970 Budget Act estimates, used for additional operating costs and programs. These expenditures are financed from increased revenues.

In order to prevent expenditures of any unestimated revenue increase in 1971-72 we recommend that the Supplementary Report on the Budget Bill contain language as follows:

The Department of Finance is directed to provide that any additional net revenue received in 1971-72 which is not included in the revenue estimates shown in the Governor's Budget for 1971-72 shall be used to reduce the General Fund support subsidy.

Recent Developments at Cal-Expo

At least two developments are taking place which will add to the property value at Cal-Expo and increase the state's contractual obligations to its concessionaires. These developments should also benefit Cal-Expo's revenue in future years. Beginning in 1971-72, the management of Cal-Expo anticipates eight weeks of private night harness horse racing at the exposition, under lights to be installed by the racing contractor. At the time this analysis was written, the racing contract had been signed, but the approval of the California Horse Racing Board had not been secured. There is no identifiable figure in the budget for the revenue increase from this racing. Reliable revenue information will probably not be available until racing begins, probably in mid-June, 1971. In addition, bids have been solicited for construction of a \$5 million amusement park at Cal-Expo. Construction is to take place in five phases with completion scheduled in approximately five years. These additional revenues, if realized, should be earned largely in the form of rentals without major increases in operating costs for Cal-Expo and could be another step towards the objective of making Cal-Expo self-supporting.

STATE FIRE MARSHAL

Items 133-134 from the General Fund
and the Dry Cleaners Fund

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Requested 1971-72	-----	\$1,018,223
Estimated 1970-71	-----	1,034,638
Actual 1969-70	-----	1,025,292
Requested decrease \$16,415 (1.58 percent)		
Total recommended reduction	-----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Level of service reduced by deletion of one Deputy Fire Marshal III and two Deputy Fire Marshal II.

The basic mission of the State Fire Marshal is to promote fire and panic safety particularly in various types of public occupancies or occupancies to which the public has general access. However, the Fire Marshal's activities also result in the promotion of fire and panic safety in nonpublic occupancies through influence on applicable building codes. The protection of life and property against fire and panic is accomplished both by enforcement of specific existing laws by the Fire Marshal and through him by local fire protective organizations and by analysis and development activities with respect to fire retardance and resistance in construction materials and equipment, the development of flame retardant chemicals, the dissemination of public information and educational programs aimed at local fire organizations and state and private institutional personnel.

The activities of the organization are divided into two major program areas: (1) public fire safety and (2) administration. The latter is relatively small and is distributed for accounting purposes into the public fire safety program which is divided into a series of elements.

Under enforcement, with respect to existing statutory authorities, there are activities dealing with public assembly occupancies, educational occupancies, institutional occupancies, state-owned buildings, drycleaning establishments, portable extinguisher servicing concerns, fireworks and transportation of flammable liquids.

Under analysis and development there are activities dealing with construction materials and equipment, licensing, registration and certification of fireworks, explosives, flame retardants, portable fire extinguishers and flammable liquids.

With the exception of one activity, all of the functions of the State Fire Marshal are supported by the General Fund. The special activity concerns drycleaning establishments and is supported from the Dry Cleaners Fund, which receives its revenue from licenses and other fees incident to the operation of cleaning and dyeing establishments.

ANALYSIS AND RECOMMENDATIONS

The Budget Act of 1970 appropriated \$861,500 from the General Fund and \$123,120 from the Dry Cleaners Fund for the operation of the office of the State Fire Marshal. To this was added \$50,018 for salary increases, making a grand total available for the current fiscal year of \$1,034,638. Within this total, it is estimated that \$1,025,791 will cover salaries and wages and staff benefits for 77 authorized positions after anticipating estimated salary savings. Operating expenses and equipment at \$178,747 make a total of \$1,204,538, of which \$169,900 is reimbursed, leaving a net expenditure of \$1,034,638.

For the budget year, it is proposed that salaries and wages plus staff benefits will total 980,280, allowing for estimated salary savings, for 75 positions. Adding \$177,943 for operating expenses and equipment for a total expenditure of \$1,158,223 less reimbursements of \$140,000, makes a net expenditure of \$1,018,223, representing a reduction of \$16,415 or approximately 1.58 percent below current fiscal year estimates.

Eliminated by workload and administrative adjustments are one deputy fire marshal III and two deputy fire marshals II which are partially offset by the addition of one man-year of temporary help to cover the biennial registration of cargo tanks used in the transportation of flammable liquids.

The workload statistics shown in the budget indicate that there would be no change between the level of activity anticipated for the current fiscal year and that projected for the budget year for activities in plan reviews of public assembly, educational facilities, institutional facilities, state-owned buildings, dry cleaning establishments, portable fire extinguishers, fireworks and flammable liquids. The same workload levels are also projected for the analysis and development activities dealing with construction materials, flame retardants, fireworks, portable fire Extinguishers, and public education. However in flammable liquids the number of registrations will rise from 1,400 in the current year to 10,500 in the budget year because of the biennial registration, and in outservice training the number of sessions will drop from the current year estimate of 140 sessions to 100 sessions for the budget year.

The workload statistics for field inspections of places of public assembly, educational facilities, institutional facilities, and state-owned buildings, show a ten percent drop from the current fiscal year's 9,600 estimated inspections to 8,400, estimated for the budget year. Within that total figure which covers four types of occupancy, the public assembly places, educational facilities and institutional facilities show a drop of 14 percent. This decrease is anticipated to occur almost exclusively with respect to assistance rendered to local fire control agencies where they either do not have the manpower or the necessary knowledge to render this service locally. It is our understanding that the reduction of the three positions almost entirely accounts for the reduction in this type of field inspection assistance. Information is not available to indicate clearly whether local agencies can carry out this

State Fire Marshal—Continued

function as required. The problem may be most acute in those areas where fire control organizations are entirely on a volunteer basis. In the absence of definitive information, it is not possible to make a finding that public safety will be impaired in these areas because of the elimination of these positions. Consequently, we recommend approval of the budget as proposed.

Reduction in Level of Service

While we recommend that the budget of this agency be approved as submitted, there is a significant issue that should be discussed. The budget would reduce the permanent regular staff of the Fire Marshal by three positions, one deputy fire marshal III and two deputy fire marshals II. The only practical way the workload of the agency can be reduced to account for the three eliminated positions without affecting the mandatory activities of the office is by a reduction in those activities which might be categorized as "discretionary". Principally, this area concerns the Fire Marshal's plan reviews and field inspections in the relatively rural or sparsely settled areas where local fire departments or even building departments are not equipped to provide this kind of service. Actually, the Fire Marshal has been providing assistance in areas which cannot be strictly categorized as rural or sparsely settled but in which there are volunteer fire departments or departments with a few paid people and the balance volunteers and where local building inspection organizations are not equipped with the ability or knowledge to pass on fire safety of plans or buildings under construction. The reduction of the Fire Marshal's activities would therefore force local jurisdictions to pick up the workload, by one means or another, or neglect it in varying degrees. At this point, there is no basis for making an assumption that the service could not be performed, in one way or another, by local entities and consequently it cannot be said, unequivocally, that fire safety for various public occupancies in these areas will suffer to any significant degree.

FRANCHISE TAX BOARD

Item 135 from the General Fund

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Requested 1971-72	\$21,560,000
Estimated 1970-71	20,163,634
Actual 1969-70	18,599,181
Requested increase \$1,396,366 (6.9 percent)	
Increase to improve level of service \$600,000	
Total recommended reduction	\$114,200

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. If the 1971 Legislature adopts personal income tax with- 247
holding, we recommend disapproval of the 16 new tax collection
positions, for a General Fund savings of \$108,000.

Analysis
page

2. In order to give the Legislature an opportunity to review the administrative cost of personal income tax withholding, which last year was estimated at \$5.4 million, we recommend that the Franchise Tax Board prepare a detailed budget of the support for this new program, and submit it through the Department of Finance to the Legislature by May 1, 1971. Such a legislative budgetary review should precede the adoption of the **PROGRAM.**

3. We recommend elimination of one existing position in the Senior Citizen's Property Tax Assistance Program, for a General Fund saving of \$6,200, because the workload is expected to decline.

4. Last year the Legislature requested the Franchise Tax Board to test optical character recognition (OCR) equipment and other data entry techniques to see what applications they might have in the board's operations. The resulting report is inadequate. We therefore recommend that the board reevaluate the potentials of this equipment and other techniques, and submit its findings to the Legislature by June 1, 1971.

GENERAL PROGRAM STATEMENT

The Franchise Tax Board was created on January 1, 1950, as successor of the Franchise Tax Commissioner. It administers the Personal Income Tax Law and the Bank and Corporation Tax Law. In 1968 the board was given the additional responsibility of administering the Senior Citizens Property Tax Assistance Program. The Franchise Tax Board is composed of the Director of Finance, State Controller and Chairman of the Board of Equalization. The board delegates its administrative responsibilities to an executive officer while retaining the policy functions of adopting rules and regulations and setting the tax rate on banks and financial institutions.

During the current fiscal year personal income taxes will produce an estimated \$1.3 billion, bank and corporation taxes \$545 million, and the

Table 1
Franchise Tax Board
Distribution of Manpower and Expenditures by Program

	Actual 1969-70 Man- years	Actual 1969-70 Expendi- tures (thousands)	Estimated 1970-71 Man- years	Estimated 1970-71 Expendi- tures (thousands)	Proposed 1971-72 Man- years	Proposed 1971-72 Expendi- tures (thousands)
Personal income tax -----	1,139.5	\$12,770	1,167	\$13,838	1,166	\$14,492
Bank and corporation tax -	404.5	5,358	412	5,815	459	6,538
Senior citizen property tax assistance -----	47.4	487	47	518	47	538
Administration and support ¹ ---	(540.5)	(6,527)	(552)	(7,150)	(552)	(7,544)
Totals -----	1,591.4	\$18,615	1,626	\$20,171	1,672	\$21,563

¹ Distributed to other programs.

Franchise Tax Board—Continued

Senior Citizens Property Tax Assistance Program will disburse approximately \$8.6 million to 63,000 claimants. To administer these programs the board will spend approximately \$20 million, utilizing 1,626 man-years. Distribution of the board's manpower and expenditures by program is summarized in Table 1.

The number of personal income tax returns has been increasing at the average rate of 4.7 percent per year. Table 2 shows that about 6,440,000 personal income tax returns and 170,000 bank and corporation tax returns will be received in the budget year.

Table 2
Franchise Tax Board Workload Growth
(thousands)

Number of returns	Actual		Estimate		Average annual percentage Increase
	1968-69	1969-70	1970-71	1971-72	
Personal income tax.....	5,587	5,841	6,135	6,440	4.7%
Bank and corporation tax	149	152	160	170	4.3
Senior citizens' property tax assistance claims....	83	68	70	70	(5)

The Franchise Tax Board receives its appropriation from the General Fund. Table 3 indicates where major changes will occur in the funding requirements in the budget year. About 56 percent of the proposed \$1.4 million increase represents the cost of 115.8 new positions.

Table 3
Schedule of 1971-72 Budget Changes

Merit salary increase	\$240,366
SB 825 reduction ¹	—380,005
Workload and administrative adjustments ²	—20,438
Proposed new positions	786,642
Salary savings	—54,768
Staff benefits	197,291
Operating expense and equipment:	
Workload increase	314,468
SB 825 reduction ¹	—33,000
EDP	195,789
Travel in-state	51,315
Travel out-of-state	50,000
Facilities expense	42,458
Equipment	11,020
Subtotal	\$1,802,138
Change in reimbursement	4,228
Total increase	\$1,396,366

¹ Termination 59.6 man-years hired to administer the one-time 10-percent tax credit on 1969 returns.

² Reduction of 4.3 man-years due to installation of more efficient data entry equipment.

Franchise Tax Board Requests 115.8 New Positions

The Franchise Tax Board is requesting 115.8 new positions for the 1971-72 fiscal year. Of this total, 51.6 are proposed to handle the increased number of returns that will be received. Although the returns

from all taxpayers are increasing by 4.5 percent each year, returns from large taxpayers, requiring a prepayment and special handling, are growing at the rate of 22 percent per year. Fifty-eight new positions are proposed to handle an increase in the level of audit activities with emphasis in out-of-state audits and instate field audits. Sixteen positions which are prorated among other programs and therefore not separately identified have been designated to work on compliance activities. The new positions are separated by program and shown on Table 4.

Table 4
Net Increase in Staff Requested by Franchise Tax
Board for 1971-72

<i>Program</i>	<i>Man-years</i>
Personal income tax	
Taxpayers self-assessment	34.6
Audit activities	29.0
Filing enforcement	—5.0
Total personal income tax	58.6
Bank and corporation tax	
Taxpayer self-assessment	17.0
Audit activities	29.0
Filing enforcement	1.0
Total bank and corporation tax	47.0
Total positions	105.6
Change in salary savings, EDP and administration support	10.2
Net man-year increase	115.8

ANALYSIS AND RECOMMENDATIONS

The personal income tax program is composed of three basic elements: (1) taxpayer self-assessment, (2) audit activities, and (3) filing enforcement. Table 5 summarizes the distribution of manpower among these activities. A proration of administrative and support activities has been made among program elements.

About 70 percent of the board's staff is devoted to administration of the personal income tax program. Table 5 shows a decrease of one man-year in the personal income tax program in the budget year, but the reduction is composed of the termination of 59.6 man-years assigned to administer the one-time income tax credit in 1969-70, and an increase of 58.6 man-years in the 1971-72 budget.

1. Taxpayer Self-Assessment Activities

This program includes the design and distribution of tax forms, processing of returns and tax payments, maintenance of tax return files and processing of claims for refund and correspondence.

The board estimates it will receive 6.4 million income tax returns in 1971-72, of which 5.7 million will be accompanied by a remittance. When full payment is not received with the return, an accounts receivable file is established and subsequent billings are made to collect the amount due. After the returns are received they are categorized and filed for later reference, checking, auditing and compliance activities.

Franchise Tax Board—Continued

Table 5
Personnel Man-Years for the Personal Income Tax Program

Program elements:	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Proposed</i> 1971-72
1. Taxpayer self-assessment activities -----	590.6	635	610
2. Audit activities			
Mathematical verification -----	81.9	82	88
Smaller return audits -----	34.1	17	34
Larger return audits—headquarters -----	44.7	45	45
Larger return audits—field -----	84.1	84	89
Federal audit reports -----	35.9	36	37
Fiduciary return audits -----	9.1	9	9
Other states tax credits -----	4.1	4	4
3. Filing enforcement			
Filing enforcement -----	245.7	246	241
Residency determination -----	3.2	3	3
Investigations -----	6.1	6	6
Totals -----	1,139.5	1,167	1,166
Administration and support activities allocated to personal income tax			
1. Administration -----	(49.7)	(49)	(49)
2. Data processing -----	(217.3)	(226)	(211)
3. Legal -----	(17.5)	(17)	(18)
4. Collection of delinquent accounts -----	(139.2)	(139)	(150)
Total allocated -----	(423.7)	(431)	(428)

Taxpayers' claims and refunds or credits are also a part of the self-assessment activities.

The number of part-pay and no-pay returns over a four-year period is shown in Table 6. The sharp increase in the number of part-pay returns in 1969-70 resulted largely from Chapter 1464, Statutes of 1969, which provided for a 10-percent income tax credit on fully paid 1969 income tax returns. Many taxpayers made a partial payment in 1970 on the erroneous assumption that they also would be entitled to the credit. The effect of this legislation was to increase fully paid and part-pay returns and decrease the number of no-pay returns.

Table 6
Number of Part-Pay/No-Pay Income Tax Returns

	<i>Actual</i> 1968-69	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
Part-pay -----	52,000	81,000	75,000	80,000
No-pay -----	354,000	291,000	310,000	330,000
Totals -----	406,000	372,000	385,000	410,000

Future growth in no-pay and part-pay is expected to be diminished as the result of 1970 legislation (Chapter 506) which, for the first time, imposed a 5 percent penalty on the unjustified underpayment of personal income taxes.

One of the board's fastest growing workload areas is the semiannual (October) income tax prepayments. Inflation and the growth in the state's economy have resulted in workload increases averaging 20 percent a year, which is four times the growth rate of the total volume of

returns. Table 7 shows the number of billings and the amount collected from these prepayments. Based on past experience, the board estimates that about 83 percent of the amount billed will actually be collected as prepayments. A large portion of the remainder consists of persons with fluctuating incomes who are subject to prepayment one year but not the next.

Table 7
Personal Income Tax Semiannual Prepayment

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72	Average increase
Number of billings (thousands) -----	469	570	680	20%
Amount billed (millions) -----	\$329	\$369	\$450	17
Amount collected (millions) -----	273	313	375	17

A large portion of the 34.6 additional man-years proposed for the self-assessment activity in 1971-72 will be assigned to processing prepayments. The remainder of these new positions will be used to process the growth in the volume of total returns and handle a higher return of claims.

We recommend approval of 34.6 additional positions for self-assessment activities.

2. Audit Activities

The objective of the Franchise Tax Board's audit activities is to insure the legal and mathematical accuracy of tax returns. To accomplish this the board has established several auditing programs designed to review a sample of all returns. Each program's contribution to the total audit effort is shown in Table 8. The reduction in net assessments in 1970-71 was partially due to an unusually high return on federal audit reports in 1969-70.

Mathematical Verification. Preselected returns, numbering 1,200,000 during the current fiscal year, are verified for mathematical accuracy to determine the taxpayers' understanding and accuracy in the computation of the self-assessed tax. The board is requesting an increase of six man-years in 1971-72 to verify an additional 100,000 returns. It expects that these new positions will produce \$1.3 million in additional revenue. *We recommend approval.*

Seventeen Positions Restored

Smaller Return Audits. The 1970 Legislature reduced the support for this activity by \$120,000, or 50 percent, in order to obtain budgetary savings. The board proposes to restore this staffing to its 1969-70 level, with the expectation that the restored positions will be able to produce \$575,000 in additional revenue.

Large Return Audits. Returns with large or complex sources of income compose about 10 percent of all returns. Most of these returns are given a desk audit on a biennial basis. This activity is categorized as large return audits—headquarters. A small portion of the large returns, about 16,000 in the current fiscal year, will be given a field audit. Table 8 shows that field audits produced \$3.76 in revenue for each dollar of administrative cost during 1969-70.

Table 8

Personal Income Tax Audit Revenue and Costs

Audit program	Actual 1969-70			Estimated 1970-71			Estimated 1971-72		
	Net assess- ments in thousands	Man- years	Net assess- ment per dollar of cost	Net assess- ments in thousands	Man- years	Net assess- ment per dollar of cost	Net assess- ments in thousands	Man- years	Net assess- ment per dollar of cost
Mathematical verification -----	\$4,300	81.9	\$5.20	\$4,500	82	\$5.07	\$5,800	88	\$6.04
Smaller return audits -----	1,575	34.1	4.64	1,000	17	4.42	3,000	34	7.69
Larger return audits—field -----	4,400	84.1	3.76	5,700	84	4.61	6,500	89	4.91
Larger return audits— headquarters -----	1,925	44.7	3.35	2,400	45	3.93	2,500	45	3.96
Federal audit reports -----	11,000	35.9	25.00	9,000	36	19.19	10,000	37	19.96
Fiduciary return audits -----	512	9.1	4.43	550	9	4.40	600	9	4.62
Other state tax credits -----	438	4.1	7.78	450	4	7.50	500	4	8.06
Totals -----	\$24,150	298.9	--	\$23,600	277	--	\$28,900	306	--

The board is requesting five new positions in the budget year to field audit an additional 1,000 returns (for a total of 17,000). The main justification for these new positions is the additional revenue potential. *We recommend approval.*

Other audit activities include a comparison of (1) state returns with approximately 57,000 federal audit reports (this is the most productive audit activity); (2) fiduciary audits (estates, trusts, and decedents) of 85,000 returns; and (3) audits of tax credits claimed by Californians for amounts paid to other states.

3. Filing Enforcement Activities

The Franchise Tax Board's filing enforcement activities are designed to preserve the income tax base. In order to assure that all individuals who are required to file do so, approximately 20 million wage information items are gathered and checked against the board's files resulting in approximately 100,000 additional filings each year. Subsequent assessments for the current fiscal year are estimated at \$27 million.

Objectives of this program are carried out primarily by the Federal Comparison Program (FCP), which is a comparison of those persons who filed a federal return with those who filed a state return. The federal information is purchased from the Internal Revenue Service and is received by the Franchise Tax Board in November of the year filed. Social security numbers are compared electronically and the list of those who did not file California returns is then checked for possible tax liability. Other comparisons are made with reports required by the board from employers using the 599 forms (similar to W-2 forms). Table 9 illustrates the current program costs and resulting assessments in the Filing Enforcement Activities.

Table 9
Filing Enforcement Activity

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72
Number of returns filed (thousands) -----	72	100	100
Net assessments (thousands) -----	\$26,000	\$27,000	\$28,000
Administrative costs (thousands) -----	2,569	2,739	2,839
Net assessment per dollar of cost -----	\$10.12	\$9.86	\$9.86

Other elements in the filing enforcement program include a determination of residency on individuals who are living or working in California, but claim residency elsewhere, and the investigations section wherein taxpayers who willfully fail to file or who file fraudulent returns are investigated and prosecuted.

BANK AND CORPORATION TAX

The Bank and Corporation Tax laws, enacted in 1929, impose a franchise tax on corporations doing business in California and an income tax on those having incomes from California sources but not doing business in this state.

The bank and corporation tax program has three essential elements; (1) self-assessment activities, (2) audit activities and, (3) filing enforcement activities. The man-year requirements for this program are shown in Table 10.

Franchise Tax Board—Continued

Table 10
Bank and Corporation Tax Program

<i>Program element</i>	<i>Actual 1969-70</i>	<i>Man-years Estimated 1970-71</i>	<i>Estimated 1971-72</i>
1. Taxpayer self-assessment activities ----	161.5	166	183
2. Audit activities			
Mathematical verification -----	28.6	29	33
Federal audit reports -----	13	13	15
Nonallocating corporation audits— headquarters -----	13.5	13	13
Nonallocating corporation audits— field -----	57.3	57	63
Allocating corporation audits— headquarters -----	17.8	18	18
Allocating corporation audits— field—in-state -----	30.7	31	37
Allocating corporation audits— field—out-of-state -----	61	61	72
3. Filing enforcement activities			
Delinquency control -----	19.8	20	21
Exempt corporation -----	1.3	4	4
Totals -----	404.5	412	459
Administration and support activities allocated to bank and corporation tax			
Administration -----	(24)	(24)	(24)
Data processing -----	(39.9)	(42)	(40)
Legal -----	(26.6)	(28)	(28)
Collection of delinquent accounts -----	(19.7)	(20)	(25)
Total allocated -----	(110.2)	(114)	(117)

Request for workload increases for more intensive audit activities have been made by the board on the basis that these will add to the revenues of the state.

1. Self-Assessment Activities

Principal objectives of this program are to provide voluntary compliance, timely filing, and correct assessment of bank and corporation taxes. To accomplish this objective information is publicized, tax forms are distributed and tax returns are processed. When full payment is not received with the tax return, an accounts receivable is established and subsequent billings are sent to the taxpayer.

Six Percent Increase in Workload. During the current fiscal year, an estimated 160,000 tax returns will be received with voluntary assessments yielding \$500 million. Most corporate taxpayers are also required to make two estimated tax prepayments and the board expects 300,000 such remittances during the current year. For 1971-72, the board anticipates that the number of returns will increase by 10,000, and the number of estimated tax payments by 20,000. This represents a 6-percent increase over 1970-71. *We recommend approval of 17 new man-years requested to accommodate this increased workload.*

2. Audit Program

Each return submitted is verified for mathematical and legal accuracy and then sorted into one of two categories: (1) those corporations

Table 11

Bank and Corporation Tax Audit Revenues and Cost

Audit program	Actual 1969-70			Estimated 1970-71			Estimated 1971-72		
	Net assess- ment in thousands	Man- years	Net assess- ment per dollar of cost	Net assess- ment in thousands	Man- years	Net assess- ment per dollar of cost	Net assess- ment in thousands	Man- years	Net assess- ment per dollar of cost
Mathematical verification -----	\$1,300	28.6	\$4.54	\$2,400	29	\$7.72	\$2,800	33	\$7.95
Federal audit reports -----	7,700	13	40.84	9,000	13	44.78	10,000	15	43.66
Nonallocating corporation audits—									
headquarters -----	4,000	13.5	22.74	2,000	13	10.64	2,000	13	9.95
field -----	5,700	57.3	6.84	6,000	57	6.76	7,000	63	7.14
Allocating corporation audits—									
headquarters -----	2,900	17.8	11.24	3,500	18	12.73	4,000	18	13.70
field—in-state -----	3,700	30.7	7.59	6,000	31	11.63	8,000	37	13.51
field—out-of-state -----	13,700	61	13.59	15,000	61	14.07	18,000	72	13.87
Totals -----	\$39,000	221.9	---	\$43,900	222	---	\$51,800	251	---

Franchise Tax Board—Continued

with operations only within California, called "nonallocation corporations" and, (2) corporations operating both in and out-of-state which are called "allocating corporations." The latter group must report income from all sources and also the portion allocated to California operations. Efforts in the audit section have resulted in substantial assessments as illustrated in Table 11.

Twenty-nine new audit positions have been requested by the board as shown in Table 12. Added staff for math verification and federal audit reports is justified on a workload basis. Twenty-three new field audit positions, with a heavy emphasis on out-of-state audits, are justified on the basis of additional state revenue they can produce. The board estimates that these new positions will be able to audit 2,500 additional corporations in the budget year, and Table 11 shows that each of these types of audits produced substantial amounts of revenue in 1969-70.

We recommend approval of 29 new positions for auditing Bank and Corporation Taxes.

Table 12
New Bank and Corporation Tax Audit Positions in 1971-72

Activity	Man-years
Math verification	4
Federal audit reports	2
Nonallocating corporations—field	6
Allocating corporations—field	
In-state	6
Out-of-state	11
Total	29

3. Compliance

The agency accomplishes its compliance activities by obtaining tax returns from all entities subject to filing and by comparing returns against a record of active corporations. The agency also notifies and explains requirements to nonfilers who have a filing obligation and initiate assessments against those who fail to comply.

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

This program, which is administered by the Franchise Tax Board, provides financial assistance for property tax payments to senior citizens who have limited incomes. Claimants who have household incomes of less than \$3,350 per year, are at least 65 years of age and own their own homes may make annual application for this assistance. The amount of assistance ranges from 1 percent to 95 percent of the property taxes paid on the first \$5,000 of assessed value. For example, those with incomes below \$1,000 have 95 percent of their property taxes reimbursed, while those with incomes between \$3,325 and \$3,350 receive a 1 percent reimbursement. Details on the increase in grants to senior citizens are contained in our analysis of Local Assistance Grants. Administrative costs are shown in Table 13.

Number of Claimants Decline

The number of claims paid reached its peak in 1969-70 and has since declined. The history of the program, including estimates of administrative costs, is shown in Table 13. The administrative support depends

upon both the total number of claims received, and also the number paid. Table 13 indicates there has been a decline in the number of invalid claims as senior citizens' are becoming more aware of the filing requirements. This table also shows that the Franchise Tax Board estimates there will be 63,000 valid claims in the budget year, but the Department of Finance, which made the official cost estimate for this subvention, estimates that only 61,200 claims will be paid. Based on the past history of this program, we concur with the Department of Finance's lower estimate, and as a result we recommend the reduction of *one man-year in the Senior Citizens' Program* for a General Fund savings of \$6,220.

Table 13
Number of Claimants and Costs of Administering the
Senior Citizens' Property Tax Assistance Program

	<i>Actual</i>		<i>Estimated</i>	
	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>
Number of claims received -----	82,712	67,921	70,000	70,000
Number of claims paid -----	57,354	64,871	63,000 ¹	63,000 ¹
Department of Finance estimate ---	--	--	--	61,200 ²
Assistance grants (thousands) ----	\$7,818	\$7,829	\$8,600	\$10,000
Administrative costs -----	\$547,000	\$487,070	\$518,000	\$538,000

¹ Franchise Tax Board estimates.

² The estimate used to compute the state cost of the Senior Citizens' Property Tax Assistance Program, Item 72.

ADMINISTRATION AND SUPPORT

The administrative program provides overall planning, administrative support, and staff services to each of the agency's programs. Included are executive management, legal advisory services, adjudication of tax protests and appeals, data processing, personnel administration, statistical research and reporting, program planning, and budget preparation. Each of these services and administrative expenditures are allocated to other programs in relation to the direct cost.

1. Data Processing

The Franchise Tax Board has increasingly utilized electronic data processing in its revenue collection programs. The personal income tax, bank and corporation tax and senior citizen programs are heavily supported by electronic data processing and the department also utilizes computer technology in its research and statistics program. The proposed EDP budget for support of this division during 1971-72 is \$3,795,000, an increase of 4.6 percent above estimated expenditures for this fiscal year.

Growing Data Entry Problem. In previous analyses, we have indicated that the Franchise Tax Board is faced with an ever increasing burden of converting typewritten and handwritten multiple-page documents, primarily tax returns, to a machine-readable form. The department receives over 226 types of input documents in some 158 different data entry formats. These documents must be transcribed into machine readable form by keypunch machines or other data entry devices before they can be processed by an electronic computer. As the number of documents received has increased each year, the department has responded by increasing the number of machines and personnel re-

Franchise Tax Board—Continued

quired to handle the additional workload. The permanent data entry personnel constitute 27 percent of the total personnel cost of the board's Data Processing Division, and correspond to 16 percent of the board's entire EDP budget. Utilization of temporary data entry personnel during peak periods brings the total expenditures for this category to nearly 50 percent of the EDP budget.

Statewide Problem. Growing data entry costs are not unique to the Franchise Tax Board. The Department of Human Resources Development, State Treasurer, State Controller, Department of Justice and many other departments are also experiencing increased data entry costs. Until recently, however, technology has not been available which would eliminate the electromechanic keypunch machines now being utilized by most departments.

OCR Test Installation. During the current year, the Office of Management Services has coordinated the testing of two optical character recognition devices, one at the Department of Justice and one at the Department of General Services. Both machines were installed for a period of six months at no rental cost to the state. The machine installed at the Department of Justice is a limited-purpose machine which the department intended to test for possible use in converting criminal records to an automated file. The machine installed at the Department of General Services was considerably more costly and was a general-purpose device intended to test the technical feasibility of statewide use. Both machines however, perform the same basic function which is to scan documents optically by electronic means and transcribe data to machine readable input media, usually magnetic tape. Unfortunately, OCR equipment will not read handwriting (except numeric) and some types of typewritten documents and cannot handle multipage documents. Therefore, a great deal of analysis must be performed in order to determine the extent of the machine's capability in any given application and what level of cost is justified in terms of results.

OCR Study Recommended. Our analysis last year of the Franchise Tax Board's increased data entry costs, coupled with the opportunity presented to test OCR for practically no cost, resulted in a recommendation that the Franchise Tax Board: (1) carefully examine the capabilities of the two OCR devices being installed, (2) define the board's input requirements, (3) explore alternatives for meeting these requirements with new source data automation devices including OCR, key-disc and key-tape devices, (4) perform a thorough analysis, including a cost-benefit analysis of all reasonable alternatives, and (5) submit to the Joint Legislative Budget Committee by December 1, 1970 a report of the analysis findings and recommendations. Further, the board's approach to the analysis was intended to be fundamental in scope, beginning with a re-examination of the preprocessing needs, needs, formats, and form designs necessary for the achievement of the departments basic objectives. *This recommendation was adopted by the Conference Committee on the Budget.*

Poor Analytical Study. The required report, endorsed by the Office of Management Services, was received by the Joint Legislative Budget Committee on November 25, 1970 in the form of a three-page memorandum with two appendixes totaling an additional three pages. In our judgment, this report is inadequate as an analytical study of the data entry problems of the Franchise Tax Board. The report is in summary form and does not address itself to all of the pertinent elements, nor does it provide evidence to support a single conclusion summarized. Our attempts to clarify the depth of the study met with little success, *and our conclusion is that only a superficial analysis was made.* Indeed, the Department of General Services reports that the Franchise Tax Board used the OCR machine for only one hour during the entire six months the machine was available for testing, and the Department of Justice reports that it was not contacted by the Franchise Tax Board at all during its test period, but received inquiries after the test was completed. We were able to ascertain that these inquiries were made *after* we questioned the depth of the board's report. The department may have investigated the capabilities of this equipment by other means, but we have no evidence of this.

Key-disc System Installed. The report submitted by the board also purported to justify on-line data entry devices (video display terminals) and off-line data entry devices (key to disc and key to tape), and states that the board has selected key to disc devices for installation. The report does not say so, but we have determined from the department that a central processing unit (CPU) and 24 key entry stations were installed on July 1, 1970 and an additional four CPU's and 106 key entry stations will be installed as soon as other departmental priorities are met. The entire discussion of this technology is covered by three short paragraphs in the report and an abstract of the request for proposal (RFP).

Franchise Tax Board Rejects OCR. The department rejects OCR equipment for three principal reasons: (1) handwritten tax returns cannot be read, (2) OCR will not process multiple-page documents, and (3) attachments must be separated from the source document before processing, thereby increasing the risk of loss or error.

The report's one paragraph analysis of OCR does not include any evidence that the department sought or found any alternative processing methods which would, in part or entirely, overcome these problems.

It was the Legislature's expressed intent that the department re-examine its basic data requirements in terms of its objectives and seek alternative methods, formats and processes for achieving the objectives. We do not believe that the Franchise Tax Board's staff performed a basic analysis of alternative methods of achieving departmental objectives.

For example, the Department of Justice, in a well-documented report, found that it was economically and operationally feasible to have all the source documents retyped, using a typewriter font which could be read by the limited purpose OCR machine being tested. This procedure

Franchise Tax Board—Continued

precludes the use of keypunch machines, thereby achieving significant savings in time and money. The department also found that personnel required less training (experienced typists were used instead of keypunch operators), typing speed increased, and fewer errors were made. Visual verification of the typed data by experienced clerical personnel made mechanical verification unnecessary.

Responding to our inquiry, the Franchise Board staff indicated that they had rejected this method of entry on the grounds that errors would be too high and that the board could not tolerate a high level of error. Neither the board staff nor the Office of Management Services could explain why the Department of Justice had reached the opposite conclusion. No evidence was produced that would indicate that anyone had determined what level of error could be tolerated, or that they were aware of the test results at the Department of Justice which indicated that this method apparently reduces the level of error. There is good reason to believe that the Department of Justice has an even greater concern for errors since an error in criminal records may deprive a person of his liberty.

Savings Potential. We are in full agreement with the department's contention that many problems must be overcome before full utilization of the new technology can be achieved. *However, we do not agree with the department's implied assumption that the new technology must accommodate the processing concepts and policies now in force.* We believe that these concepts and policies must be reevaluated in view of the new technology and use made of technology where appropriate. It is quite possible, in our judgment, that only part of the Franchise Tax Board's processing workload can be adapted for OCR or other automated data entry techniques. It is also possible that, if the department makes a thorough analysis of its present policies and processes, it can discover new ways to utilize the technology with resultant savings to the state. The potential for savings is substantial. Unfortunately, the memorandum submitted by the department as compliance with the 1970 Conference Committee does not meet the analytical standards required if this potential is to be realized.

We, therefore, recommend that the Franchise Tax Board: (1) reexamine its basic processes in view of the new data entry technology, and document conclusive results of its applicability or inapplicability to the board's functions, (2) define the board's input requirements, including the minimum data needed to meet these requirements, (3) perform a thorough cost/benefit analysis of all reasonable alternatives for achieving the processing objectives, and (4) submit to the Ways and Means and Senate Finance Committees a report outlining the analytical methods, assumptions, findings, and recommendations of the study by June 1, 1971. Further, we recommend that the Office of Management Services supervise and assist in this analysis.

We recommend that approval of this item be withheld until the above report is received and reviewed by the Legislature.

2. Legal

The law allows taxpayers to protest and appeal tax assessments made by the Franchise Tax Board. Protests are handled by the board's staff while appeals are made to the State Board of Equalization. About 400 protests are made annually and about one-half of these are appealed. The board has requested one additional man-year to handle the increased workload generated by increased auditing activities. *We recommend approval.*

3. Collection of Delinquent Accounts

When a taxpayer fails to make response to an accounts receivable billing, collection steps are taken in headquarters and, if necessary, in the field offices. During 1969-70, there were 295,499 new accounts received by the compliance section for collection which represents a 6 percent increase over the previous year (Table 14). In the same period the ending inventory increased at the rate of 40 percent. The board has proposed 16 man-years to curb this growth rate.

Table 14
Summary of Compliance Activities

	Actual			Estimate	
	1967-68	1968-69	1969-70	1970-71	1971-72
New accounts received	217,936	279,980	295,499	380,200	515,000
Ending inventory (excluding limbo)	53,069	68,987	96,387	168,200	187,500

The compliance program is divided into several activities aimed at encouraging the taxpayer to pay his account in full. The first step is to notify the taxpayer of his legal obligation to file and the fact that the Franchise Tax Board has not received timely payment. Its first letter is followed by the second which is a final notice and demand. If payment is not received at this time employer information is secured and proceedings to withhold from the taxpayer's payroll check are initiated. Not every taxpayer who has a delinquent account waits for the amount due to be deducted from his payroll check. Approximately 75 percent of the taxpayers who have a tax deficiency respond with a payment before their employers are notified, leaving 25 percent for field collection.

If the Legislature enacts personal income tax withholding, we recommend disapproval of the 16 new tax collector positions, for a General Fund savings of \$108,000.

These new tax collectors (10 tax representatives and six support positions) would be assigned to field collections which is the most difficult and expensive phase of collection activities. We recommend disapproval of these new positions because:

1. The withholding system typically overwithholds. Therefore, it will be possible for the board to collect past delinquencies by deducting the amounts due before refund checks are mailed to the taxpayer. This method is much less expensive than current field collection processes, and it should cover at least two-thirds of the field cases because the board has employer information on these accounts.

Franchise Tax Board—Continued

2. The other third of the field collection cases are marginal accounts because the board lacks current information on the taxpayer's employer. However, in the future, a large portion of these accounts also will reenter the labor force, and therefore it would be possible for the state to collect its money by sending mail notices and deducting from refunds.

These actions should reduce the growth in collection workload, and as a result, the existing 159 collection positions should be sufficient.

Legislature Should Review Withholding Budget. Last year AB 1001 contained an appropriation of \$4,181,400 to the Franchise Tax Board, and \$1,221,665 for the Department of Human Resources Development as the 1970-71 administration costs for personal income tax withholding and estimated tax payments. This bill almost passed, but neither the Ways and Means Committee, nor the Senate Finance Committee had an opportunity to review in detail the basis for these cost estimates.

If withholding is adopted by the 1971 Legislature, the Franchise Tax Board will have a minimum of time to make all the necessary changes to implement this new system. For example, it will have to order new EDP and other equipment, order the printing of forms, etc. As a result, it would not be practical for the Legislature to hold extensive hearing on the budget for withholding after the bill is adopted because the time element would be too short. Therefore, *we recommend that the Franchise Tax Board prepare a detailed budget for the support of withholding and submit it through the Department of Finance to the Legislature by May 1, 1971.* With this time element, it should be possible for the two finance committees to review this proposal while the policy committees are considering the merits of the program.

DEPARTMENT OF GENERAL SERVICES

Item 136 from the General Fund

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Requested 1971-72	\$5,083,553
Estimated 1970-71	5,649,376
Actual 1969-70	4,895,645
Requested decrease \$565,823 (10.0 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Fund Statement. Recommend that a current cash flow and a current source and expenditure of funds statement be made available monthly to executive management. 250

2. Facilities Planning. Recommend disapproval of three new positions for a savings of \$34,729 which is reflected by a corresponding reduction in General Fund reimbursements. A major reorganization of the division and Budget Bill control language are also recommended based on our January 1971 report to the Legislature. 254

3. Property Acquisition. Withhold recommendation pending receipt of departmental studies on consolidation of property acquisition functions. 257

4. Minor Capital Outlay. Recommend against expenditure of \$375,000 for minor capital outlay. Funds should be requested as a major capital outlay item for the department. 258

5. Data Processing Services. Withhold recommendation pending resolution of the funding and staffing requirements for fiscal year 1971-72. 260

6. Management Assistance. Recommend that Management Assistance Division implement a pilot program to test the feasibility of utilizing a "task force" approach to developing departmental accounting systems. A progress report should be submitted to the Joint Legislative Budget Committee on November 1, 1971. 268

GENERAL PROGRAM STATEMENT

The Department of General Services was established by Chapter 1768, Statutes of 1963, to administer various state service functions formerly in the Department of Finance, the Division of Architecture in the Department of Public Works, and the Central Records Depository in the Office of the Secretary of State.

The authority and responsibilities of the Department of General Services are primarily specified in Sections 14600 to 14973 of the Government Code. These relate to supervision of financial and business matters and providing certain centralized services.

The primary mission of the Department of General Services is three-fold: (1) perform the functions of management and support as assigned by the Governor and specified by statute; (2) provide centralized services to operating departments with greater efficiency and economy than they can individually provide for themselves; and (3) improve effectiveness and economy in the administration of state government by establishing and enforcing statewide standards and guidelines and by developing and implementing constructive changes in governmental policies and procedures.

Table 1 is a summary of the total support expenditure program of the Department of General Services for the four-year period ending with fiscal year 1971-72. The department is funded by (1) direct support appropriations, (2) revolving fund appropriations, and (3) reimbursements from specific interagency agreements.

Direct support is obtained mainly from the General Fund but also from other sources such as the Architecture Public Building Fund.

Revolving fund support is provided by the Service Revolving Fund and the Architecture Revolving Fund.

Reimbursements to the department may be transfers of funds from one account to another account within the General Fund or a transfer from another fund. In either case, a reimbursement is payment for an agreed service at a specified price. Revolving fund payments are based on allocated cost for the service provided. Table 1 shows that the major

Department of General Services—Continued

part of the department's funding comes from reimbursements and revolving funds.

Table 1

Department of General Services
Total Expenditures by Source of Funds, 1968-69 to 1971-72

Source of Funds	1968-69	1969-70	1970-71	1971-72
Direct Support				
Appropriations:				
General Fund -----	\$5,319,527	\$4,895,645	\$5,649,376	\$5,083,553
State School Building				
Aid Fund -----	922,320	927,847	937,326	996,341
Architecture Public				
Building Fund -----	1,485,682	1,490,347	1,456,778	960,000
Street and Highway				
Disaster Fund -----	9,156	--	--	--
Total -----	\$7,736,685	\$7,313,839	\$8,043,480	\$7,039,894
Appropriations from				
Revolving Funds:				
Service Revolving				
Fund, Printing -----	\$17,716,285	\$19,165,892	\$20,885,751	\$21,371,678
Service Revolving Fund,				
Other Activities -----	21,418,680	22,704,200	25,823,824	28,630,318
Architecture Revolving				
Fund -----	8,128,809	7,999,978	6,948,851	4,000,000
Total -----	\$47,263,774	\$49,870,070	\$53,658,426	\$54,001,996
Total Appropriations -----	\$55,000,459	\$57,183,909	\$61,701,906	\$61,041,890
Reimbursements:				
General Fund Activities --	\$16,248,439	\$18,852,902	\$20,496,803	\$20,695,340
Architecture Revolving				
Fund Activities -----	58,647	60,646	58,647	38,150
Total -----	\$16,307,086	\$18,920,404 ¹	\$20,555,450	\$20,733,490
Total Expenditures -----	\$71,307,545	\$76,104,313	\$82,257,356	\$81,775,380

¹ Includes \$6,856 reimbursements to the Architecture Public Building Fund.

ANALYSIS AND RECOMMENDATIONS

Source and Expenditure of Funds

We recommend that a current cash flow statement and a current source and expenditure of funds statement be made available monthly to executive management.

Table 2 is a summary of the total program expenditures for the Department of General Services by source of funds for the 1971-72 budget year. The department is engaged primarily in providing consolidated services which constitute essential elements in the programs of other departments. However, from the standpoint of reviewing the functions of the Department of General Services, the services provided are identified as separate departmental programs. Table 2 shows that the operational support program is the largest General Services program at 63.0 percent of total expenditures. The table also shows that the revolving fund appropriations are the largest source of funds to the department and provide 66.0 percent of total funding. The signifi-

cance of these observations lies in the relationship between the services provided by the operational support program and the source of funding for these services. These services are financed mainly by the revolving fund (97 percent). Efficient management of the revolving fund depends on prompt payment from agencies receiving service to replenish the dollars needed to finance continued services. Given this funding arrangement, it is necessary to know on a current basis the cash flow into and out of the revolving fund in order to plan short-term expenditures rather than simply record them after the fact. This information is particularly important in an operation with a high volume of many services offered to numerous customers.

At this time, the Department of General Services does not have adequate reports to effectively plan and manage an operation of this magnitude. On occasion, the department has come perilously close to not meeting major obligations which could result in appeals to departments for advances on a crisis basis or a request to the Legislature for an augmentation to the Service Revolving Fund. A cash flow statement would provide management with the needed information because both the amount of dollars available to pay current bills and the total of bills that must currently be paid would be shown.

The Department of General Services has an encumbrance system which is a necessary step toward expenditure control. This system, however, does not provide all the information needed for expenditure planning. The most efficient management of funds requires a balance of providing sufficient funding for programs without providing more than is needed. As the Department of General Services expands operational support program services with an increasing dependence on the revolving fund as a source of funding, the balance of funding, or working capital, could become critical. We therefore, recommend that a current cash flow statement as well as a current source and expenditure of funds statement be made available monthly to executive management. These two statements will provide management the short-range planning capability necessary for cash budgeting and the long-range planning capability required to operate efficiently within a planned Program and Budgeting System.

Staffing

Table 3 is a summary of staff, by programs, for the four-year period ending June 30, 1972. It is noted that a net of 166.3 fewer positions are proposed for the budget year than the current year. The bulk of these reductions are in the Office of Architecture and Construction.

In terms of staff size, the largest programs are the operational support program and the maintenance and security program. Together, these two programs make up 82.1 percent of the Department of General Services' total program staff. Property management staff has diminished by almost 50 percent over the last four years because of a reduction in workload. Operational support staff can be expected to increase in the years ahead as statewide services to other agencies continue to be centralized within the department.

Department of General Services—Continued

Table 2

Department of General Services
Total Expenditures by Source of Funds and Programs—1971-72

Operating unit	Direct support appropri- ations	Revolving fund appropri- ations	Reimburse- ments	Total expend- itures	Percent of total
Administration -----	--	--	\$1,846,206	\$1,846,206	2.2
Property management--	\$2,355,311	\$4,000,000	1,902,099	8,257,410	10.1
Building standards --	11,970	--	--	11,970	--
Facilities planning --	--	--	872,548	872,548	--
Property acquisition --	10,000	--	970,208	980,208	--
Architecture and construction -----	960,000	4,000,000	38,150	4,998,150	--
Local assistance -----	998,341	--	21,193	1,019,534	--
Minor capital outlay--	375,000	--	--	375,000	--
Maintenance and security -----	2,037,344	70,000	14,075,840	16,183,184	19.8
Buildings and grounds	1,255,146	--	12,218,214	13,473,360	--
Security and protection -----	782,198	--	1,857,626	2,639,824	--
Rented buildings -----	--	70,000	--	70,000	--
Operational support ---	1,475,355	49,931,996	80,000	51,487,351	63.0
Communications -----	--	8,619,586	--	8,619,586	--
Data processing services office -----	--	2,654,216	--	2,654,216	--
Office services -----	56,063	2,917,353	--	2,973,416	--
State printing -----	--	21,371,678	--	21,371,678	--
Procurement -----	1,355,968	7,521,268	80,000	8,957,236	--
Transportation -----	63,324	6,847,895	--	6,911,219	--
Management support --	1,171,884	--	2,829,345	4,001,229	4.9
Administrative procedure -----	--	--	1,224,345	1,224,345	--
Legal office -----	302,326	--	65,000	367,326	--
Management assistance -----	771,875	--	30,000	801,875	--
Insurance office -----	97,683	--	1,510,000	1,607,683	--
Totals -----	\$7,039,894	\$54,001,996	\$20,733,490	\$81,775,380	100.0
Percent of total ----	8.6	66.0	25.4	100.0	

Further Consolidation of Services

In previous analyses, we have stressed the cost/benefit advantages to the state in the consolidation of services that are performed best by a central agency and have recommended consolidation of certain specific services. Our recommendations included further consolidation of material supply services, transportation services, communication services, property acquisition, and duplicating services. While progress has been reported in material supply, duplicating and communication services, we note little progress towards consolidation in the areas of property acquisition and transportation services.

The Department of General Services should continue its effort to centralize services for the various state agencies. These central service units are in general more efficient and effective than the individual department-oriented service programs which usually duplicate one another.

Table 3
Department of General Services
Staff by Programs, 1968-69 to 1971-72

<i>Operating unit</i>	<i>Filled positions</i>		<i>Authorized positions</i>		<i>Percent of total</i>
	<i>1968-69</i>	<i>1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>	
Administration -----	138.9	192.8	128.6	128.6	3.4
Property management -----	789.1	700.2	592.1	417.2	11.1
Building standards -----	6.1	4.3	1.0	1.0	--
Facilities planning -----	38.6	48.5	46.4	48.2	--
Property acquisition -----	78.9	74.1	60.0	52.0	--
Architecture and construction -----	586.5	499.2	413.7	245.0	--
Local assistance -----	79.0	74.1	71.0	71.0	--
Maintenance and Security ---	1,288.8	1,334.6	1,383.4	1,387.4	36.8
Buildings and grounds ---	1,142.1	1,176.7	1,182.2	1,186.2	--
Security and protection ---	146.7	157.9	201.2	201.2	--
Operational support -----	1,507.3	1,514.0	1,692.9	1,707.9	45.3
Communications -----	177.8	179.0	185.3	185.3	--
Data processing services office -----	33.6	39.4	120.0	133.0	--
Office services -----	91.9	113.2	169.7	181.2	--
State printing -----	919.8	871.3	899.0	893.0	--
Procurement -----	143.9	166.4	167.0	163.5	--
Transportation -----	140.3	143.3	151.9	151.9	--
Management support -----	157.2	149.6	136.9	126.5	3.4
Administrative procedure ---	61.3	63.0	61.8	61.8	--
Legal office -----	22.6	21.6	19.4	16.0	--
Management assistance ---	69.1	59.2	49.7	42.7	--
Insurance office -----	4.2	5.8	6.0	6.0	--
Totals -----	3,881.3	3,891.2	3,933.9	3,767.6	100.0
Percent of change -----	6.4	0.2	1.1	(4.2)	--

Analysis by Program Element

This analysis is presented in the sequence of expenditures for operating units found in Table 2. Each unit is preceded by a statement of funding which specifies the type of support, source of funds, proposed expenditures and proposed staff.

<i>Funding</i>	Administration		
	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 136	\$1,846,202	128.6

The Administration Program contains the executive and administrative elements of the Department of General Services. Administration includes financial management, personnel management and administrative services.

During the past fiscal year, the accounting and budgeting functions were consolidated, and the contract management function was removed from the administrative services unit. These three functions now report to the newly created position of comptroller.

Department of General Services—Continued

Building Standards Commission

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$11,970	1

The Building Standards Commission was established to codify uniformly building regulations published by various state agencies and to interpret the code on request for state agencies, private firms and others. Uniform codification is complete although updating of codes will continue to be necessary. Chapter 1449 of the 1970 Statutes required the Building Standards Commission to adopt by reference applicable national specifications. This legislation will facilitate the continual updating process required to maintain current regulations in the uniform code and will reduce the cost of the update process.

The Building Standards Commission provides an impartial hearing body to aid the general public and the construction industry and makes both formal and informal determinations on appeals and interpretations. This staff was reduced by three positions in the current year. One secretarial position is authorized in the budget year to provide staff services and program continuity to the State Building Standards Commission.

Facilities Planning

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 136	\$872,548	48.2

Recommendations

1. *The functions of the Facilities Planning Division relating to technical and professional services (such as design, drafting, and construction supervision) should be transferred to the Office of Architecture and Construction.*

2. *The leasing unit from the Facilities Planning Division, the Property Acquisition Division and the Building Grounds Division should be combined into a single organizational entity with responsibility for property management and control.*

3. *The Facilities Planning Division, divested of the leasing unit, should be reorganized as staff to the Director of the Department of General Services. The functions of this staff unit would be to develop procedures and policies for coordination and control, perform analysis, set standards and generally make recommendations to the director in matters of state office space utilization.*

4. *The proposed procedure for planning, designing and constructing state office space as outlined in our report entitled Survey of Division of Facilities Planning—January, 1971, should be adopted.*

5. *Written procedures should be developed and followed that will insure quantitative as well as qualitative analysis for all possible considerations when contemplating the alternatives of space utilization. In addition, alteration and lease requests should be lumped together and identified for legislative review. Sole occupancy leases should be identified separately and subjected to the same procedural controls as state-constructed projects.*

6. *Design criteria should be established for all state office space based on the estimated length of future occupancy.*

7. *The three new positions proposed in the 1971-72 budget should be denied.*

8. *The following language should be included in the control section of the Budget Bill for 1971:*

No money appropriated by this act may be expended for use as lease payments for leased office space, when such space represents exclusive state use of a building or buildings, unless complete cost-benefit analyses have been prepared and the Legislature has reviewed the proposals in the same manner as though the building or buildings represented capital outlay proposals. Furthermore, such proposals shall be subject to the requirements of Sections 7 and 8 of this act.

It is not the intent of this section that its restrictions be applied to existing leases.

The primary program of the Facilities Planning Division is to provide centralized coordination and control of noninstitutional office space needs on a statewide basis. The state occupies over 9.5 million square feet of office space excluding the University, state colleges and state institutions. The cost to the state for rent and services exceeds \$25 million per year. Facilities Planning currently develops office space standards, designs and plans facilities and negotiates leases.

Subsequent to recommendations by the Governor's 1967 Task Force on Efficiency and Cost Control, it was intended that the Facilities Planning Division of the Department of General Services would reorient its functions to emphasize coordination and control rather than technical and professional services. The division was delegated centralized responsibility on a statewide basis, and 21 positions were transferred from various state agencies during the 1968-69 fiscal year. Since that time, additional positions have been requested by the division every year. Requests were made by the division for 15 positions for 1969-70, 9 positions for 1970-71, and three positions are requested for the budget year. We have recommended against the position increases for the past two years, and the Legislature has accepted our recommendations. These recommendations were made because new position requests were for predominately senior or supervising level staff, lack of workload information, and an existing duplicate capability within the Office of Architecture and Construction.

Legislative Request for Facilities Planning Study

During the 1969 Regular Session of the Legislature, Senate Resolution 399 was adopted. It directed the Legislative Analyst to conduct a two-year study to determine whether a duplication of responsibilities and services exists between units of state government with respect to provision of state office facilities. The study was to include appraisal of present practices, procedures, and policy, as well as identification and evaluation of organizational structure and administrative regulations. A report entitled *Survey of Division of Facilities Planning* was completed in January 1971 and its conclusions were as follows:

Department of General Services—Continued

1. Centralization of Facilities Planning as proposed by the 1967 Governor's Task Force was intended to provide management coordination and control, and not a duplication or expansion of the technical and professional services provided by the Office of Architecture and Construction. Therefore, the facilities planning functions related to technical and professional services should be transferred to the Office of Architecture and Construction.

2. The divisions of Facilities Planning, Property Acquisition, and Buildings and Grounds are responsible for property management and control, and all three divisions are involved in similar or overlapping responsibility with regard to property management and lease contracts. Because economies could be achieved by a merging of these divisions, the leasing unit of Facilities Planning should be merged with the entire divisions of Property Acquisition and Buildings and Grounds and operated as the Property Management Division.

3. The line authority vested in the current Facilities Planning Division has been used to provide technical and professional services rather than coordination and control. Therefore, the Facilities Planning Division, after divestiture of the leasing section, should be reorganized as staff to the Director of General Services. This reorganized Facilities Planning unit should perform analyses, make recommendations, set standards, develop policies and procedures for coordination and control, and offer advice as staff to the Director of General Services in matters of space utilization.

4. The present procedures for the consolidation or leasing of state office space do not permit adequate analysis or facilitate legislative review. This situation is further aggravated by the current budgeting procedures which do not clearly identify alteration, consolidation, and leasing projects in support programs. As a remedy, we propose revised procedures as outlined in the report.

5. Currently, only one man in the Facilities Planning Division is assigned full time to perform economic analysis on space requests. The major part of this workload is dedicated to considerations related to leasing alternatives after the preliminary decision to lease has already been made. It is imperative that adequate cost/benefit analysis be applied to all alternatives before deciding on how best to meet the space needs of an agency. Written procedures must be developed and followed to insure that this thorough analysis occurs. A summary analysis should be presented to the Director of General Services in order that an informed decision can be made. The documented analysis on which the director bases his decision should accompany requests for budget augmentations.

6. In some instances, the Facilities Planning Division permits the agencies to perform the analysis and select the alternative to satisfy space needs. In these cases, Facilities Planning has done little more than provide a stamp of approval. We conclude that Facilities Planning must subject every space request to a thorough analysis.

7. The lack of an established design criteria is a serious deficiency of the existing office space acquisition process. What the state needs is

the establishment and acceptance of design criteria for the estimated length of use of state facilities. These criteria should be established early in the project development stage and administered with consistency. With such criteria imposed, the capital outlay alternative for state-owned buildings will become much more competitive with the leasing alternative.

8. The request for additional positions in 1971-72 would not be justified based on the findings of our report. With the functional responsibility shifting from a technical and professional service to a staff function of analysis, a reduction in positions should result. If the recommendations of this report are adopted, we expect positions to be reduced appropriately. Therefore, we recommend that the request for new positions be denied.

9. In order to provide for legislative review of space needs we determined that a control section should be included in the Budget Bill. This control language will encourage complete disclosure in the budget with regard to funding for lease payments.

Property Acquisition

Funding	Source of funds	Proposed expenditures	Proposed staff
Direct support -----	Item 136	\$10,000	52.0
Reimbursements -----	Item 136	970,208	--

We withhold recommendation on funding for this program element in anticipation of receiving a study from the Departments of General Services and Finance regarding the consolidation of property acquisition functions.

The Property Acquisition Division performs three major functions: (1) acquisition of property required by the state, (2) disposal of real property declared surplus to the needs of the state, and (3) management of state properties that have been acquired until the date of use by the acquiring state agency. Consistent with a reduction in workload, this division has been reduced by 50 percent over the past three years.

In response to a recommendation under Item 43, Supplementary Report of the Committee on Conference, Budget Bill of 1970, which recommended a consolidation of all state property acquisition services except the Division of Highways into the Department of General Services, the department provided the following statement to our office on January 21, 1971:

"The Department of General Services is very conscious of the overall problems of property acquisition and disposal. We have made an independent study of the Legislative Analyst's suggestions and other possibilities are now being reviewed. In addition, the Department of Finance is making a survey of land acquisition costs in all agencies. We are withholding any decisions in this area until that survey has been completed and the results integrated into our other data and evaluated."

As a result of the department's response, we withhold a recommendation on funding for this program element.

Department of General Services—Continued

OFFICE OF ARCHITECTURE AND CONSTRUCTION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$960,000	245.0
Revolving fund -----	Item 142	4,000,000	--
Reimbursements -----	Item 136	38,150	--
Total -----		\$4,998,150	245.0

These programs are discussed under our analysis of Item 142 which make separate appropriations from the Architecture Revolving Fund and the Architecture Public Building Fund respectively.

OFFICE OF LOCAL ASSISTANCE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$998,341	71
Reimbursements -----	Item 136	21,193	--
Total -----		\$1,019,534	71

The major activity of this division is the administration of the State School Building Aid Law. Under this program, financial assistance is made available to school districts for the acquisition and development of school sites and construction.

Funds are also allocated to local agencies under the Emergency Flood Relief Law for the repair of local streets and roads damaged by floods.

MINOR CAPITAL OUTLAY

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$375,000	--

We recommend against the expenditure of \$375,000 in minor capital outlay. Funds for these projects should be requested as a major capital outlay item for the department.

The department has requested \$375,000 as a lump-sum appropriated for unforeseen alterations to various state office buildings. These funds, in the past, have enabled the department to finance minor alterations needed to accommodate personnel and program changes within various agencies. A similar request was made last year but deleted from the Budget Act. We have asked the agency for documentation which would give an indication of hardship caused by the loss of the 1970-71 fiscal year funds. We have not received documentation which would so indicate. However, in our discussions with the department, it has been indicated that the intention is to fund two major capital outlay projects from this appropriation. These projects are for fire and life safety

BUILDINGS AND GROUNDS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$1,255,146	1,186.2
Reimbursements -----	Item 136	12,218,214	--
Total -----		\$13,473,360	1,186.2

alterations in the Library and Courts Building in Sacramento and the old State Building in Los Angeles. These projects should be identified in a major capital outlay item for the department in that section of the budget.

Grounds Maintenance

This program is responsible for the maintenance and preservation of state grounds. The major part of this workload is Capitol Park in Sacramento.

Building Maintenance

The building maintenance program provides all services necessary for the maintenance and operation of state buildings. Members of the various crafts as well as general maintenance men are employed in this program.

Custodial Program

In our 1967-68 Analysis of the Budget Bill we recommended the adoption of the federal custodial staffing standards. The Department of General Services accepted these standards, and as a result greater efficiency and annual cost reduction have resulted. Consolidation of the custodial operations of other agencies are recommended when savings and greater efficiency will result.

Transfer of positions from the Department of Motor Vehicles and the Division of Highways together with other workload adjustments has resulted in a net increase of four positions over the current year.

SECURITY AND PROTECTION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$782,198	201.2
Reimbursements -----	Item 136	1,857,626	--
Total -----		\$2,639,824	201.2

The California State Police Division provides protection services for state buildings and property, their occupants, and visitors from hazards and criminal activities.

The current-year budget was increased over the previous year's budget by \$369,002 to provide 17.7 new positions, a closed-circuit TV unit for the Governor, a perimeter security system for the Governor's residence, miscellaneous equipment, and operational support. During April 1970, on approval of the Joint Rules Committee, the State Police budget was augmented by \$167,673 to provide an additional 10 police officers in the State Capitol, one closed-circuit TV unit for each house of the Legislature, and operational support. No additional positions are requested for the budget year.

The Department of General Services leases various buildings within the state which are sublet to state agencies. The department acts as the rent collector and sublets on a nonprofit basis.

RENTED BUILDINGS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund -----	Item 141	\$70,000	--

Department of General Services—Continued

COMMUNICATIONS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund -----	Item 141	\$8,619,586	185.3

The Communications Division is responsible for planning and managing the state telecommunication facilities, assisting agencies in the development and implementation of their telecommunication requirements, providing installation and maintenance support, and insuring system reliability under all conditions. The microwave radio, VHF radio, telephone, teletype, and data system activities consist of planning, system design, installation-modification and maintenance.

The telephone services and facilities consist of planning, switchboard operations and state telephone directory management and preparation.

Further centralization of the communications function has taken place during the current year. The Division of Highways, which was the only unit in state government whose communication equipment was not being serviced by the Communications Division, is serviced now under an interagency agreement with the Department of General Services. This consolidation applies to communication engineering and maintenance personnel for a two-year trial period that began July 1, 1970. After the trial consolidation and an evaluation of comparable costs and operating efficiencies, permanent consolidation will take place if feasible.

DATA PROCESSING SERVICES OFFICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund -----	Item 141	\$2,654,216	133.0

We withhold recommendation pending resolution of the funding and staffing requirements for fiscal year 1971-72.

The Data Processing Services Office was formed during the current year as a result of a merger of the data processing unit of the Management Assistance Division and the data processing service center. With the transfer of the Department of Education's electronic data processing (EDP) facility to the Department of General Services for the purpose of creating a "Shared Computer Utility"; the feasibility test of optical character recognition (OCR) equipment, and the installation/implementation of electronic photocomposition equipment at the State Printing Plant, the newly formed Data Processing Services Office has assumed the role of providing centralized processing services to the department and other state agencies in order to reduce the rate of state expenditures for EDP.

Legislative Actions

During the 1970 legislative session, a number of actions and recommendations resulted which have significantly changed the role of the Department of General Services with regard to EDP. Under Item 47.1 (Budget Act of 1970), \$1,114,131 was added to the department's budget as reimbursement from the Department of Education. Also transferred were 71.3 data processing positions and Education's IBM 360/50 and RCA 301 computers.

The IBM 360/50 was determined by the Legislature to be an under-utilized and inefficiently operated machine during hearings on the Department of Education's budget. Therefore, it was determined that it would be in the state's best interest for the administration and Legislature to jointly act to establish the state's first "shared computer utility" in the Department of General Services. This utility was intended to use "state-of-the-art" computer technology and serve as a model to demonstrate the capability of the third-generation computer—a capability that has not been exploited to date by California state government.

Anticipated users of this utility include the Department of Education, Department of Finance, the Legislature and the Office of Secretary of State (as recommended under Item 56—Committee on Conference Report, Budget Bill of 1970).

Department Reorganizes for EDP

Until recently, the department operated two separate and independent data processing service centers. In December 1970, an existing administrative position was redesignated data processing officer, reporting to the director and immediately above the managers (EDP manager III level) of the two service centers.

Data Processing Service Center I operates a third-generation RCA computer and provides EDP service to divisions within the Department of General Services, Office of State Printing, the State Treasurer, and the Departments of Corporations and Real Estate.

As requested by the Conference Committee Report (1970 Budget Bill), DPSC I has submitted to the Joint Legislative Budget Committee a training plan, standards and procedures implementation plan and a computer utilization plan. These documents indicate considerable progress is being made in developing this facility. Significant progress has also been noted in improving internal reporting and billing procedures.

Data Processing Service Center II operates the IBM computer transferred from education and will release the second-generation RCA machine during the budget year. We have discussed above the design concept and potential customers of this center which the Legislature designated a "shared computer utility." To enable this computer system to satisfy the stringent requirements of the Department of Finance budget data system which is scheduled for parallel testing in April 1971, the department has installed a sophisticated telecommunications monitor, large core storage, expandable modular high-speed random access storage, a data management software package, sufficient high-speed core storage and remote batch capabilities.

This advanced capability will now be available to the Legislature, the Secretary of State and other state departments requiring EDP services.

Fate of OCR Equipment Unknown

On December 15, 1970, the Department of General Services completed a six-month experimental test of large-scale multifont optical character recognition (OCR) equipment. The test was made possible through

Department of General Services—Continued

cooperation of the Department of Finance, Office of Management Services, and the Joint Legislative Budget Committee and was designed to test the capability of this equipment to reduce the state's \$19 million annual cost of handling and converting data for input to computers.

In our analysis of Item 37, Office of Management Services (OMS), we have discussed in some detail the lack of leadership on the part of OMS in conducting the experiment, the reluctance of state departments to participate and the technical results of the test. The equipment demonstrated its technical feasibility according to the Department of General Services report on the OCR test, released December 11, 1970.

However the report noted that although the application of OCR equipment could offer significant potential statewide benefits, it was not possible during the test to establish conclusively that sufficient work volumes could be made available, especially during initial months of operation, to assure its economic feasibility.

Data Processing Service Centers Understaffed

We are informed that both DPSC I and II have been unable to keep pace with the requests for services originally projected for this fiscal year. The current 1970-71 operating budget for the data processing centers is \$500,000 underbudgeted when compared to the requests for service from customers (who have funds to purchase this service). The result of this is a lack of authorized staff to operate the computers three shifts a day and on weekends, and to perform keypunching, programming or systems analysis services for customers.

As far as we can determine, the requirements of the data processing centers is in excess of the level requested in the budget for fiscal year 1971-72. In other words, the centers will be underfunded. These centers operate on a reimbursable basis through use of the Service Revolving Fund. In a dynamic environment where workloads are neither entirely predictable nor under complete control of the department, it is imperative that flexibility be accorded this operation by providing an adequate staffing level and an additional specified amount for temporary help. Without such an arrangement, full utilization of the computers will be impossible and the advantages of the true service center concept will be lost to the state.

We therefore withhold recommendation on a funding level for this program during fiscal year 1971-72 and suggest that the fiscal committees require the Departments of General Services and Finance, together with the Office of Management Services and the Legislative Analyst to develop an adequate plan for funding and staffing these computer centers.

OFFICE SERVICES

Funding	Source of funds	Proposed expenditures	Proposed staff
Direct support -----	Item 136	\$56,063	181.2
Revolving Fund -----	Item 141	2,917,353	--
Total -----		\$2,973,416	181.2

The Office Services Division of the Department of General Services is composed of central office service, office machine repair, and reproduction services.

Central Office Services

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

Office Machine Repair

This group serves many state agencies and repairs equipment ranging from desk-top calculators to typewriters. This program is being totally supported by the using agencies.

Reproduction Services

This unit provides complete central duplicating services for many state agencies. It also provides specialized and partial services to agencies with a workload large enough to support departmental reproduction units.

Last year our office recommended that the Department of General Services survey all agency facilities to determine the extent of excess duplicating equipment, the possibility of transferring such equipment to reproduction services, and the potential for eliminating small and inefficient reproduction facilities.

This recommendation was made because the department had requested \$90,298 to purchase duplicating equipment and we had found a proliferation of such equipment throughout state agencies. These funds were deleted from the budget and the Conference Committee language contained a recommendation stressing such consolidation.

The department now reports that an effort is being made to comply with the Legislature's recommendations. Plans are in progress to consolidate other agency duplicating services within the Department of General Services by July 1, 1971.

STATE PRINTING

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving Fund -----	Item 140	\$21,371,678	893.0

The primary program of the Office of State Printing is to provide printing services for the judicial, legislative, and executive branches of government. Legislative printing includes all special reports, bills, files, histories and journals required by both houses of the Legislature. The agency printing program supplies all of the printing requirements for the individual agencies. The textbook program includes production of the majority of elementary textbooks specified by the State Board of Education.

The Office of State Printing (OSP) is currently implementing an electronic photocomposition system. An RCA videocomp device has

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been installed to compose text and set type photographically, thereby increasing the quality, speed and economy of printing for the Legislature and state agencies. Textual material, and specifications for page formats and type fonts are entered into this system through eight video terminals which are connected to the Department of General Services RCA Computer. The computer then performs composing functions and produces its output on magnetic tapes. The tapes are then processed on the videocomp device which generates masters for offset printing. Because a prime advantage of photocomposition is the ability to rapidly and economically modify text previously stored on magnetic tape, significant economies are expected from applications such as the printing of legislative bills, the California codes, and college catalogs.

The OSP had planned to begin pilot-testing production of legislative bills and journals by photocomposition in January 1971. However, problems with the photocomposition software and some equipment delivery delays have caused a postponement. Therefore, present plans are to simulate and evaluate all aspects of the system this year and begin full production (including bills, journals, daily and weekly histories and files) in January 1972. The printing plant plans to back up the photocomposition system with the manual hot lead system rather than operate on a parallel basis during the first year of operation.

The Office of State Printing appears to be making a concerted effort to improve its production and reporting processes. The adjustment in staff is a result of transferring six positions associated with photocomposition to the data processing services office.

OFFICE OF PROCUREMENT

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$1,355,968	163.5
Revolving fund -----	Item 141	7,521,268	--
Reimbursements -----	Item 136	80,000	--
Total -----		\$8,957,236	163.5

Direct Purchasing

The Office of Procurement purchases all supplies and equipment in excess of \$25 for all state agencies except the University of California which is completely exempt and the state colleges which are exempt for purchases of less than \$500. Procurement has the responsibility for developing specifications, requesting bids and awarding contracts.

Central Stores

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

In our 1968-69 analysis we recommended that more agencies should do their small item purchasing through Central Stores in order to realize savings and that departmental warehouses be consolidated into the General Services system. A number of state agencies have accepted this recommendation and are now purchasing their goods from Central Stores. Consolidation of the Department of Water Resources warehouse

has been accomplished. With respect to the progress of other warehouse consolidations, the department reports the following in a January 21, 1971, progress report to our office:

The effort to design a new multipurpose inventory control and management system concurrent with the transfer of billing, accounts receivable, and cost of goods sold systems to a new third generation computer proved to be more difficult than originally contemplated. An interim billing system was developed in February 1970 and back billings were processed on an accelerated schedule which brought them up to a current status by May 1970.

A review of the reports and recommendations of the past two years was made and on July 8, 1970, staff was assigned to design and install a multipurpose inventory management system.

Physical inventories will be taken at all General Services' warehouses during January and February and a perpetual inventory established by March 1, 1971. An inventory control system will be established by March 31, 1971, and a system for forecasting inventory needs by item stocked shortly thereafter (before June 30, 1971). Consolidation of additional warehouses is planned when this system is operational and documentation is completed.

The Department of Social Welfare stores warehousing, forms distribution and duplicating operations are scheduled for transfer to General Services July 1, 1971. Other warehouses will be transferred at regular intervals thereafter.

From the above, it appears that satisfactory progress is being made in the warehouse consolidation program and the conversion to a modern inventory management system.

Documents

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

Traffic Management

Traffic Management provides traffic services and reviews state shipping and freight receipt practices.

In the budget for the current year, reference was made to the planned closing of the Los Angeles Purchasing Office by the end of the 1970-71 year. Seventeen positions were to be transferred to Sacramento for greater efficiency and four positions eliminated for an estimated annual savings of \$56,000. As a result of local objections to closing the Los Angeles office, the original plan was modified. Two buyers were placed in a downtown Los Angeles state building which is more accessible to vendors, 15 positions were transferred to Sacramento, and four positions were eliminated to achieve the \$56,000 annual savings as originally planned. The department reports that it anticipates no deg-

Department of General Services—Continued

radation of service, that net operating cost is expected to be reduced after the first year of transition, and that overall efficiency through centralization of the function is expected. The department has stated that it plans to watch this program carefully and will adjust service to the mutual benefit of the vendors and the state as needed.

TRANSPORTATION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$63,324	151.9
Revolving fund -----	Item 141	6,847,895	--
Total -----		\$6,911,219	151.9

The Transportation Division of the Department of General Services provides a program of centrally operated vehicle transportation which includes management services, maintenance, garage facilities, support to other agencies, and parking facilities for privately owned cars of state employees.

Fleet Management Program

The fleet management program is responsible for the operation of the state automotive pool. In addition, guidance, coordination, and service are provided all state agencies operating a total of nearly 30,000 vehicles of all types. Provision for adequate employee parking is also a responsibility of the program.

Garage Operations Program

This program operates the state garages and gives daily service to state-owned vehicles.

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

Statewide Inspection Program

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

Consolidation of Transportation Services

The Conference Committee report (Budget Bill of 1970) recommended that the administration move toward more consolidation of transportation services. In the analysis last year, we suggested that in order to study statewide consolidation, a common base of data should be used. We recommend that the department employ a senior management analyst to develop this data base, but the director contended that there was a capability available without a staff augmentation.

The department recently advised our office that:

A uniform cost accounting system for passenger vehicle operations has been designed and placed in effect (Manage-

ment Memo 70-7 issued April 15, 1970). Semiannual reports to the Department of General Services are required with the first report due March 1, 1971. These reports will provide the information needed to determine the usage and relative efficiency of individual agency-operated passenger vehicles. In addition, Management Memo 70-14 required all agencies to report on vehicle usage. It is expected that the results of these studies will provide a sound base on which to determine statewide fleet management policies and practices.

ADMINISTRATIVE PROCEDURE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 136	\$1,224,345	61.8

The Administrative Procedure program consists of three activities—hearings, research and codification. The major function of the Office of Administrative Procedure is the conduct of hearings, which are adjudicatory proceedings under the Administrative Procedure Act and other laws. The purpose of this function is to prevent abuse of the licensing authority given to 55 state agencies by providing a process of fair and impartial hearings to denied applicants and licensees charged with legal violations.

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

LEGAL OFFICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$303,326	16.0
Reimbursements -----	Item 136	65,000	---
Total -----		\$367,326	16.0

The Legal Office provides support in connection with a wide variety of contracts, leases, and real property transactions entered into by other state agencies which are subject to the approval of the Department of General Services. The department itself also makes contracts, purchases, leases and other real property transactions.

A realignment of work assignments and improvement in operating procedures has permitted a reduction of 3.4 positions in the budget year.

MANAGEMENT ASSISTANCE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$771,875	42.7
Reimbursements -----	Item 136	30,000	---
Total -----		\$801,875	42.7

Department of General Services—Continued

We recommend that the Management Assistance Division implement a pilot program which will test the fiscal, technical and operational feasibility of a central accounting system development program utilizing a "task force" approach.

In our judgment, the development of statewide planning, coordination and control of fiscal systems is essential if the state is to meet the challenge of program management. We believe that the Management Assistance Division-Accounting and Fiscal Management Unit of the Department of General Services can provide the basic framework for development of a positive approach toward these objectives.

The Management Assistance Division is organized with four units providing service in the areas of management research, management analysis, state records services and accounting and fiscal management. These services include maintaining the State Administrative Manual, assisting state agencies to install effective paperwork management programs, performing statewide duties in regard to accounting systems as required in Section 14626 of the Government Code, providing staff assistance to the State Board of Control, and providing management assistance to divisions within the Department of General Services.

In the current year, the State Records Service and departmental education and training were incorporated into this division and the data processing activity was transferred into the data processing services office. These workload changes permit a net reduction of 7 positions in the budget year.

PABS Poses New Accounting Demands

The current objectives of the Accounting and Fiscal Management unit are to assure that state agencies properly and accurately account for their fiscal affairs in accordance with generally accepted principles of governmental accounting as required by Section 14626 of the Government Code. In support of this objective, the division performs approximately 20 accounting systems surveys each year, using the general accounting procedures outlined in the State Administrative Manual (SAM) as the basic control guideline.

The implementation of the Program and Budgeting System (PABS) has shifted emphasis from line item accounting and control to program planning and budgetary control. This means that accounting procedures must support the budgetary *planning* process as well as the central control process. It does not mean that accounting is any less important, only that it plays a supportive rather than a *central* role in the fiscal process.

The transition to PABS has had a significant impact on both the operating departments and the control agencies. The operating departments find that traditional techniques for developing management information are inadequate in terms of providing measures of program achievement and the control agencies find that the traditional control-oriented object-of-expenditure reporting techniques do not provide the capability of determining how programs interrelate in terms of statewide program objectives. The result is that many departments are designing fiscal management information systems, usually computer based,

which will provide the range of management information needed for program decision making at both levels. This information includes traditional and program accounting information, resource allocation data and program output data. Once collected and arrayed, the information is evaluated against specific program achievement criteria.

Proliferation of Systems and Designs

Over the past half decade many departments have begun development of fiscal or accounting systems. The departments of Mental Hygiene, Social Welfare, Water Resources, and Public Works have contracted for the services of private accounting or systems consultants to aid in the design and implementation of their systems. As a consequence each of the departments has a distinct system design tailored to its needs and, although the design meets the minimum requirements of SAM, it may not provide the best vehicle for analysis of agencywide or statewide programs at the cabinet or legislative levels.

Reinvention of the Wheel

Compounding the management problems inherent in the transition from traditional accounting to program accounting has been the claim that each system can easily be adapted to every other departmental management system. We conclude that the results do not substantiate the claim.

In some instances, consultants have benefited from the state's inability to know how many and in what departments systems were being developed. This is possible because the state does not have a central agency responsible for the substantive review of systems contracts. Procedural and legal review is made at the Department of General Services and other control agencies, but the substance of systems proposals is never challenged unless the contract includes electronic data processing, in which case the Office of Management Services is responsible for substantive review. Examples of this situation are the systems designed for the Department of Water Resources and the Department of Public Health. Both departments employ the same basic accounting concepts but it is costing the state \$124,000 to have the system "adapted" from one department to the other. This illustrates the state's present inability to coordinate its own activities.

Task Force Approach

In our judgment, the state has the potential capability for providing the required coordination and control and has the expertise to develop an ongoing program of fiscal and accounting system development.

The accounting and fiscal management unit provides a basic core of expertise with which the state can begin a positive program of system construction. This unit can provide the initial and long-range planning required for unifying the state's fiscal systems into a single, federated system and can provide the basic technical skills with which to implement the required changes on a project basis. The general services staff could be supplemented by departmental staff experienced in accounting system design and implementation, forming a "task force" as needed. The state has a number of state employees who have been trained by the consultants retained to date, who are now relegated

Department of General Services—Continued

to the routine maintenance of systems already implemented. These people, as well as departmental data processing personnel, could be temporarily assigned to project task forces headed by the accounting systems unit. These task forces could design and implement accounting systems on a project basis according to a statewide plan. This plan would have a number of benefits:

(1) Most departments could absorb the cost associated with the temporary assignment of one or two of its employees, thereby, reducing the overall cost of the effort, (2) the level of expertise will tend to be enhanced as state employees obtain design experience in a number of departments, resulting in greater staff effectiveness as a whole, (3) uniform systems designs would enhance the state's ability to plan, coordinate and control program priorities and expenditures, and (4) total systems development costs could be reduced as much as 50 percent if consultants are not retained.

We therefore recommend that the Management Assistance Division develop a pilot project which will test the above "task force" proposal. The test should be conducted within a single department which is in need of fiscal system development and should utilize the services of state employees now residing in departments which have already concluded a similar system implementation, such as the Department of Water Resources, Department of Public Works and the Department of Mental Hygiene. We further recommend that the division make a report of the results and conclusions of the pilot project to the Joint Legislative Budget Committee by November 1, 1971.

INSURANCE OFFICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 136	\$97,683	6.0
Reimbursements -----	Item 136	1,510,000	--
Total -----		\$1,607,683	6.0

The Insurance Office attempts to protect the state's large investment of manpower, equipment and facilities by transferring the risk to insurance companies through the purchase of insurance. Independent risk management studies of insurance requirements are performed for state agencies and their personnel with a goal of promoting uniform insurance procurement procedures and reducing state expenditures.

The statistical recordkeeping function has been improved with respect to automobile losses. Current reports provide the capability for the continuing evaluation that is being conducted as to the feasibility of the state assuming self-insurance risk on a cost/benefit basis.

In the opinion of the insurance officer, it is currently in the best interest of the state to continue loss protection with commercial carriers. However, this opinion is based on the expectancy of being able to continue the existing level of risk protection at reasonably comparable

rates when the present contract expires July 1, 1971. At this time, the state will follow the customary practice of requesting bids from the commercial carriers. If the insurance bids are unreasonably high, the state eventually will assume self-insurance risk responsibility.

DEPARTMENT OF GENERAL SERVICES

Item 137 from the State School Building Aid Fund

Vol. I p. 463 Budget p. 81

Requested 1971-72	\$996,341
Estimated 1970-71	937,326
Actual 1969-70	927,847
Requested increase \$59,015 (6.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

1. This item provides support for the Office of Local Assistance chargeable to the School Building Aid program. Analysis of the program is included in our analysis of Item 136.

DEPARTMENT OF GENERAL SERVICES

Item 138 General Fund transfers to Service Revolving Fund

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

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

DEPARTMENT OF GENERAL SERVICES

Item 139 General Fund Transfer to Service Revolving Fund

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides the authority for augmentation of the Service Revolving Fund from the General Fund or special funds for the purchase or replacement of reproduction equipment with funds available and intended for such use subject to the State Board of Control.

Department of General Services**OFFICE OF STATE PRINTING**

Item 140 from the

Service Revolving Fund

Vol. I p. 485 Budget p. 81

Requested 1971-72	\$21,371,678
Estimated 1970-71	20,885,751
Actual 1969-70	19,165,892
Requested increase \$485,927 (2.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 136.

DEPARTMENT OF GENERAL SERVICES

Item 141 from the

Service Revolving Fund

Vol. I p. 486 Budget p. 81

Requested 1971-72	\$28,630,318
Estimated 1970-71	25,823,824
Actual 1969-70	22,704,200
Requested increase \$2,806,494 (10.9 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 136.

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

Item 142 from the Architecture

Revolving Fund

Vol. I p. 467 Budget p. 80

Requested 1971-72	\$4,000,000
Estimated 1970-71	7,007,498
Actual 1969-70	7,999,978
Requested decrease \$3,007,498 (42.9 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. We recommend special review of O.A.C. proposal to close the Los Angeles office.

GENERAL PROGRAM STATEMENT

The Office of Architecture and Construction functions primarily as an architectural and engineering service organization essentially simi-

lar to private architectural organizations. However, it is comparable only to the larger private organizations in that it provides a full spectrum of architectural and engineering services whereas the smaller private architectural organizations often provide only architectural services and must go outside their own organizations to obtain the various engineering services such as mechanical, electrical and civil.

One major difference between the state organization and private organizations is that it also operates an on-the-job inspection service during the construction period. This service is performed as a matter of course for all state projects which by law fall within the purview of the Office of Architecture and Construction. In addition, it renders both an architectural and inspection service to the state college system on a contract basis because the latter system is not required by law to use the services of the Office of Architecture and Construction but may do so at its discretion. The University of California is not required by law to use the services of the organization and as a matter of long-standing practice it never has used these services but relies entirely on private architects and engineers for its major projects.

The method of compensation used for the Office of Architecture and Construction differs from a private architect in that the state organization is reimbursed for all of its out-of-pocket and overhead expenses in connection with any one job. On the other hand, the private architect agrees in advance to a method of compensation which is determined by the conditions of a specific project.

For the current fiscal year, the average fees of the Office of Architecture and Construction are projected to be 7.21 percent of the cost of construction. This is approximately the same as the computed average rate of compensation for basic architectural services recommended by the California Council of the American Institute of Architects so that the cost to the state is no more than if the services were purchased.

Comparisons cannot be made between the service fees charged by the Office of Architecture and Construction for on-the-job inspection work with that of private architects who normally do not provide this service as part of their regular contracts. Usually, in relationships between private architects and private clients where a client desires constant on-the-job inspection, he employs one or more inspectors, directly paid by him, although the individuals may be recommended by the architect. In any case, for the current fiscal year the Office of Architecture and Construction estimates that the average cost of this service is 2.29 percent of the project construction cost as compared with 2.67 percent in the 1969-70 fiscal year. The goal for the budget year is 2.00 percent. This downward trend is the result of reductions in staff size.

The Office of Architecture and Construction also performs a service which is rarely if ever rendered by a private architect to a private client. This is concerned with so-called "day labor" projects in which the state organization acts as architect and engineer, inspector and construction contractor. This is almost exclusively in connection with complex alteration or modernization projects. However, the level of activity in this area has diminished considerably.

The office also performs a somewhat unusual service under a separately funded special program in which it does not perform any archi-

Office of Architecture and Construction—Continued

tectural or engineering design work but instead reviews the elementary and secondary school construction plans of private architects to ascertain whether they meet the minimum standards for seismic, wind and fire safety generally, as set forth in the "Field Act." This will be discussed in Item 143 immediately following.

The Architectural Revolving Fund from which the activities of the office are financed receives no revenues in the ordinary sense. Instead, funds appropriated by the Legislature for specific projects are deposited in the revolving fund and assessments are made against each project for the services of the office. Consequently, the actual volume of work for the office, and hence the potential amount of service funds which it may expend, is completely dependent upon the level of capital outlay appropriations provided by the Legislature. As a practical matter, the revolving fund is continuously appropriated to the office, but for some years it has been the practice to include a specific appropriation from the revolving fund in the Budget Bill in order that the Legislature may have an opportunity to review the activities of the office and the cost of its services.

ANALYSIS AND RECOMMENDATIONS

The program budget for the Office of Architecture and Construction categorizes its Architectural Revolving Fund activities into three major service functions. They are:

- (1) Normal architectural and consulting services which are considered basic and comparable to those services for which private firms receive compensation under normal service fee schedules,
- (2) extra architectural and consulting services and nonconstruction work which are not basic to every project and are services for which private firms receive separate compensation, and
- (3) construction services which primarily include construction supervision and inspection.

The budget proposal reflects a decision to reduce operating costs commensurate with the decline in workload with the major reductions being made in architectural and consulting service functions. This proposal was necessitated by a significant reduction in the number of new projects funded in the budget coupled with actions taken to cancel previously authorized projects which had been frozen due to cash-flow problems. Consequently, major construction activity in those agencies receiving General Fund support has virtually ceased. In addition, state college projects financed from the Capital Outlay Fund for Public Higher Education are not being released. Thus, projects financed from special and bond funds represent the major workload source for the Office of Architecture and Construction. Workload estimates for the normal architectural and consulting services function indicate that the major portion of its projected workload for the 1971-72 fiscal year will be generated by the Department of Motor Vehicles, the California Highway Patrol and the Division of Highways.

The Office of Architecture and Construction has indicated that the criteria used in the preparation of the budget for the 1971-72 fiscal year are based upon an assumed gross office product of \$57 million.

With a goal of 7 percent of the contract value of basic services relating to the \$57 million, a \$4 million program budget was developed. Of this amount, 38 percent was assigned to normal architectural and engineering services, 12 percent to those extra and other services for which a private architect normally receives additional compensation, and the remaining 50 percent to construction supervision services provided under the requirements of the State Contract Act. This is in contrast to the criteria used in preparation of the budget for the current year whereby 50 percent was assigned to normal services and 33 percent to construction supervision. The funding and staffing constraints for the 1971-72 fiscal year resulting from the percentage allocations outlined above appear in Table 1.

This change in percentage relationship points up the significant drop in new project starts whereby the larger office effort is directed to outgoing projects and the lesser to planning and design.

Table 1
Allocation of Funds and Staff by Function

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72	Percent decrease from current year
Basic Services				
Production cost -----	\$3,961,343	\$3,474,427	\$1,520,000	56.3
Man-years -----	210.6	175.6	77	56.2
Extra services				
Production cost -----	\$1,373,956	\$1,184,145	\$480,000	59.5
Man-years -----	73.6	60.1	25.3	57.9
Construction supervision				
Production cost -----	\$2,666,679	\$2,348,926	\$2,038,150	13.2
Man-years -----	143	115.5	102.5	12.7
Total				
Production -----	\$7,999,978	\$7,007,498	\$4,038,150	42.9
Man-years -----	427.2	351.2	205	41.6

The workload level for the basic architectural services function, based on construction value, is estimated at \$21,500,000 which is 58.7 percent less than the \$52 million estimated for the current fiscal year. This closely parallels the proposed reductions in man-years and production costs shown in Table 1. However, the actual reduction in workload volume for the office will be somewhat greater than 58.7 percent because inflation in construction costs reduces the difference between the two estimates. In contrast to the lack of demand for architectural and consulting services, the workload level for the construction supervision function is estimated to remain constant. The latter situation is reflected by the smaller decreases in production costs and man-years indicated in Table 1. This is because not enough time has elapsed since the statewide reduction in new project starts for it to have a significant impact on the level of construction activity requiring supervision. For a larger project, it takes up to three years and sometimes longer from the time it is budgeted for working drawings to the time construction actually begins. The Office of Architecture and Construction estimates that this situation could change dramatically by the end of the 1971-72 fiscal year.

Office of Architecture and Construction—Continued

The budget for the current fiscal year was based on a staffing level of 400.9 authorized positions. As indicated in Table 1, it is estimated that workload and administrative adjustments will reduce the authorized level to 351.2 man-years. For the budget year, it is proposed to reduce authorized positions to 218.1, a reduction of 182.8 positions or 45.6 percent. Estimated salary savings will further reduce this figure to 205 man-years, which is shown in Table 1.

Questionable Transfer of Functions

We recommend special review of the proposed elimination of the Los Angeles office.

One of the actions the Office of Architecture and Construction proposes to take in its effort to reduce operating costs is to close its Los Angeles office and transfer all functions to Sacramento. This is proposed in spite of the fact that, by our analysis, approximately 40 percent of the Office of Architecture and Construction's projected working drawing workload is in southern California. Such a move would hamper the ability to communicate effectively during project design stages, to interpret the design concept during construction and by general administration of the contract best serve a client's interest. Although it is estimated that the proposal would save approximately \$23,400 in office rent, with other costs probably being offset, we question whether in the long run such a move is in the state's best interests.

The Role and Future of the Office of Architecture and Construction

Despite the current dearth of capital outlay funds, it is our conclusion that a strong, effective architectural organization has an important and even essential place within state government. Many large private corporations whose business enterprises require a fairly high level of annual facility construction employ their own inspectors and contract managers even though the actual architectural work may be done by outside private architectural firms. The state may properly be considered as a large-scale client for facility construction and as such must have some form of internal protection to assure that its facilities being built by private contractors are meeting plans and specifications in accordance with contract terms. At the least this requires qualified construction inspectors and contract managers. In addition, the state undertakes extensive alteration and modernization projects which are best designed by personnel having a continuity of experience with the peculiarities of the state's needs in its various specialized facilities. This calls for a staff of architects and engineers the size of which should be geared to the average workload that might be anticipated.

With respect to new construction, it may be argued that private architects and engineers can perform the necessary design work as well as a state-employed staff. However, we suggest that there is a distinct value to the state in having some portion of its new construction designed by state-employed staff to serve as a yardstick in dealing with private architects with respect to the excess portion that might be re-

quired. A competent architectural, engineering, drafting and specification-writing team is not something that is put together overnight. A good team, once established, should be maintained if at all possible. During periods of low capital outlay fund availability, it might even be necessary and justifiable to continue to maintain a staff at the present level at General Fund expense.

During the past 20 years, workload levels in the Office of Architecture and Construction rose at times to amounts in excess of \$175 million annually and at present is probably at its lowest ebb, at below \$50 million, for design and working drawings values only. Its contract supervision and inspection work exceeds that amount simply because the construction currently in progress is based on much higher fund availabilities of prior years. Assuming that the long-range needs for various kinds of state-owned space will continue at a significant level, we suggest that setting a staff goal for the Office of Architecture and Construction of \$50 million annually for all types of architectural, engineering, inspection and contract management work would be a reasonable and justifiable level. Furthermore, we suggest that in order to maximize the effectiveness of the office, to improve its versatility and flexibility that all architectural and engineering services now being rendered internally in other state agencies be consolidated in the Office of Architecture and Construction which would then provide these services when, as and if needed and authorized.

Department of General Services

OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 143 from the Architecture Public
Building Fund

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Requested 1971-72	-----	\$960,000
Estimated 1970-71	-----	1,456,778
Actual 1969-70	-----	1,490,178
Requested decrease \$496,778 (34.1 percent)		
Total recommended reduction	-----	Special Review

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We recommend special review of the proposal to discontinue services in the Los Angeles and San Francisco offices. 279

GENERAL PROGRAM STATEMENT

In addition to its primary architectural and engineering functions, the Office of Architecture and Construction performs a plan checking function for all public school entities in the state. Education Code Section 15,401 and following directs that all plans for construction or alterations to any public school building exceeding \$10,000 in cost be submitted to the Department of General Services for approval. The Office of Architecture and Construction is also responsible for checking

Office of Architecture and Construction—Continued

plans for compliance with fire and panic safety requirements. Currently, this service is provided by contracting with the State Fire Marshal's Office for the staff required to perform this function.

The Office of Architecture and Construction performs no design work of any kind with respect to this program. It merely reviews the structural plans submitted by private architects and engineers for compliance with the wind and seismic load design criteria and in general checks the overall safety of the structural design concept. The plans which are not approved are returned to the source with exceptions noted and a request that corrections be made and the plans re-submitted. Following this review and approval procedure, the Office of Architecture and Construction inspects and monitors construction progress to insure compliance. Revenue to support this program is generated by a filing fee of one-half of 1 percent of the estimated project cost (\$50 minimum) which must accompany each set of plans submitted for checking.

ANALYSIS AND RECOMMENDATIONS

The estimated construction value of proposed schoolhouse work in the state serves as the basis for determining total workload for the schoolhouse plan review function as well as for projecting the revenue from fees which go toward offsetting the cost of the program. Table 1 indicates the current trend in schoolhouse construction activity and its budgetary impact on the plan checking program.

Table 1
Comparison of Workload, Funding and Staffing Changes
(1968-69 through 1971-72)

	<i>Actual</i> 1968-69	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72	<i>Percent change</i> <i>from current</i> <i>year</i> <i>(decrease)</i>
Construction value	\$326,982,000	\$243,460,000	\$285,000,000	\$255,000,000	(10.5)
Total revenues ---	1,382,455	1,206,526	1,230,000	1,290,000	4.8
Total expenditures	1,485,682	1,490,347	1,456,778	960,000	(34.1)
Production man-years ----	76.8	72	62.5	40	(36.0)

The figures in Table 1 are merely indicators and as such are somewhat misleading because of: (1) inflationary factors, and (2) estimates of construction values. Consequently fee revenues have consistently exceeded the actual amounts. For instance, if a current trend continues, the construction value of plans checked during the 1970-71 fiscal year will be approximately \$240 million as opposed to the \$285 million indicated. To some extent, the overestimating can be attributed to the fiscal problems which have continued to plague state and local governments, particularly with respect to school financing. Table 2 reconciles the inflation deficiency by discounting to reflect constant dollars and thereby more adequately illustrates the level of plan and construction activity. Table 2 also demonstrates that the estimated workload reduction is more nearly commensurate with the proposed staff reduction indicated in Table 1.

Table 2
Construction Value at Constant Dollars
(Average California Construction Cost Index for 1968-69 Used as a Base)

1968-69	1969-70	1970-71	1971-72	Percent decrease from current year
\$326,982,000	\$230,069,700	\$249,375,000	\$191,505,000	23.2

The proposal for the budget year contemplates a \$496,778 or 34.1 percent reduction from the amount estimated for the current year. This will be accomplished by a reduction of 39 authorized positions and by eliminating the schoolhouse plan checking function in the Los Angeles and San Francisco offices and centralizing in Sacramento, thereby permitting a greater reduction in clerical staff and a savings in rent. In addition, the contract with the State Fire Marshal for fire and panic plan checking services will be terminated and the Office of Architecture and Construction will assume this responsibility as part of its function. Table 3 summarizes the proposal.

Table 3
Summary of Major Program Expenditure Changes

	Actual 1969-70	Estimated	Estimated	Percent decrease from current year
Operating expenses and equipment (minus rent) ---	\$145,686	\$170,518	\$131,914	22.6
Rent -----	77,922	80,069	46,500	41.9
State Fire Marshal services	73,891	81,900	--	100.0
Personal services -----	1,182,679	1,124,291	781,586	30.5
Total -----	\$1,490,178	\$1,456,778	\$960,000	34.1

Justifiable Staff Reduction

The proposed reduction in staffing level from the 81 positions authorized in the current year to 42 positions, when adjusted for salary savings, represents a decrease of 47.7 percent. Some of the positions have been abolished in the current year, as indicated by the 62.5 man-year level estimated for the current year. This reduction was apparently influenced by two factors: (1) The decline in workload depicted in Table 2, and (2) inability to cover the cost of the program with the revenue generated by the plan check fees. Although legislation was passed in 1969 amending the fee schedule to eliminate a sliding scale feature, the resulting increase has been negated by the decline in schoolhouse construction volume.

Questionable Centralization of Plan Checking

We recommend special review.

An important step in the plan checking process is the Office of Architecture and Construction's recheck of corrections made by the designer. Frequently, this involves a direct confrontation and discussion of the structural design concept. Equally important is the approval of structural change orders necessitated by unforeseen job conditions. We believe the proposed elimination of the plan checking function in the Los Angeles and San Francisco offices would have a direct impact on these procedures because of the lack of proximity. It is estimated that 60 percent of the schoolhouse construction in the state is reviewed

Office of Architecture and Construction—Continued

by the Los Angeles office. The engineering society in Los Angeles estimates an additional cost to the public of \$150,000 annually associated with the proposal. However the effect is difficult to quantify accurately. It is safe to assume nevertheless, that the added cost occasioned by special trips to Sacramento and the inability to expedite change orders will eventually be passed on to local school districts. Consequently, *we recommend that the entire proposal be given special review by the Legislature.*

STATE PERSONNEL BOARD

Item 144 from the General Fund

Vol. I p. 522 Budget p. 83

Requested 1971-72	-----	\$4,939,500
Estimated 1970-71	-----	5,101,948
Actual 1969-70	-----	5,216,576
Requested decrease \$162,448 (3.2 percent)		
Total recommended reduction	-----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Budget Detail. Recommend that adequate detail be provided in the program budget for all program elements. 281

2. Data Processing Services. Recommend that any planning for a new computer system or improved EDP service be completed in cooperation with the State Controller and the EDP Master Plan Consolidation Group Four. Also recommend that optical character recognition techniques be studied for their possible application in reducing the workload related to the six million pieces of paper generated in personnel transactions. 284

GENERAL PROGRAM STATEMENT

Organization and Authority

The State Personnel Board is a constitutional body of five members appointed by the Governor for 10-year staggered terms. Through constitutional and statutory authority the board adopts rules and regulations for administration of the state civil service system. Legislation enacted during 1969 gave the board the added responsibility of establishing and administering merit systems for city and county welfare and public health employees to insure compliance with federal requirements. The board employs an authorized staff of 531.8 positions which is under the supervision of an executive officer.

Responsibility and Service

The board has the responsibility and an administrative obligation for two major programs—the State Personnel Services Program and the Contract Personnel Services Program. Both programs are conducted within the framework of a merit system, one for the state's civil service system and the other for public employers on a fully reimbursable basis. Services provided by the board include recruit-

ment, selection, personnel information, classification, compensation, personnel administration, employee development, and accident prevention.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Funding for Board Functions

We recommend that adequate detail be provided in the program budget for all program elements.

The State Personnel Board is funded by a direct support appropriation from the General Fund as well as reimbursements. The board is requesting a support appropriation of \$4,939,500 for fiscal year 1971-72. This amount plus estimated reimbursements of \$2,280,327 result in a total proposed expenditure of \$7,219,827. A five-year comparison of expenditures by program element is shown in Table 1. Total expenditures will have increased 38.0 percent during the five years ending July 1, 1972. Over that same period, General Fund expenditures will have increased 12.6 percent. The five-year increases are attributable primarily to the growth in reimbursable contract personnel services and secondarily to the growth in the training division elements of employee development and accident prevention.

The largest single-year increase during the five-year period occurred in the current year when the total budget increased \$1,320,613 or 21.0 percent over the 1969-70 fiscal year. However, this budget increase did not affect state costs directly because only reimbursable programs were involved. Federal funding of \$723,688 was provided for the career opportunities development program and \$140,140 for the Thailand civil service improvement project. In addition, the local government program of contract personnel services increased by \$481,296 to a level double the amount expended five years ago. At the same time that total program expenditures were increasing for the current year, General Fund expenditures were reduced.

The proposed budget level for fiscal year 1971-72 reduces the General Fund support for the second consecutive year. The total reduction over these two years is \$277,076 or 5.3 percent. By inspection of Table 1, it can be seen that this reduction is primarily a shift in funding from the General Fund to reimbursements. The program elements have remained at approximately the same funding level while reimbursements to these elements has gone up. In addition, minor staff reductions to meet expected workload reduction supported by the General Fund has been offset by increased funding in federally reimbursed programs. For 1971-72, a total program reduction is proposed for the State Personnel Board of \$398,395 or 5.2 percent. This reduction reflects reduced federal reimbursements in the amount of \$293,551 and workload adjustments.

It should be noted that Table 1 does not show the same level of funding detail for all program elements because the same detail has not been provided for all the program elements. In order to have consistent funding information for analysis we recommend that the same detail level be provided for all program elements.

State Personnel Board—Continued

STATE PERSONNEL SERVICES PROGRAM

Recruitment, Selection, and Employment

The proposed budget for this program element is \$3,221,291, which represents 44.6 percent of the total program cost. The state must replace an annual average of 13,500 permanent employees who leave state service through normal turnover. This program has three objectives: (1) to recruit qualified persons to fill vacancies, (2) to maintain competitive selection processes for state service entry and promotion which insures the meeting of state employment needs, and (3) to advise potential recruitment sources and applicants of state job opportunities and requirements.

The budget proposes a net reduction of 35.2 positions in relation to program changes and an anticipated decrease in workloads within this program element.

Table 1—Five-Year Support Expenditures

Program elements	67-68 Actual	% of Total	68-69 Actual	% of Total
Recruitment -----	\$668,293		— ³	
Selection -----	2,038,725		— ³	
Employment information -----	157,823		— ³	
Division total -----	\$2,864,841	54.8	\$3,232,035	55.8
Classification -----	— ³		— ³	
Compensation -----	— ³		— ³	
Personnel administration -----	— ³		— ³	
Division total ¹ -----	\$1,424,602	27.2	\$1,463,255	25.3
Employee development -----	— ³		— ³	
Accident prevention -----	— ³		— ³	
Division total -----	\$280,741	5.4	\$422,287	7.3
Contract personnel services				
Recruitment and selection -----	231,950		248,145	
Other technical services -----	188,977		183,155	
Merit systems -----	154,986		159,521	
Division total -----	\$575,913	11.0	\$590,821	10.2
Administration (Charged to program):				
Recruitment, selection and employment information -----	(960,474)		(1,047,910)	
Classification, compensation and personnel administration ¹ -----	(586,815)		(526,783)	
Employee development and accident prevention -----	(107,411)		(100,648)	
Division total distributed ² -----	(\$1,716,557)	32.8	(\$1,675,341)	28.9
Division total undistributed -----	85,552	1.6	80,103	1.4
Total expenditures -----	\$5,231,649	100.0	\$5,788,501	100.0
Less: reimbursements -----	844,236	16.1	969,313	16.7
Total expenditures General Fund -----	\$4,387,413	83.9	\$4,819,188	83.3
4 Yearly % change -----	2.8		10.6	

¹ Employee discipline element is included.

² Charges to Contract Services are added to total for 1967-68.

³ Insufficient detail in budget document.

⁴ Total budget change as a percentage of previous year.

Classification, Compensation, and Personnel Administration

The proposed budget for this program element is \$1,507,428, which is 20.9 percent of the total program cost. This program primarily is responsible for administration of the state's merit system under the State Civil Service Act. The program objective of providing uniform and equitable operation of the merit system depends on the existence of similar classifications for comparable work and a reasonably competitive rate of pay in relation to employment opportunities to be had elsewhere. During the current fiscal year, this program element expects to complete 356 classifications and pay studies and 11,670 transaction inquiries. Essentially the same workload is projected for the budget year.

The budget proposes an increase of 1.5 positions which were added during the current year to meet the increased need for appeal hearing services.

by Program Element, State Personnel Board

69-70 Actual	% of Total	70-71 Estimated	% of Total	71-72 Proposed	% of Total	% increase over 5 yrs.
\$616,225		\$556,587		\$447,803		
2,551,674		2,672,080		2,523,218		
201,323		236,033		250,270		
<u>\$3,369,222</u>	<u>53.5</u>	<u>\$3,464,700</u>	<u>45.5</u>	<u>\$3,221,291</u>	<u>44.6</u>	<u>12.4</u>
--- ³		--- ³		--- ³		
--- ³		--- ³		--- ³		
--- ³		--- ³		--- ³		
<u>\$1,528,827</u>	<u>24.3</u>	<u>\$1,437,567</u>	<u>18.9</u>	<u>\$1,507,428</u>	<u>20.9</u>	<u>5.8</u>
--- ³		--- ³		--- ³		
--- ³		--- ³		--- ³		
<u>\$503,430</u>	<u>8.0</u>	<u>\$543,270</u>	<u>7.1</u>	<u>\$543,781</u>	<u>7.5</u>	<u>93.7</u>
239,450		290,985		301,690		
196,207		238,033		231,238		
374,774		762,709		827,013		
<u>\$810,431</u>	<u>12.9</u>	<u>\$1,291,727</u>	<u>17.0</u>	<u>\$1,359,941</u>	<u>18.8</u>	<u>136.1</u>
(688,712)		(689,129)		(711,142)		
(312,272)		(285,083)		(295,844)		
(95,324)		(97,529)		(109,406)		
<u>(\$1,096,308)</u>	<u>17.4</u>	<u>(\$1,071,741)</u>	<u>14.1</u>	<u>(\$1,116,392)</u>	<u>15.5</u>	<u>(35.0)</u>
85,679	1.4	880,937	11.6	587,386	8.1	586.6
<u>\$6,297,589</u>	<u>100.0</u>	<u>\$7,618,202</u>	<u>100.0</u>	<u>\$7,219,827</u>	<u>100.0</u>	<u>38.0</u>
1,081,013	17.2	2,516,254	33.0	2,280,327	31.6	170.1
<u>\$5,216,576</u>	<u>82.8</u>	<u>\$5,101,948</u>	<u>67.0</u>	<u>\$4,939,500</u>	<u>68.4</u>	<u>12.6</u>
<u>8.8</u>		<u>21.0</u>		<u>(5.2)</u>		

State Personnel Board—Continued**Employee Development and Accident Prevention Services**

The budget for this program element is \$543,781, which represents 7.5 percent of the total program cost. During the budget year, the development and accident prevention program expects to conduct 100 agency courses over an estimated 150,000 hours, training 4,200 persons. The objectives are to provide leadership and assistance to state agencies in development programs. The accident prevention goals are 14.6 accidents or less per 1,000,000 hours worked and 11 collisions or less per 1,000,000 miles driven.

A net decrease of 0.7 position is proposed for the budget year reflecting program modifications and adjustments to workload requirements.

CONTRACT PERSONNEL SERVICES PROGRAM

The proposed budget for this program element is \$1,359,941, which represents 18.8 percent of the total program cost. Local governmental agencies have a continuing need for expert, readily available, outside assistance at a reasonable cost, regardless of size or location of the jurisdiction or nature of the personnel service needed. In addition, local jurisdictions are required to have a merit system approved by or operated by a central state agency as a condition of receiving federal grant-in-aid program funds. The objective of this program element is to meet the needs of local government. It is expected for the budget year that 342 local government agencies will be served in addition to covering 142,081 city and county health and welfare employees under merit systems.

A net increase of 3.5 positions is proposed to meet program adjustments and an increased volume of personnel transactions.

ADMINISTRATION

The proposed administration element budget is \$1,116,392, which is 15.5 percent of the total State Personnel Board budget. The administration program element provides leadership and administrative support to state funded personnel programs as well as federally funded programs such as the Thailand Civil Service Improvement Project and the Career Opportunities Development Program for the disadvantaged. The administration objective is the efficient and economical fulfillment of State Personnel Board programs.

Seven of the 11.5 positions added during the current year are continued in the proposed budget for 1971-72. These seven positions are in the Career Opportunities Development Program and were added to meet expanded need.

Data-Processing Services

We recommend that any planning for a new computer system or improved EDP service for the Personnel Board be completed in cooperation with the State Controller and the members of EDP Master Plan Consolidation Group Four. It is also recommended that optical char-

acter recognition (OCR) techniques be studied for their possible assistance in reducing the workload related to the six million pieces of paper generated yearly between state agencies involved in personnel transactions.

The State Personnel Board requested funds in the 1969-70 budget to upgrade its present IBM 1401 computer system (a "second-generation" small-scale computer with disk and tape capability). We opposed the installation of a new third-generation system on the grounds that the current system was not fully utilized, the state was embarking on a program to consolidate computers and a study of an integrated fiscal and personnel management system (FPMIS) was in progress. The Legislature accepted our recommendation and the funds were denied.

In July 1970, the board replaced its leased IBM 1401 computer system with a state-owned IBM 1401 released by the Department of Public Works. This action has reduced the EDP equipment costs from \$129,719 in the current year to \$80,055 in the budget year. The total Personnel Board EDP budget also is down from \$444,102 in the current year to a proposed \$401,021 for fiscal year 1971-72.

A future objective as stated in supplementary budget information for EDP is to replace the IBM 1401 computer with a more sophisticated system which has sufficient mass random access storage capacity to maintain the entire state employee roster file, civil service employment list files, and examination record files on line for immediate remote access. No mention is made in this document of the State EDP Master Plan which specifies that the feasibility of a consolidation of the EDP resources of the State Controller and State Personnel Board shall be studied or of the continued study of the integrated fiscal and personnel management information system.

Thus it appears that the board is again unilaterally planning for an upgrade of its computer system. In our judgment, such planning should be accomplished within the framework of EDP Consolidation Group Four (as specified in the master plan). We further recommend that the entire paper-handling and data-input process as it relates to personnel transactions be evaluated. A 1968 study indicated that 2,467,000 personnel transaction documents representing over six million separate pieces of paper are originated each year by state agencies. The board reporting requirements generate about 32 percent of this documentation.

Given this situation, it is imperative that serious attention be given to this maze of paperwork prior to further automation. One solution that has not been tested by the board is the possible application of Optical Character Recognition (OCR) equipment currently installed in the Department of General Services as a device for improved handling of such forms as the personnel appointment document (Form 604). Forms redesign and simplification are usually required when OCR is applied. Therefore, this may be an ideal time for the State Personnel Board to analyze all of its paperwork processes associated with personnel transactions.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Items 145, 146, and 147 from the General Fund, Public Employees' Retirement Fund, and the State Employees' Contingency Reserve Fund

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Requested 1971-72	-----	\$4,485,719
Estimated 1970-71	-----	4,208,950
Actual 1969-70	-----	3,704,258
Requested increase \$276,769 (6.57 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The objective of the Public Employees' Retirement System is to provide the state and other public employers and their employees the opportunity to participate in the retirement and health benefits plans (including four major medical plans) administered by the system, thereby aiding in the recruitment and retention of competent personnel by assuring a measure of postretirement financial security for older or long-term employees and financial assistance for active and retired employees in times of illness or other temporary physical impairment. All of these plans are statutorily controlled and require joint funding in different proportions by the employer and the employee.

Responsibility for establishing policy direction and guidance for the system is vested in its Board of Administration, which consists of eight members when considering matters related to the retirement programs, but it is increased by three public members when health benefits and medical plans are under consideration. The board submits two annual reports to the Governor and the Legislature, one summarizing the system's operation and stating its recommendations for legislation affecting retirement benefits and the administration of the system, and the other summarizing its investments and financial operations. The day-to-day operations of the system are performed by an authorized staff of 329.9 positions under the direction of the system's board-appointed executive officer.

The Public Employees' Retirement System administers three distinct programs, a Retirement Program, a Health Benefits Program, and a Social Security Program. The latter program consists of the administration of the coverage and reporting aspects of the Federal Old Age Survivors, Disability, and Health Insurance Program which applies to most state employees on a mandatory basis and to local public employees whose employers have elected such coverage.

The costs of administering these three programs are funded from different sources. The Public Employees' Retirement Fund (representing the contributions of all participating public employers and employees), supports the administrative costs of the retirement program from its annual interest earnings; the General Fund supports that portion of the administrative costs of the Social Security Program relating to the state's participation; and the State Employees' Con-

tingency Reserve Fund supports the administrative costs of the Health Benefits Program from an assessment (not more than five percent), made on the employer's contributions to that program. Table 1 details the support by fund.

Table 1

Fund Support for Administration of Public Employees' Retirement System

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Estimated 1971-72</i>
General Fund (Item 145) -----	\$22,500	\$18,000	\$18,000
Public Employees' Retirement Fund (Item 146) -----	3,280,920	3,645,848	3,939,023
State Employees' Contingency Reserve Fund (Item 147) -----	400,833	545,102	528,696
Totals -----	\$3,704,253	\$4,208,950	\$4,485,719

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Including reimbursements, the system is proposing a total expenditure program of \$5,319,121 for fiscal year 1971-72, which exceeds the current year's total estimated expenditures by \$208,186 or 4.07 percent. This increase is composed of \$192,262 for personal services and \$15,924 in operating expenses and equipment. However, because reimbursements are expected to fall by \$68,583 in the budget year, the net cost of the program (expenditures less reimbursements), will increase by \$276,769 or 6.57 percent.

Estimated expenditures in the current year have increased by \$491,406 over the amount originally budgeted primarily as a result of state and federal legislation which required the system to furnish new services described later in this analysis. Thus, the total proposed expenditure for the budget year is \$699,592 or 15.1 percent higher than the amount originally budgeted for the current year.

Most of the system's internal administrative costs, which comprise over half of the total proposed expenditure, are distributed among the three previously mentioned functional programs. The Board of Administration and staff of the Public Employees' Retirement System also administer the Legislators' Retirement System, as well as the investments of the Legislators' Retirement Fund. The system is not reimbursed for the cost of these services, which amounts to approximately \$25,000 annually. The Legislators' Retirement Fund is reviewed on page 5 of this analysis.

DEPARTMENTAL ADMINISTRATION

Of the total proposed expenditure of \$5,319,121, the sum of \$2,773,906 or 52.1 percent is budgeted for the department's internal administration program, and of this amount \$2,437,677 or 88 percent is distributed to the three functional programs in proportion to the services provided. These services consist of executive guidance and policy implementation, actuarial, legal, and investment services, electronic data-processing services, and routine administrative activities. Under our discussion of each of the system's functional programs, we indicate the amount charged for these administrative services.

Public Employees Retirement System—Continued

The remaining 12 percent or \$336,229 of the administrative cost is undistributed and is composed entirely of reimbursements; namely, \$156,413 for investment services rendered to the State Teachers' Retirement System, and \$179,816 for electronic data-processing services provided for the Department of Veterans' Affairs and the State Teachers' Retirement System.

Current-Year Adjustments

Estimated costs for departmental administration in the current year are \$142,376 or 6 percent higher than the amount originally budgeted due to salary adjustments and merit increases (\$50,000), a reduced level of salary savings (\$25,000), increased Treasurer's charges (\$23,000), and increased pro rata administrative charges (\$37,000). In addition, the system administratively added three new positions at an approximate cost of \$18,000, and initiated a \$20,000 contract with the Attorney General's office to investigate disability retirement applications. However, the cost of these and other adjustments was partially offset by a \$47,000 increase in reimbursements from the State Teacher's Retirement System and the Department of Veterans' Affairs.

Recent Legislation and Proposed New Positions

For fiscal year 1971-72, the system is proposing a \$151,225 increase in administrative costs over estimated expenditures in the current year, but this increase will be partially offset by a reduction of \$21,209 in the amount paid for actuarial contractual services. Thus, the budget proposes a net increase of \$130,015 or 4.9 percent in general administrative costs, \$58,104 of which is for legal services, including two new legal positions (an attorney and stenographer) at a cost of approximately \$20,000. These positions are requested to handle an anticipated increase in administrative workload resulting from the extension of industrial death and disability retirement benefits to public agencies on an optional basis (Chapter 1361, Statutes of 1970), and to provide legal counsel in reviewing disability retirements. In addition, the system proposes to continue the retirement disability investigation contract with the Attorney General's office. This contract, which provides for two full-time investigators, has a full-year cost of \$50,000. The remaining increased costs in legal services represent fees charged by the Office of Administrative Services, rent increases, and salary adjustments.

The 1969 amendments to the Federal Income Tax Law require the retirement system to deduct federal income taxes from a retiree's monthly allowance upon his request. This law necessitated the addition of two positions in the system's data-processing section in the current year, and they are requested for continuation in the budget year. Other proposed increases include \$23,808 in investment services to cover higher consultant fees resulting from contract changes and portfolio growth. In addition, there is a proposed increase of \$20,156 in the general administrative category to fund salary adjustments, increased staff benefits, and one clerk position which was added in the current year to handle a backlog in the department's filing system. An additional assistant executive officer was added in the current year by means of

reclassification under an executive reorganization plan, thus providing two assistant executive officers, one responsible for the membership and benefits sections of the Retirement Program, and study of legislation affecting the system; the other responsible for the Social Security Program, the Health Benefits Program, and the EDP and general administrative sections of the Retirement Program. The legal, actuarial, and investments sections of the Retirement Program will continue to report directly to the executive officer of the system.

RETIREMENT PROGRAM

The administration of a number of alternate retirement plans is the major program of the system. Through this program, the state and various contracting agencies (57 county offices of superintendent of schools, the Los Angeles City School District, the Los Angeles City Junior College District, 267 cities, 35 counties, and 318 special districts and other agencies), offer their employees on a mandatory (as a condition of employment), but mutual contributory basis, retirement benefits based on service or disability, death benefits, survivor coverage (if not covered by Social Security), and special benefits to certain occupational groups for death or disability incurred in the line of duty. The contracting agencies are granted by statute a number of optional retirement plans from which they may choose.

The proposed support expenditure of \$4,230,023 for this program is \$209,375 or 5.2 percent higher than estimated expenditures in the current year. It is proposed that the support for this program be funded by an appropriation of \$3,939,023 from the Public Employees' Retirement Fund and \$291,000 in reimbursements from local agencies.

Current Year Adjustments

Estimated expenditures in the current year have increased by \$366,468 over the amount originally budgeted, primarily to finance 8 full-time and 6.6 temporary positions which were administratively added in the current year. The 8 full-time positions which are requested for continuation in the budget year, consist of 5 clerks, 2 retirement officers, and 1 auditor who are assigned as follows: (1) three clerks to meet normal workload requirements which are growing at 8 percent or more annually; (2) one auditor and one clerk to handle workload resulting from the 1969 changes in the Federal Income Tax Law; (3) one clerk to handle workload resulting from Chapter 150, Statutes of 1970, which permits public agencies to grant automatic half-continuance of the retirement allowance to the surviving spouse upon the death, after retirement, of a local miscellaneous member; (4) one retirement officer to handle workload resulting from Chapter 1361, Statutes of 1970, which permits public agencies to extend industrial disability death and retirement benefits to miscellaneous members; and (5) one retirement officer to assume responsibility for reviewing the status of persons who are receiving disability retirement benefits. It is anticipated that this latter review will save the Public Employees' Retirement Fund at least \$250,000 in liabilities annually. All of the 6.6 temporary positions were added as a result of temporary workload resulting from 1970 legislation, primarily Chapter 150, Statutes of 1970.

Public Employees Retirement System—Continued

Proposed New Positions

In addition to the above eight full-time positions, the system is requesting the following three new positions: one clerk to handle workload resulting from Chapter 568, Statutes of 1970, which provides for the automatic designation of a beneficiary under certain circumstances in the absence of a specific directive to the contrary from the employee; one new accountant to handle increased investment accounting workload, due to portfolio growth, in the area of interest changes on mortgages; and one clerk to handle workload resulting from Chapter 239, Statutes of 1968, which required, among other things, that local public agencies grant retirement service credit for military service.

The system is also requesting 5.4 temporary positions which will be used primarily to recompute retirement benefits for certain miscellaneous members whose membership status was changed to that of safety member by Chapter 1600, Statutes of 1970.

Departmental administration costs in the amount of \$2,253,677 have been allocated to the retirement program. This is 92.4 percent of the administrative costs which are distributed to the system's three programs. Table 2 shows workload data for the retirement program over a five-year period.

Table 2
Retirement Program, Selected Workload Data

Detail	1965-66	1966-67	1967-68	1968-69	1969-70
Membership					
State and U.C. -----	155,225	157,608	161,490	168,723	171,584
Total -----	350,283	366,560	385,061	409,350	425,068
Retired members -----	38,230	42,130	46,855	51,438	57,086
Number contracting agencies	503	553	604	640	670
Public employers' contributions ¹	\$146.8	\$163.0	\$187.1	\$218.6	\$248.9
Public employees' contributions ¹	\$126.0	\$142.3	\$154.3	\$171.9	\$191.8
Benefit payments ¹ -----	\$71.1	\$79.6	\$89.0	\$105.4	\$120.1
Death benefits ¹ -----	\$8.4	\$10.2	\$10.3	\$12.4	\$13.6

¹ In millions of dollars.

SOCIAL SECURITY PROGRAM

The Social Security Program provides public employers and their employees with an opportunity for coverage under the Federal Old Age, Survivor, Disability and Health Insurance Program through a master agreement with the federal Social Security Administration. Pursuant to such an agreement between the state and the federal government, state employees in 1961 were given the option to join Social Security, but all new state employees after that year (except those in exempt classifications) are automatically covered by this program. The retirement formula which applies to employees covered by Social Security has been modified to reflect the fact that they will receive dual retirement benefits—one from the state and another from the federal system.

Public agencies may also contract for Social Security coverage of their employees through the Public Employee's Retirement System. Such coverage may be exclusive of, coordinated with, or in full supplementation to a local retirement plan, at the option of the agency. As in private employment, the employee and the employer contribute

equal amounts to the Social Security Program. On January 1, 1971, the Social Security tax was increased, by a previously established federal schedule, from 4.8 percent to 5.2 percent of the first \$7,800 of gross earnings. In addition, federal legislation has been proposed which would raise the tax base for Social Security purposes to \$9,000.

The Public Employees' Retirement System is responsible for submitting to the federal government quarterly wage reports of all public agencies in the state which are covered by the Social Security agreement, as well as the employer and employee contributions due on the wages. To accomplish this objective, the system proposes an expenditure of \$224,173, which is \$6,731 or 3.09 percent greater than estimated expenditures in the current year. The increase includes \$4,481 for salary adjustments, \$2,000 for increased pro rata administrative charges, and \$250 for increased operating expenses. The system proposes that the number of authorized positions remain at the same level as in the current year, 15.8.

It is proposed that the program be funded by an \$18,000 appropriation from the General Fund for the state's share of administrative costs. The remainder of the funding consists of reimbursements totaling \$206,173 from the various public agencies covered by the Social Security agreement. Included in these reimbursements is \$34,000, which is the pro rata share of general administrative costs allocated to this program. Table 3 shows the growth of the program and the magnitude of wages covered in public employment in the State of California for a five-year period.

Table 3
Social Security Program, Selected Workload Data

Detail	1965-66	1966-67	1967-68	1968-69	1969-70
Public employers ¹ -----	2,696	2,596	2,566	2,601	2,611
Public employees -----	323,000	354,000	379,000	416,000	441,000
Employer and employee contributions ² -----	\$113.2	\$153.8	\$170.6	\$209.2	\$248.4
Net covered wages ² -----	\$1,342.0	\$1,776.0	\$1,930.0	\$2,310.0	\$2,630.0

¹ Variations in number reflect mergers and consolidations of districts and other governmental entities as well as creation of new entities.

² In millions of dollars.

HEALTH BENEFITS PROGRAM

Through the Health Benefits Program, the state and (since 1968) other public employers who so elect offer their employees a number of health benefits and major medical plans on a premium-sharing basis. Under Chapter 212, Statutes of 1970, the employers' share of the premium cost increased from \$8 to \$10 per month per individual premium in the current year, with the employee paying the remaining difference. The employer's monthly share of the premium cost will increase to \$12 in the budget year, and by \$2 per individual premium in each succeeding fiscal year until 1973-74, at which time the employer's contribution will have reached the \$16 per month limit established by that law.

The funds proposed to support the administration of the Health Benefits Program in the budget year total \$528,696, which is \$16,406 or 3.0 percent less than estimated expenditures in the current year. Support for this program is derived from the State Employees' Con-

Public Employees Retirement System—Continued

tendency Reserve Fund, which receives as revenue annual contributions from all participating employers as a percentage of the total premiums paid, including those for annuitants. The maximum percentages are fixed by statute, but the levels are set annually by the Board of Administration. For the current fiscal year, they are 1.2 percent for administration and 3.0 percent for reserves.

Estimated current-year expenditures for the Health Benefits Program are \$77,179 or 16.49 percent higher than the amount originally budgeted. Most of this increase (\$64,102) represents added costs incurred by the State Controller for reprogramming EDP equipment to reflect the change in the state's contribution toward the cost of health benefits premiums.

The remainder of this increase represents two new clerical positions which the system added in the current year to handle workload arising from Chapter 724, Statutes of 1970, which permits public agencies to contribute toward the cost of health plan premiums at a rate equal to or greater than the state's contribution. The system requests that these two positions be continued in the budget year because the number of local agencies enrolling in the program is expected to continue to increase.

The system has requested an additional retirement officer to handle a backlog of claims and grievance adjudication cases which have more than doubled in the past year. To handle normal workload growth, the system is requesting 0.5 temporary position, 0.1 more than it administratively added in the current year. In addition, the sum of \$17,686 is requested to reimburse the State Controller for EDP reprogramming costs which will be incurred in the budget year.

Departmental administrative costs of \$150,000, representing 6.15 percent of internal administrative costs for the system, will be charged to the Social Security Program in the budget year. Table 4 illustrates the growth and scope of the program.

Table 4
Health Benefits Program, Statistical Data

Detail	1965-66	1966-67	1967-68	1968-69	1969-70
Average monthly enrollment -----	98,557	108,911	109,956	114,119	121,115
Number basic plans ----	12	11	10	10	11
Number supplementary plans -----	--	6	6	6	6
Number major medical plans -----	--	--	--	4	4
Premium payments (millions of dollars)					
State enrollees' share--	\$15.2	\$17.4	\$19.9	\$21.0	\$24.5
State share -----	6.8	7.3	7.5	9.4	10.8
Public agency costs ¹ --	--	--	--	--	0.6
Total premium cost -	22.0	24.7	27.4	30.4	35.9
State administrative cost ² -----	0.75	0.87	0.90	0.94	1.3
Total state cost ³ -----	7.5	8.2	8.4	10.3	12.1

¹ Includes employer and employee contributions. Public agencies did not participate in this program until December 1, 1968; thus, figures for 1968-69 are insignificant in dollar amounts.

² Includes contributions to the State Employees' Contingency Reserve Fund for reserves.

³ Includes administrative and premium contributions.

STATE TEACHERS' RETIREMENT SYSTEM

Items 148 and 149 from the General
Fund and the State Teachers' Re-
tirement Fund

Vol. I p. 544 Budget p. 87

Requested 1971-72 -----	\$3,093,000
Estimated 1970-71 -----	2,662,699
Actual 1969-70 -----	2,265,535
Requested increase \$430,301 (16.1 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

In 1913, the Legislature established a statewide system for payment of retirement salaries to public school teachers in California. A public Teachers' Retirement Salary Fund was established to support the system. It was administered by the State Board of Education, the original governing board of the system. In 1944, the name of the system was changed to the State Teachers' Retirement System (STRS). The retirement system remained under the direct jurisdiction of the State Board of Education until 1963 when it was removed from the Department of Education and placed under the control and management of the nine-member State Teachers' Retirement Board.

ORGANIZATION

The retirement board consists of three ex officio members (Superintendent of Public Instruction, the Controller, and the Director of Finance) and six members appointed by the Governor for four-year staggered terms. The board is responsible for setting policy and making rules. It has the sole power and authority to hear and determine all facts pertaining to applications for benefits under the retirement system and to make all decisions pertaining to the administration. The board also has exclusive control of the investments of the Teachers' Retirement Fund and the administration of the fund.

In 1967, the Legislature enacted a bill providing for a new position of chief executive officer to be appointed by and be responsible to the Retirement Board. The chief executive officer is the top administrator in the agency. In 1968, the system completed a reorganization based on recommendations made in 1967 by a management survey of the STRS to the Joint Legislative Retirement Committee. The STRS headquarters has been expanded from a three-division structure to five divisions consisting of (1) Records and Statistics, (2) Member Service, (3) Accounting, (4) Management Control, and (5) Data Processing.

OBJECTIVES

The objectives of the State Teachers' Retirement System are to: (1) provide retirement allowances, disability benefits and survivor benefits for teachers working in the public schools, (2) aid in the recruitment and retention of a qualified body of teachers, (3) provide for the orderly retirement of aged and infirm teachers, and (4) assure that all members of the retirement program are aware of their rights, benefits and current status.

State Teachers' Retirement System—Continued

Table 1
Fund Support for Administration of the
State Teachers' Retirement System

	<i>Actual 1969-70</i>	<i>Estimated 1970-71</i>	<i>Proposed 1971-72</i>
General Fund (Item 148) -----	\$1,159,700	\$1,431,468	\$1,287,000
Teachers' Retirement Fund (Item 149) -----	1,105,835	1,231,231	1,806,000
Net Totals -----	\$2,265,535	\$2,662,699	\$3,093,000
Reimbursements -----	1,335	144,625	289,000
Total, Program Expenditures -----	\$2,266,870	\$2,807,324	\$3,382,000

ANALYSIS AND RECOMMENDATIONS

The State Teachers' Retirement System is proposing a total expenditure program of \$3,382,000 for the budget year, which is \$574,676 or 20.4 percent higher than estimated expenditures in the current year. Expenditures from the General Fund, however, are expected to decrease by \$144,468 or 10.1 percent in the budget year due to 1970 legislation which will increase revenue from both the State Teachers' Retirement Fund and reimbursements. Thus, expenditures from the Retirement Fund will increase by \$574,769 or 46.6 percent due to Chapter 1013, Statutes of 1970, which increases the amount school districts must pay to the Retirement Fund for administrative costs from \$2 to a maximum of \$4 (the limit being set by the Retirement board), and the total appropriation from both the General and the Retirement Fund will increase by \$430,301 or 16.1 percent in the budget year. The remainder of the increase in the budget year is accounted for by \$144,375 in additional reimbursements resultant from the full-year effects of Chapter 744, Statutes of 1970. This statute assesses a fee of \$25 or 4 percent of total contributions made by a member, whichever is less, on any member who withdraws contributions from the State Teachers' Retirement Fund.

The proposed \$574,676 increase in total program expenditures is composed of \$391,207 in personal services and \$183,469 in operating expenses and equipment. Most of the expense in both of these categories will be used for the support of 60 new positions which the system is proposing in the budget year, as well as normally occurring increases such as salary adjustments and merit increases (approximately \$33,000), and rent increases (approximately \$10,000). However, the system is also proposing a \$23,000 increase to expand its disability examination program, an \$18,000 increase in contractual services to conduct an actuarial evaluation and experience investigation, and an \$11,200 increase in travel expenses, primarily to assist and train county personnel in the transition from annual to monthly reporting.

Of the proposed 60 new positions, 42 are requested for the verification project, 12 for the monthly reporting program, and six for workload increases. Justification for these new positions, which account for approximately 80 percent of the total proposed budget increase, will be described below.

PROBLEMS AND REFORMS

The State Teachers' Retirement System has been severely criticized in past years for inefficient operation. Delays of 18 months after the effective date of retirement before receiving the initial benefit payment were common. Active members did not receive their annual statements until 2 to 2½ years after the end of the fiscal year in which contributions were made. Lack of up-to-date information often resulted in members discovering that they owed large balances only after they had applied for retirement. And great inaccuracy in existing service records resulted in the system being unable to properly assess its actuarial experience and total liabilities.

Primarily as a result of studies initiated by the Joint Legislative Retirement Committee, the STRS has undertaken several measures to reform and modernize its operation. Perhaps the most important of these is the effort to improve both the quality and the quantity of information available to the system, the lack of which has "severely hampered" practically every function at STRS according to a 1969 study presented to the Joint Retirement Committee. Since 1969, the system has accelerated its reliance on electronic rather than manual information systems, initiated the monthly reporting program, and attempted to expand the size and scope of its verification project.

VERIFICATION PROJECT

Because length of service is one of the primary determinants of the size of the retirement benefit, it is necessary that STRS verify all service which members claim before granting benefits. In past years, this had been done only when the member applied for retirement, and the difficulty encountered in finding service records often resulted in the inordinate delays described above.

Since 1965, a small verification unit has been attempting to verify some member service records before applications for retirement are received. This unit, which now comprises 32 authorized positions, (26 of which are actually filled), is currently able to verify service records for all members aged 64 (those members most likely to retire within the coming year). Thus, for the first time, the system has been able to reduce its backlog so that all retirees in the current year will receive their initial benefit payment within 90 days after the effective date of their retirement. In addition, the staff is now able to verify the service records of all new entrants into the system, all reentrants, and all those members who request clarifications of their records.

It is estimated that the verification unit will verify between 7,000 and 10,000 service records in the current year, and the records of 10,000 to 12,000 members in the budget year. but because 3,000 to 4,000 of this number will retire annually, the actual number of verified service records remaining on the active roles will be very small compared to the size of the system's total active membership.

The State Teachers' Retirement System believes, and we agree, that it is absolutely necessary to clear this remaining backlog of unverified records as quickly as possible. The current situation has made it impossible to establish an accurate data base for actuarial projection and thus impossible to accurately assess the long-term financial problems now before the system. In addition, the current lack of information has

State Teachers' Retirement System—Continued

meant, among other things, that large contribution balances owed by members are being discovered just prior to retirement, and that there are long delays in advising reentering members of the correct amount due for redeposit.

In fiscal year 1969-70, the Legislature authorized 46 limited-term positions to extend through June 30, 1972, in an attempt to eliminate the large number of unverified service records and the attendant problems. However, because statutes in effect at that time prevented the system from assessing school districts more than \$2 per teacher per year for administrative costs, and because the number of participating teachers was overestimated, revenues from this source (supposedly 25 percent of total administrative costs) were greatly overstated. As a result, the system did not receive enough funds to support these positions.

Of the 46 limited-term positions which the Legislature originally authorized in 1969-70, only six have been assigned to the verification project. Of the remaining 40 positions, 27 were assigned to monthly and annual reporting (where that number of limited-term positions expired in the current year) seven positions were dedicated for various workload increases throughout the system and changed to permanent status, and six positions were left unfilled. Thus, of the 46 limited-term positions originally authorized for work on the verification project, only 12 positions (6 unfilled) remain. These 12 limited-term positions, together with 20 full-term positions, comprise the 32 positions currently authorized for work on this project.

Proposed New Positions, Verification Project

The State Teachers' Retirement System is now proposing to add 42 new positions to the verification project during the budget year, bringing to 74 the total number of positions proposed to be assigned to this project. Of these 42 new positions, 3 are retirement officers, 6 are supervising clerks, and 33 are clerks. It is planned that these positions be phased into the verification project at three-month intervals during the budget year. Nine of the 42 positions were added administratively in the current year and financed from current-year revenue generated from Chapter 744, Statutes of 1970. These nine added positions include all the proposed retirement officers and the supervising clerks, and we believe that the experience which these people will gain during the current year, when coupled with the experience of the personnel already working on the project, will allow the system to easily train and absorb the proposed new positions at the scheduled intervals.

The system estimates that a full-time staff of 74 positions will be able to verify all outstanding unverified records within a five-year period. At the present time, there are 294,000 outstanding records, and present experience with the project indicates that as many as 110,000 of the unverified records will require from $3\frac{1}{2}$ to five hours, on the average, to correctly adjust the member's account. The remaining 184,000 cases are estimated to require on the average of one hour per case to verify all member service and contributions. Table 2 indicates the workload which the system anticipates for this project over its proposed five-year life.

Table 2
Five-Year Verification Project

<i>Member records to be verified:</i>				<i>Member records with accounts receivable:</i>	
With service prior to 1956	-----	90,000		30,000	
With service prior to 1956 and after	-----	204,000		20,000	
Total records	-----	294,000		50,000	

<i>Time to verify record:</i>		<i>Service</i>	<i>Calculations with accounts receivable</i>	<i>Calculations w/o accounts receivable</i>
Pre 1956	-----	3 hours	2 hours	1.5 hours
1956 and after	-----	1 hour	2 hours	1.5 hours

<i>Period</i>	<i>Members</i>	<i>Accounts receivable</i>	<i>No. accounts receivable</i>	<i>Hours per case</i>	<i>Total man-hours</i>	<i>Total man-years</i>
Pre 1956	----- 60,000		X	4.5	270,000	
	80,000	X		5.0	150,000	
Total	----- 90,000				420,000	230
1956 and after	----- 184,000		X	1.0	184,000	
	20,000	X		3.5	70,000	
Total	----- 204,000				254,000	140
GRAND TOTAL	----- 294,000				674,000	370

MONTHLY REPORTING

The various counties are responsible for reporting all teacher accounts to the State Teachers' Retirement System, and this responsibility was formerly carried out by all reporting counties on an annual basis. On July 1, 1969, however, five reporting units (four counties and the state college system), comprising 10 percent of STRS membership, began reporting member accounts on a monthly basis. At the present time, a total of 17 reporting units, comprising approximately 33 percent of the system's membership, are reporting monthly.

The system of annual reporting has been the major cause of the 2- to 2½-year delays in the processing of annual member statements, and has been partially responsible for the long delays in the processing of initial benefit payments. Monthly reporting was introduced to reduce these delays by enabling the system to find and correct reporting errors far more quickly than was possible in the past, and STRS now anticipates that all annual statements for those members included in monthly reporting will be received within approximately three months after the close of the fiscal year. When the verification project is completed, and when all members are included in the monthly reporting program, STRS will have complete and up-to-date information for every member within the system, thus enabling faster processing of annual statements, retirement applications, and member requests for information, as well as giving the system the ability to make accurate and reliable actuarial projections and evaluations.

Proposed New Positions, Monthly Reporting

The State Teachers' Retirement System estimates that approximately 20 man-years are required to handle workload generated by the present scope of the monthly reporting program. It is now proposing to expand this program in the budget year by adding 21 counties whose

State Teachers' Retirement System—Continued

membership comprises approximately one-third of the total STRS membership. These 21 counties will produce 100-percent increase in the number of members included in monthly reporting, and a 123-percent increase in the number of reporting units.

To handle this increased workload, the system is requesting that 12 new positions be assigned to the monthly reporting program. Of these 12 new positions, five are clerks who will review the increased number of reporting errors generated by the additional number of members in monthly reporting; two are clerks to handle increased file and mail workload; two are retirement officers who will train and assist the school districts and counties in monthly reporting; two are accounting technicians who will audit and control monthly reports; and one is a general accountant who will develop additional computer procedures and supervise the accounting technicians.

WORKLOAD INCREASES

Of the proposed 60 new positions, 42 are allocated to the verification project, and 12 to monthly reporting. The remaining six positions are requested for workload increases generated by the growth of the system. Two of these proposed new positions are clerks who will compute benefit allowances and process retirement applications, which are anticipated to be 27.8 percent greater in the budget year than in the current year. In addition, STRS requests one clerk to process refunds which are expected to be 8 percent greater in the budget year; one general accountant to supervise investment accounting procedures and secure funds due to the system; one accounting technician to control the increased daily cash flow; and one clerk-typist for administrative secretarial work.

MEMBERSHIP

On June 30, 1970, the system had 312,563 active members. An active member is anyone who has money on deposit in the Retirement Fund and includes 44,500 persons who are not currently contributing to the system, 27,000 of whom have not taught since 1935. Service, disability and survivor benefits were paid to 40,238 persons in 1969-70. By the end of the budget year, the system estimates that active membership will increase to 329,254 persons, and the number of beneficiaries to 45,923 persons. This represents an annual growth rate of 2.8 percent in active members and 7.1 percent in the number of beneficiaries. Table 3 illustrates the actual and estimated growth of the active membership and beneficiaries of the system for an eight-year period.

Table 3**Number of Active Members and Beneficiaries**

<i>Year</i>	<i>Active members</i>	<i>Percent increase over previous yr.</i>	<i>Beneficiaries</i>	<i>Percent increase over previous yr.</i>
1965-66 -----	263,533	--	31,795	--
1966-67 -----	274,788	4.3%	33,443	5.2%
1967-68 -----	290,848	5.8	35,510	6.2
1968-69 -----	305,707	5.1	37,661	6.1
1969-70 -----	312,563	2.2	40,238	6.8
1970-71 (est.) --	320,337	2.5	42,864	6.5
1971-72 (est.) --	329,254	2.8	45,923	7.1
1972-73 (est.) --	337,612	2.5	49,474	7.7

INVESTMENTS

All marketing and research functions which are necessary to execute the investment program approved by the STRS Retirement Board are performed by the staff of the Public Employees' Retirement System through an interagency agreement. Through this agreement, STRS will support 50 percent of the cost of the Public Employees' Retirement System Bond Investment Office and Investment and Mortgage Section during the budget year, at an estimated total cost of \$156,413. However, the investment accounting procedures necessary to maintain the records of the STRS portfolio and collect the earnings due on its investments are performed by STRS personnel.

During the 1969-70 fiscal year, a record 5.33 percent net yield was realized on the system's investments. This net rate is the return after planned losses and administrative expenses on a portfolio whose book value was \$1,708,000,000 at the end of the 1969-70 fiscal year. All of the system's investments are currently held in corporate and governmental bonds, and since 1968, in mortgages. In November, 1970, however, the electorate ratified a constitutional amendment which would allow the system to invest in common stocks, and the STRS Retirement Board is sponsoring legislation to implement this amendment. Table 4 indicates the book value of the investment portfolio and the rate of return for the past five years.

Table 4
Investment Portfolio

<i>Fiscal year ended June 30</i>	<i>Investments at book value (millions)</i>	<i>Gross rate of return (%)</i>	<i>Net rate of return (%)</i>
1966 -----	\$1,099	4.25	--
1967 -----	1,235	4.38	--
1968 -----	1,367	4.57	--
1969 -----	1,535	4.93	--
1970 -----	1,708	5.44	5.33

DEPARTMENT OF VETERANS AFFAIRS

Items 150 and 151 from the General

Fund and the Veterans Farm and
Home Building Fund

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Requested 1971-72 -----	\$1,105,657
Estimated 1970-71 -----	991,412
Actual 1969-70 -----	880,481
Requested increase \$114,260 (11.52 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The principal objective of the Department of Veterans Affairs is to aid the California veteran and his dependents in obtaining the benefits contained in state and federal laws. This assistance comes under four major categories:

1. Providing loans for the purchase of homes and farms and loans for improvements.

Department of Veterans Affairs—Continued

2. Assistance in the preparation and processing of claims for federal benefits.
3. Educational assistance to veterans and veterans' dependents.
4. Care of sick and disabled veterans.

The veteran population of California is estimated to be three million and is increasing at the rate of 7,000 to 8,000 each month.

The various programs and functions established to carry out the objective of the department are discussed hereafter.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

FARM AND HOME LOANS TO VETERANS

The Cal-Vet Loan Program was started in 1921 and has been a self-supporting operation to date. The sale of tax-exempt general obligation bonds has been the source of funding for this operation. These bonds have been sold at interest charges ranging from 1.50 percent to 5.56 percent, the latter being the interest rate for bonds sold in August of 1970. The average interest rate for the present portfolio is 4 percent. The current rate of interest charged veterans is 4.25 percent. The differential of 0.25-percent represents the cost of administering the program. Legislation to permit the department to sell revenue debentures to the amount of \$50 million was enacted in the 1970 session. None of these has yet been sold.

In 1968, \$200 million general obligation bonds were authorized by the electorate. \$100 million of these bonds have been sold. It is estimated that \$50 million will finance 2,750 loans.

In general, the loan procedure is as follows:

(1) An application is received from a veteran requesting a loan to purchase a house or a farm, (2) a check is made to determine his eligibility as a veteran and his credit record and his financial ability to meet his contract obligations, (3) there is an appraisal of the property, (4) the title is examined, escrow instruction prepared, and the borrower is required to obtain life and disability insurance and fire and hazard insurance, (5) the contract is prepared and the purchase made, and (6) monthly billings to the veteran begin.

The loan program itself does not require an appropriation and it is not a Budget Bill item. However, each year there is an appropriation from the Veterans Farm and Home Loan Fund which, up to and including the current fiscal year, represents a pro rata assessment against that fund to reflect the overhead activities of the department on behalf of the loan program generally. Since the department is otherwise supported by the General Fund, this appropriation represents a reimbursement for this overhead service. In the new budget, a different approach is being used to reflect the concept that all administrative and service activities not fully identifiable with individual basic programs should be consolidated within the general administration program. To achieve this objective, it is proposed that 18.5 positions be transferred from the Farm and Home Loan Division to the General Administration Division. The positions are identified with public information, legal,

general accounting and service and supply functions which heretofore have functioned within the Farm and Home Loan Division as a charge against its own revolving fund and do not appear in the Budget Bill. In making this transfer, it becomes necessary to also transfer the funds which supported these positions. This accounts for the fact that in the current fiscal year the appropriation for the overhead pro rata charge was \$144,997 whereas for the budget year it is \$369,211. The overall result is no increase in total positions and no increase in costs other than normal merit salary adjustments. The change merely represents a *different way of accounting for the positions*. Actually, the budgeted General Fund cost remains about the same as the current fiscal year but the new approach is responsible for the total increase of \$114,260 or 11.52 percent.

VETERANS CLAIMS AND RIGHTS

Many veterans and dependents are unaware of or do not understand the benefits they may be entitled to from federal, state and local governments. During the last 10 years, many new laws have been enacted which have affected prior benefits. Veterans need to be apprised of these benefits and receive assistance in the preparation and presentation of claims. This assistance is given by the department. The claimant may, and does in many instances, assign a power of attorney to the Department of Veterans Affairs to represent him before the federal Veterans Administration rating board. Another function performed under this program is the investigation of veterans military service records to determine if they meet the provisions of the laws on California veteran eligibility.

Part of this program occurs in the form of a subvention to counties and is discussed under Item 154.

EDUCATIONAL ASSISTANCE TO VETERANS AND VETERANS DEPENDENTS

No monetary assistance is given to veterans who depend on federal programs for educational assistance. A large number of veterans returning from Vietnam have been trained in specialized fields of medicine during their military tour of duty. There is a shortage of personnel such as nurses, inhalation therapists, vocational nurses, psychiatric technicians, etc., in our medical facilities. The department has been counseling these veterans to enroll in a pilot paramedical program sponsored at Napa State College. Some of these veterans are being domiciled at the Veterans Home while attending Napa State College. This program will provide them with the additional training and education necessary to pursue these vocations in the medical field.

Monetary assistance for education is provided for widows, wives of veterans totally disabled as a result of active duty, and children who are over 14 years of age or are in the ninth grade and are natives of California or have resided in the State of California for five of the nine years immediately preceding the date of application and are eligible for assistance.

Department of Veterans Affairs—Continued

A dependent widow's entitlement, which is 48 months of training, terminates when she remarries.

For full-time attendance at college or trade school level, a maximum of \$50 per month is granted for each student. A sum of \$20 per month is paid for each student attending high school. Above the high school level payments are made for tuition in amounts which do not exceed the standard fee charged at state colleges. State colleges and the University of California are required to waive tuition charges for veterans dependents enrolled under this program.

Other activities of the staff assigned to this program include counseling students, conferring with school officials relating to problem cases and in some cases contacting the parents. No new positions are requested for these programs. The appropriation for educational assistance to veterans and veterans dependents is shown in Item 152 of the Budget Bill.

Care of the Sick and Disabled Veterans

The Veterans Home, located at Yountville, near Napa, has been operated by the State of California since 1897. The primary purpose of this facility is to provide housing and medical care for eligible disabled "California war veterans."

This facility consists of a medical-surgical hospital with a total capacity of 864 beds, quarters for nurses and employees, and a hospital kitchen with a seating capacity of 340. There are eight dormitories with a total capacity of 1,504 beds, a kitchen and a dining room with an 840-seat capacity. Various types of recreational facilities are available. The total complex is located on 700 acres of land.

The domiciliary population has decreased over the past several years and the hospital patient-days have increased. Most of the patients in the hospital are geriatrics and require the services of 214 aides or geriatric nursing assistants and other related technicians. There are 22 doctors on the staff. It is anticipated that intensive care and coronary care units will be completed late in 1970. Rehabilitation care and services are provided to and deemed necessary, taking into consideration the age of the patients. If there is an increase in the admission of younger members, this service would increase.

The domiciliary facilities consist of seven dormitories for men and one dormitory which houses 53 women members. The Napa Unified School District has leased one of the units for men, two of the seven are vacant, and four are approximately 50 percent occupied. Most of the members in these facilities have their meals in the main dining room except those few requiring special food who dine in special areas of the hospital complex. Table 1 shows pertinent information relating to the total population at the home. Table 2 shows statistics relating to patient-days in hospital and annex, outpatient visits and clinical services.

Table 1
Veterans Home—Population Statistics

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
Total population -----	1,429	1,250	1,250
Total present for federal reimbursement--	1,359	1,200	1,200
Total in domiciliaries -----	605	450	450
Admissions/readmissions -----	391	400	300
Discharges, other than deaths-----	273	400	300
Deaths -----	147	220	180
Intrafacility transfers -----	1,872	1,700	1,700

Table 2
Veterans Home—Patient Statistics

	<i>Actual</i> 1969-70	<i>Estimated</i> 1970-71	<i>Estimated</i> 1971-72
Hospital patient-days -----	145,307	148,000	150,000
Annex patient-days -----	135,956	135,000	135,000
Domiciliary outpatient visits -----	13,614	14,000	14,500
Clinical services performed -----	103,069	103,000	103,000

The department states that with the collection of Medicare funds and the fees and charges from the members, the General Fund portion of the budget has been reduced to approximately 46 percent as compared to approximately 65 percent in the 1969-70 fiscal year.

Action taken by the Legislature at the 1970 session required the Veterans Home to establish a schedule of fees and charges for domiciliary, nursing home and hospital care from members. The Veterans Home established a formula effective September 1, 1970, which permits a member to retain the first \$50 of his income, an additional \$100 exemption for his wife, \$50 for the first minor child, \$25 for the second minor child and none thereafter. From any remaining monthly income, the member is required to pay \$60 per month for domiciliary-retirement care, \$90 per month for nursing care and \$120 per month for hospital care. It is estimated that \$100,000 per month will be recovered from the fees and charges. The increase in reimbursement is demonstrated on line 22, page 522 of the budget. In the 1969-70 fiscal year it was \$378,868. In the current year, it has risen to an estimated \$1,311,755 and for the budget year it is projected at \$1,811,655. These increases result in equivalent General Fund savings.

GENERAL ADMINISTRATION

The principal functions carried out under this program are (1) services to the California Veterans Board, (2) establishing guidelines for the operations of the divisions of the department, and (3) keeping accounts, furnishing public information and carrying out the general housekeeping functions of the department.

Department of Veterans Affairs

EDUCATIONAL ASSISTANCE TO VETERANS DEPENDENTS

Item 152 from the General Fund

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Requested 1971-72	\$2,085,100
Estimated 1970-71	2,378,325
Actual 1969-70	2,378,325
Requested decrease \$293,225 (12.32 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Analysis of this item is included with that for the main support Item No. 150.

Department of Veterans Affairs

VETERANS HOME OF CALIFORNIA

Item 153 from the General Fund

Vol. I p. 559 Budget p. 90

Requested 1971-72	\$3,785,192
Estimated 1970-71	4,276,878
Actual 1969-70	4,989,731
Requested decrease \$491,686 (11.49 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Analysis of this item is included with that for the main support Item No. 150.

Department of Veterans Affairs

COUNTY VETERANS SERVICE OFFICERS

Item 154 from the Veterans Farm and
Home Building Fund

Vol. I p. 557 Budget p. 90

Requested 1971-72	\$500,000
Estimated 1970-71	500,000
Actual 1969-70	499,931
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

There are only two state regional offices in California, one in Los Angeles and one in San Francisco, which provide assistance to Cali-

fornia veterans in obtaining benefits. However, there are now 55 counties which have established local offices to assist veterans and their dependents with problems relating to benefits. We have examined into work done by county service offices and believe that they are performing a desirable service for veterans and their dependents. The state appropriates \$500,000 to the counties, which pays for 20 to 25 percent of the total cost to the counties.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Item 155 from the General Fund

Vol. II p. 1 Budget p. 93

Requested 1971-72	\$6,263,277
Estimated 1970-71	6,263,557
Actual 1969-70	5,768,829
Requested decrease \$280	
Total recommended reduction	\$100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Fair Trade Contracts and Price Posting. Reduce \$100,000.* 308
We recommend that funds for support of this function be deleted from the budget.

2. *Fair Trade Contracts and Price Posting.* We recommend 308
enactment of legislation to eliminate this function.

GENERAL PROGRAM STATEMENT

The Department of Alcoholic Beverage Control, a constitutional agency established in 1954, is headed by the Director of Alcoholic Beverage Control, who is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor. Headquartered in Sacramento, the department maintains a northern division office in San Francisco, which supervises 10 northern district offices and a southern division office in Pasadena, which supervises nine southern district offices. Departmental staff is presently authorized at 446.4 positions, approximately 80 percent of which are assigned to the field offices.

The State Constitution provides that the department shall have exclusive power in accordance with laws enacted by the Legislature to license the manufacture, importation and sale of alcoholic beverages in California, and to collect license fees on account thereof. The department is given discretionary power to deny, suspend or revoke licenses for good cause.

Responsibilities of the agency are discharged under a single program entitled, "Administration of the Alcoholic Beverage Control Act" which consists of three elements: (1) licensing, (2) compliance, and (3) administration. Each element, together with selected workload data, is described below.