

matters of mutual concern. The California delegation is headquartered in San Diego and has an authorized staff of two positions. The main purpose of this commission is to improve relations between the communities in northern Mexico and those in southern California and to develop programs which will solve mutual problems.

### DEPARTMENT OF JUSTICE

Items 34-36 from the General  
Fund, and Item 37 from the  
Motor Vehicle Account, State  
Transportation Fund

Budget p. 33

Requested 1975-76 .....	\$44,609,505
Estimated 1974-75.....	43,946,599
Actual 1973-74 .....	36,620,980
Requested increase \$662,906 (1.5 percent)	
Total recommended reduction .....	\$132,299

#### 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
34	Department Support	General Fund	\$40,484,526
35	Knox-Mills Health Plan Act	Health Care Service Account, General Fund	165,737
36	Fingerprint fees	Fingerprint Fees in General Fund	132,357
37	Department support	Motor Vehicle Account, State Transportation Fund	3,826,885
			<u>\$44,609,505</u>

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Budget Submission. Recommend Department of Justice submit budget proposals to Department of Finance and Joint Legislative Budget Committee by October 1 of each year. 28
2. Legal and Investigative Services. Recommend department develop standardized procedures for budgeting and accounting for legal and investigative services. 29
3. *Consumer Complaints. Reduce Item 34 by \$48,000.* Recommend deletion of 3.5 positions to avoid duplication in handling consumer complaints. 30
4. *Division of Civil Law.* 30
  - a. *Reduce Reimbursements (Item 34) by \$753,599.* Recommend deletion of 31 attorney and clerical support positions.
  - b. Withhold recommendation on remaining 56 new positions pending receipt of clarifying and substantiating

## DEPARTMENT OF JUSTICE —Continued

- data.
5. Special Operations. Withhold recommendation concerning five attorney and four clerical positions for the Energy Resources Commission. 32
  6. *Law Enforcement. Reduce Item 34 by \$64,299.* Recommend deletion of four specified administrative and clerical positions. 32
  7. *Tour Program. Reduce Item 34 by \$20,000.* Recommend deletion of two and one-fourth clerical positions. 32
  8. Enforcement and Investigations. Withhold recommendation for increased staff for Indemnification of Private Citizens program pending receipt of specified data. 33
  9. Organized Crime. Recommend termination of the Organized Crime and Criminal Intelligence Branch unless it can demonstrate specific accomplishments. 34

## GENERAL PROGRAM STATEMENT

The Department of Justice, under the direction of the Attorney General who is the chief law enforcement officer in the state, provides legal and law enforcement services to state and local agencies. Departmental functions are carried out through three programs: Administration, Legal Services, and Law Enforcement, each of which is divided into several elements.

## Administration Program

Administration, which includes the Attorney General's executive office, provides the following functions and services: (1) coordination and preparation of legal opinions, (2) management analysis, (3) library services for the legal staff, (4) manpower and personnel services, and (5) administrative services, including all fiscal functions and legal office support such as stenographic and typing services.

## Legal Services Program

The legal services program is conducted by the Divisions of Civil Law, Criminal Law and Special Operations, each consisting of attorneys specialized in particular fields of law.

*Civil Law Division.* This division (1) provides legal representation for most state agencies, boards and commissions, (2) renders legal opinions, (3) represents the state and its employees in the field of tort liability, (4) assists the Board of Control in the disposition of claims by victims of crimes of violence, and (5) provides legal services necessary for processing claims against the Subsequent Injury Fund. Reimbursements are received for legal services provided to state agencies which are supported by special funds and significant amounts of federal funds.

*Criminal Law Division.* This division (1) represents the state in all criminal appeals from felony convictions and in connection with writs in criminal proceedings before state and federal courts, (2) assists the Governor's office in extradition matters, (3) serves as prosecutor in criminal trials when a district attorney is disqualified or otherwise unable to handle

the proceedings, and (4) assists local jurisdictions in enforcing child support through maintenance of the Central Registry, a unit which collects data concerning parents who have deserted or abandoned their children.

*Special Operations Division.* This division seeks to protect the public's rights and interests through legal representation in five program components: (1) public resources law, which provides formal and informal legal assistance to state agencies which administer and enforce laws and programs relating to the use and protection of the state's natural resources, (2) land law, which handles all litigation arising from the administration of state-owned lands by the State Lands Commission, (3) statutory compliance, which investigates the financial practices of charitable trusts to insure compliance with state law and registers health care service plans under the Knox-Mills Health Plan Act, and (4) environment and consumer protection, which represents the public's interest in consumer fraud, environmental, antitrust, and constitutional rights matters.

#### Law Enforcement Program

The Division of Law Enforcement, the department's largest and most complex, provides a variety of law enforcement services, under the direction of its executive office, through a Crime Prevention and Control Unit and five branches.

*Crime Prevention and Control.* The Crime Prevention and Control Unit provides overall coordination and direction to public and private agencies for obtaining community involvement in reducing the rate of crime in the state. It also prepares and distributes numerous crime prevention publications including a quarterly journal, "Crime Prevention Review."

*Enforcement and Investigation.* The Enforcement and Investigation Branch provides field investigative services to (1) aid local enforcement agencies in the solution and prosecution of significant crimes, particularly those which affect more than one county or area, (2) provide investigative services to the department's civil law programs such as the tort liability, subsequent injury, antitrust and charitable trust programs, (3) develop intelligence and gather evidence to apprehend major narcotics' violators, (4) administer a triplicate prescription system to prevent diversion of legal supplies of narcotics into illegal channels, and (5) train local and state enforcement personnel in techniques of narcotic enforcement.

*Investigative Services.* The Investigative Services Branch maintains a system of laboratories for providing analyses of criminal evidence, blood-alcohol samples and controlled substances.

*Identification and Information.* The Identification and Information Branch (1) collects crime data from state and local agencies which administer criminal justice, (2) compiles, analyzes and prepares statistical reports on crime and delinquency and the operations of criminal justice agencies in California, (3) processes fingerprints and makes tentative identification through fingerprint comparisons in criminal cases, (4) processes noncriminal fingerprints for law enforcement, licensing and regulatory agencies (the cost of which is totally reimbursed by fees), (5) maintains a central records system (now being automated) consisting of 4.6 million individual record folders and 8.5 million fingerprints, (6) assists

**DEPARTMENT OF JUSTICE —Continued**

law enforcement officers in locating stolen property and missing or wanted persons, and (7) processes applications for permits to carry concealable weapons.

*Organized Crime.* The Organized Crime and Criminal Intelligence Branch gathers, compiles, evaluates, disseminates and stores criminal intelligence information which may indicate the presence of organized crime.

**ANALYSIS AND RECOMMENDATIONS**

As shown in Table 1, the department proposes expenditures totaling \$44,609,505, which is an increase of 1.5 percent over the current year. This increase is largely attributable to 32 proposed new General Fund positions and an 11 percent increase in operating expenses and equipment offset by certain expenditures in the current year which are not proposed for continuation. The sum of \$7,979,889, which is transferred from Item 34 to Item 38 for support of the Law Enforcement Consolidated Data Center is included in the departmental totals and discussed under Item 38 in this analysis. For the first time, Health Care Service registration fees (Item 35) and fingerprint fees in the General Fund (Item 36) are also appropriated by the Budget Act. Previously they were continuously appropriated. Including federal funds and reimbursements, the department proposes a total expenditure program of \$69,788,140.

The federal funds shown in Table 1 are derived from the Department of Benefit Payments for support of the Central Registry which seeks to locate absent fathers in order to reduce welfare costs. Reimbursements primarily reflect departmental costs for processing fingerprints for state and local regulatory agencies and for providing legal and investigative services to special fund agencies. The Office of Criminal Justice Planning (OCJP) funds are derived from the U.S. Law Enforcement Assistance Administration (LEAA). These grants, which are summarized by program in Table 2, include discretionary grants received directly from LEAA rather than through OCJP.

**New Positions**

The Department proposes a total of 711 new positions, 32 of which would be financed by the General Fund, 98.5 from reimbursements and 580.5 through federal grants largely from the Office of Criminal Justice Planning as shown in Table 2. The large number of grant positions results from a new procedure whereby all such positions are established under a single authorization or "payroll blanket" rather than on an individual basis as previously practiced. This procedure, which is similar to budgeting for "temporary help," requires the reestablishment of the "blanket" each year. Thus, most of the 580.5 new positions are existing positions which are proposed for renewal under the new system.

*Reconciliation of New Positions with Man-years.* While the department proposes 711 new positions, actual man-year utilization increases by only 90.4. This difference is explained by (1) increased salary savings equivalent to 72.6 man-years, (2) a net decrease of 16 positions reflecting administrative adjustments in the budget year, and (3) a one-time adjustment of 532 positions established administratively in the current year which are not proposed for continuation in the budget. This one-time

**Table 1**  
**Budget Summary**  
**Department of Justice**

<i>Funding</i>	<i>Proposed*</i>	<i>Change From Current Year</i>	
		<i>Amount*</i>	<i>Percent</i>
General Fund .....	\$40,484,526	\$735,281	1.8
Health Care Services Monies (General Fund) .....	165,737	165,737	—
Fingerprint Fees (General Fund) .....	132,357	-402,643	-75.3
Motor Vehicle Account, State Transportation Fund .....	3,826,885	164,531	4.5
Federal Funds .....	30,655	19,560	176.3
Reimbursements .....	12,416,562	1,304,836	11.7
Office of Criminal Justice Planning (OCJP) Funds .....	12,731,418	2,727,431	27.3
Total .....	\$69,788,140	\$4,714,733	7.3
<i>Programs</i>			
Administration			
Undistributed .....	\$3,176,954	\$97,980	3.2
Man-years .....	133.1	-10.9	
Distributed .....	(\$6,506,087)	(\$282,903)	4.6
Man-years .....	(326.1)	(-10.7)	
Grant Projects .....	\$144,779	\$24,009	19.9
Man-years .....	3.0	1.0	
Legal Services			
Civil Law .....	\$10,250,076	\$715,185	7.5
Man-years .....	343.4	39.1	
Criminal Law .....	\$7,509,796	\$600,836	8.7
Man-years .....	297.2	-9.0	
Special Operations .....	\$5,538,087	\$363,589	7.0
Man-years .....	193.3	-8.9	
OCJP Grant Projects .....	\$335,250	\$12,484	3.9
Man-years .....	2.0	-1.0	
Law Enforcement			
Executive .....	(\$2,196,758)	(\$75,212)	3.6
Man-years .....	(17)	(-1.0)	
Enforcement and Investigation .....	\$7,349,530	\$178,905	2.5
Man-years .....	267.7	-4.7	
Investigative Services .....	\$1,419,580	\$106,619	8.1
Man-years .....	53.3	-3.5	
Identification and Information .....	\$11,531,528	-\$294,666	-2.5
Man-years .....	924.4	-54.1	
Organized Crime .....	\$1,939,227	\$101,668	5.5
Man-years .....	88.4	-0.8	
Crime Prevention and Control .....	\$362,055	\$5,299	1.5
Man-years .....	14.1	-0.3	
Consolidated Data Center .....	\$7,979,889	\$111,887	1.4
Man-years .....	(221)	(-2.4)	
OCJP Grant Projects .....	\$12,251,389	\$2,690,938	28.2
Man-years .....	575.5	143.5	
Program Total .....	\$69,788,140	\$4,714,733	7.3
Man-years .....	2,895.4	90.4	

\* Amounts in parentheses are distributed among other items and are so shown to avoid double counting.

## DEPARTMENT OF JUSTICE —Continued

**Table 2**  
**Department of Justice Grant Projects**  
**Funded by Office of Criminal Justice Planning and the**  
**Law Enforcement Assistance Administration**

Grant Description	1975-76	
	Amounts	Positions
<i>Administration</i>		
Advanced District Attorney and Public Defender Training Program..	\$144,779	3
<i>Legal Services</i>		
Legal Information for Law Enforcement.....	335,250	2
<i>Law Enforcement</i>		
Visual Investigative Analysis Technique.....	104,917	8
Statewide Criminalistic Laboratory System.....	4,273,994	140
Data Analysis Center *.....	303,129	11
Fingerprint Automation Prototype and Conversion.....	295,900	6
Uniform Crime Reporting System *.....	539,302	23
California Narcotic Information Network.....	126,500	7
Drug Diversion Investigative Unit *.....	466,666	5
Management and Administration Statistics System *.....	150,000	6
Criminal Record Purge.....	3,168,183	214
Record Quality Improvement.....	1,016,400	55
Offender Based Transaction Statistical System *.....	1,263,196	86
State Technical Assistance Capability *.....	150,000	5
Security Support Component.....	21,217	2
Automated Criminal History System Enhancements.....	42,123	4
Criminal Justice Information System Enhancement Feasibility Studies	11,862	3.5
Uninterrupted Power Supply.....	318,000	—
Total.....	\$12,731,418	580.5

\* Funded directly by the Law Enforcement Assistance Administration.

adjustment, consisting mostly of grant positions, is necessary in order to transfer all such positions to the "payroll blanket" discussed earlier.

*General Fund Positions.* The 32 new General Fund positions increase costs by \$636,324. They include (1) ten attorney and seven clerical positions to handle additional writ and appeal workload in the Division of Criminal Law; (2) one new attorney and one new clerical position to provide legal services to the new Fair Political Practices Commission; (3) six positions (funded entirely from fingerprint fees) to provide security at the department's Sacramento facility which houses criminal and fingerprint records; and (4) seven key data operators for the Division of Law Enforcement to meet additional workload in updating criminal history records which are already automated.

### ADMINISTRATION

#### Late Budget Submission Impedes Review

*We recommend that the Legislature direct the Department of Justice to submit its complete budget to the Department of Finance and the Joint Legislative Budget Committee by October 1 of each year.*

In recent years, the Department of Justice has not met the normal September 1 deadline for submitting its budget request to the Department of Finance. It was more than seven weeks late in submitting its request this year. In addition, the departmental management has failed to establish priorities and screen out poorly justified proposals. It inundates the Department of Finance with an excessive number of poorly prepared budget change proposals, making it difficult for the latter to provide

proper review and delaying transmittal of the Department of Justice budget request to this office, thereby further complicating a thorough analysis within the time available. This pattern of budget submission indicates that the department is not properly utilizing the six professional positions in its budget office to analyze and assist management in screening proposals submitted by divisional personnel.

#### **Accounting for Legal and Investigative Services**

*We recommend that the Department of Justice, in cooperation with the Department of Finance, develop and implement in fiscal year 1976-77 a uniform accounting and budgeting system regarding the costs of legal and investigative services which it provides to other state agencies.*

At the present time, the department charges special fund agencies for the costs of providing legal services at the rate of \$29 per hour. This charge will increase to an estimated \$32.50 per hour in the budget year. For investigative services, it charges \$21.25 per hour in the current year, increasing to \$23.50 per hour in the budget year. These rates include departmental administrative and clerical support costs. The budget-year rates are not yet final because exact employee pay increases are not known. Each attorney and investigator records his hours spent in serving specific special fund agencies to facilitate billing. Attorney hours are also recorded for General Fund agencies, although these agencies are not usually billed unless federal or other outside funds are involved.

There appears to be a general lack of understanding among special fund agencies as to the rates, billing and budgeting procedures utilized by the Attorney General. The department apparently does not review its workload estimates with special fund programs. This results in cases where the client agencies do not budget sufficient funds for legal services. The department also often reports conflicting figures for its legal and investigative rates. In the 1975-76 Governor's Budget, the department cites a billing rate of \$30.37 for the budget year. The General Services price letter quotes \$31.50, and the Department of Justice now reports a figure of \$32.50.

In addition, the department has failed to establish standards for estimating attorney hours for budgetary purposes. In past years, the department has budgeted on the basis of 2,000 hours per year per attorney, but this year it has used 1,798 hours in some cases and 1,650 hours in others. It is difficult for client agencies to know what they are buying because the department's one-line invoice provides no information on the nature of the service rendered.

We therefore believe the Department of Justice, working with the Department of Finance, should design and implement for the 1976-77 fiscal year a uniform system for accounting and budgeting for legal services. Such a system should (1) require all state agencies to be billed for Attorney General services and to show a separate line for these expenses in their "summary-by-object" portion of the Governor's Budget, (2) prescribe procedures for obtaining client agency estimates of their legal and investigative service requirements, (3) establish uniform attorney and investigative man-year standards for budgeting purposes, (4) standardize

**DEPARTMENT OF JUSTICE —Continued**

billing rates for attorney and investigative services, and (5) prescribe an invoice system which explains in detail the reasons for all charges and time elements involved therein.

**Consumer Complaints**

*We recommend deletion of 3.5 positions (0.5 associate government program analyst, 1 staff services analyst and 2 clerk typists) for a reduction of \$48,000 in the consumer complaints unit (Item 34).*

At the present time, the Department of Justice has a staff of 5.5 positions (a part-time supervisor, an assistant government program analyst, a staff service analyst and three clerk-typists) to answer and mediate consumer complaints. Although this group also responds to general inquiries from the public, 75 percent of its workload involves consumer complaints. Unless the matter involves consumer fraud, which is referred to the attorneys for prosecution, the efforts of this staff involve little more than writing a letter to the alleged offending party requesting that he settle the matter with the complainant. This staff has no means for dealing with firms which refuse to comply.

Answering and resolving consumer complaints (short of litigation) should be the function of the Department of Consumer Affairs. To avoid duplication of effort, the Department of Justice should confine its efforts to prosecuting consumer fraud. We believe, however, that the department would still need some staff to process general consumer inquiries and formal complaints to the Department of Consumer Affairs. Accordingly, the department's 5.5-member unit could be reduced to two positions. This would reduce the department's costs by approximately \$48,000, representing 3.5 positions, related benefits and equipment.

**LEGAL SERVICES OVERBUDGETED****A. Division of Civil Law**

*1. We recommend deletion of (a) 18 attorneys and support positions for the Department of Benefit Payments and (b) 13 attorneys and related support positions for various special fund agencies and a corresponding reduction of \$753,599 in legal service reimbursements.*

*2. We withhold recommendation on 56 remaining proposed new positions pending receipt of clarifying and substantiating data.*

*Transfer of Benefit Payments House Counsel Function.* The Governor's Budget reflects that the Department of Benefit Payments will provide its own house counsel rather than secure such services from the Attorney General. This action eliminates the need for \$395,837 in reimbursements to finance approximately 10 existing attorney and support positions which the Attorney General is already authorized for this purpose.

*Proposed New Reimbursable Positions.* As shown in Table 3, the division is also proposing 74.5 legal service positions to be financed by reimbursements from special funds or by General Fund programs receiving substantial amounts of federal funds.



**Table 3**  
**Proposed New Positions Funded by Reimbursements**  
**Division of Civil Law**

<i>Positions</i>	<i>Cost</i>	<i>Special Fund or Agency</i>	<i>Analyst's Recommendation</i>
1. 2 attorneys 1.5 clerical	\$81,888	Department of Benefit Payments, House Counsel	Delete
2. 8 attorneys 5 clerical	275,874	Various special fund agencies and programs	Delete
3. 1 attorney 1 clerical	40,944	Office of the Aging	Approve
4. 4 attorneys 4 clerical	193,653	Department of Benefit Payments, Responsible Relatives Program (Chapter 1216, Statutes of 1974)	Pending
5. 20 attorneys 17 clerical	829,358	Department of Consumer Affairs	Pending
6. 5 attorneys 4 clerical	203,350	Indemnification of Private Citizens and Inverse Condemnation	Pending
7. 1 supervising claims examiner 1 clerical	33,556	Subsequent Injuries Fund	Pending
40 attorneys 1 supervising claims examiner 33.5 clerical 74.5 = total	<u>\$1,658,623</u>		

1. There is no need for the positions in Group 1, Table 3 because of the transfer of the house counsel function to the Department of Benefit Payments.
2. We have preliminarily verified that the Uninsured Employers' Fund, the Public Employees' Retirement System and the Occupational Safety and Health program of the Department of Industrial Relations have not budgeted sufficient funds for the positions in Group two of the table.
3. The Office of the Aging reports sufficient funds for the two positions reflected in the table.
4. We have not been able to verify whether the remaining special fund agencies and programs have budgeted sufficient funds to allow the Attorney General to establish the proposed positions (Groups 4, 5 and 6) or whether the supervisory claims examiner position for the Subsequent Injury Fund (Group 7) is justified based on the data submitted by the department. We are therefore withholding our recommendation pending receipt of clarifying data from the department. As we pointed out earlier, the department failed to clear the establishment of these positions with the client agencies and submitted its budget to the Department of Finance too late to permit the latter to screen these positions adequately.

**DEPARTMENT OF JUSTICE —Continued****B. Division of Special Operations**

*We withhold our recommendation on the five attorney and four clerical positions proposed for the Energy Resources Commission.*

The Division of Special Operations proposes to add five attorneys and four clerical positions for the Energy Resources Commission at a reimbursable cost of \$202,299.

However, the Energy Resources Commission has not yet formulated its legal work program. We are therefore withholding our recommendation on these positions pending receipt of clarifying and substantiating data from the Department of Justice.

**LAW ENFORCEMENT PROGRAM****Executive Office**

*We recommend deletion of four positions (administrator III, associate data processing systems analyst, associate crime studies analyst, and senior stenographer) for a General Fund savings of \$64,299 (Item 34) to avoid duplication with the Division of Administration.*

The Executive Office of the Division of Law Enforcement plans, organizes, directs and coordinates the activities of the division. It provides special investigations, facilities maintenance and security, and ensures adherence to occupational health and safety standards. However, in recent years the office has added staff on an administrative basis to perform such work as budgeting, planning, program evaluation and policy analysis which duplicates efforts of the departmental Division of Administration. These duplicate positions should be eliminated. A remaining administrator I should be transferred to the Division of Administration to supervise maintenance of the division's physical facilities and ensure that they meet state occupational safety and health standards.

**Tour Program**

*We recommend that the department not budget resources for tour programs. Two and one-fourth clerical positions should be deleted and the budget reduced by \$20,000 (Item 34).*

The Department of Justice has established a tour program to show visitors the operations of the Division of Law Enforcement. The equivalent of three and one-fourth man-years of clerical time is provided annually by units within the Division of Law Enforcement to support tour-related activities. One of these positions is provided by the Law Enforcement Consolidated Data Center (Item 38).

The majority of visitors served by the tour program are school children and law enforcement personnel. Despite their apparent popularity, these tours do not appear to be a necessary departmental function and funds should not be budgeted for them. Our recommendation to delete the one position provided by the Law Enforcement Consolidated Data Center is discussed under Item 38.

**Enforcement and Investigation**

*We withhold recommendation on increased staff for the Indemnification of Private Citizens program pending receipt of a staffing plan (which we have requested) utilizing lower cost staff services personnel rather than special agents.*

The Enforcement and Investigation Branch proposes an increase of 3.5 new agents and 1.1 clerical and accounting support positions to handle additional investigative workload for the Indemnification of Private Citizens program, bringing to 7.5 the total number of agents budgeted for this function. This program, which is administered by the Board of Control, provides financial aid to needy victims of violent crimes. Claims for this program have risen to an average of 328 per month in the current year from 144 per month in the previous year. The program has a current backlog of 1,298 claims. We believe that staff services positions rather than special agents could perform, at considerably less cost, most of the investigative work on these claims, which normally do not require the level of expertise of a specially trained agent. The department concurs with this view and has agreed to submit an alternative staffing plan utilizing lower level staff services personnel. We therefore withhold recommendation on these positions pending receipt of the alternative staffing proposal.

**Investigative Services Branch**

*Federal Funding Phases Out.* Using federal funds provided by the Office of Criminal Justice Planning and the Office of Traffic Safety, the Investigative Services Branch has expanded its Sacramento laboratory and established seven full-service criminalistic laboratories in Redding, Santa Rosa, Modesto, Fresno, Salinas, Santa Barbara and Riverside. In addition, it has established limited-services laboratories (providing mostly blood-alcohol and controlled substance analyses) in Oroville, San Rafael, Stockton, San Luis Obispo, West Covina, Santa Ana and San Diego. Effective June 30, 1975, federal funding, totaling \$1,312,194 terminates for the entire blood-alcohol program and for the Redding and Fresno full-service laboratories. Federal funding will also expire June 30, 1976, for the remaining full-service laboratories except for the Modesto and Santa Rosa facilities, which lose their funding June 30, 1977. It is expected that the full costs for maintaining the laboratories will approximate \$3.3 million in 1977-78 when all federal funding terminates.

*Alternative to Federal Funding not Provided.* Consistent with its policy not to assume automatically the costs of federally-funded grant projects, the administration proposes appropriations totaling \$2,750,000 in Budget Bill Items 100 and 101 to continue on a priority basis projects for which federal funding expires. However, it is not clear whether the laboratories will be able to compete with other worthy projects for these limited funds. We believe that alternative funding sources should be considered for the blood-alcohol program to assure compliance with Chapter 1438, Statutes of 1969, which established strict blood-alcohol standards governing drunken driving cases and gives the suspected drunken driver a choice of having his blood, breath or urine tested for alcohol content. Part of the funding for this program could be provided from the Motor Vehicle Account of the

**DEPARTMENT OF JUSTICE —Continued****State Transportation Fund.**

The eight-facility criminalistic laboratory system may have been overbuilt, and it may be possible to consolidate some of these facilities for program savings. However, we believe that the system concept should be retained. Alternatives to funding the system include (1) establishment of a laboratory fee to be paid by the criminal justice agency requesting the service as we recommended last year, (2) addition of a penalty assessment to the traffic and criminal fines for support of the program as is done for the Commission on Peace Officer Standards and Training, and (3) General Fund support. We understand that the administration is formulating a specific policy on this matter and will submit a proposal at a later date. We will provide an analysis of the proposal at that time.

**Organized Crime**

*We recommend elimination of the Organized Crime and Criminal Intelligence Branch unless it can demonstrate specific accomplishments.*

The Organized Crime and Criminal Intelligence Branch was established by a federal grant through the Office of Criminal Justice Planning in 1969-70 and was converted to General Fund support in 1973-74. It (1) compiles and evaluates criminal intelligence information which may indicate the presence of organized crime, (2) acts as a clearinghouse for organized crime information, (3) maintains a pool of specialized surveillance personnel and equipment for temporary loan to law enforcement officers throughout the state, and (4) trains law enforcement officers in the use of this equipment and in the methods and techniques for recognizing and combating organized crime. The branch proposes an expenditure of \$1,939,227 for 88.4 man-years in the budget year.

In 1971 and again in 1973, we criticized the program for a general lack of accomplishment and for appearing to center most of its efforts on militant groups and motorcycle gangs, rather than on the traditional organized activities for which it was established. Again, we see no demonstrable evidence that the branch has been responsible for eliminating any significant organized crime operations and believe it should be terminated unless it can demonstrate accomplishments.

## LAW ENFORCEMENT CONSOLIDATED DATA CENTER

Item 38 (Transfer from General  
Fund Item 34)

Budget p. 51

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Transfers and Reimbursements	
Requested 1975-76 .....	\$7,979,889 <sup>a</sup>
Estimated 1974-75.....	7,868,002
Actual 1973-74 .....	6,878,230
Requested increase \$111,887 (1.4 percent)	
Recommended increase in spending authorization.....	\$60,770

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<sup>a</sup> Transfer from Item 34.

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

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|--|----|
| 1. <i>Replace Consultants. Increase spending authorization \$69,470. Recommend establishment of three systems analyst positions and phase out of existing private consultants.</i> | 36 |
| 2. <i>Eliminate Tour Program Support. Reduce \$8,700. Recommend reduction of one position allocated to tour program.</i>   | 36 |
| 3. <i>Budget Bill Revision. Recommend language in Item 34 be modified to permit department to reallocate funds budgeted for data center.</i>                                       | 37 |

### GENERAL PROGRAM STATEMENT

The Law Enforcement Consolidated Data Center is one of four consolidated data centers established by Chapter 787, Statutes of 1972. The primary objective of this center is to provide centralized management of data processing equipment and services for the Department of Justice, California Highway Patrol (stolen vehicle processing only) and local law enforcement entities.

The center's automated communications systems in Sacramento and Los Angeles enable the linking of over 450 California law enforcement agencies to computerized files in Sacramento, Los Angeles, Washington, D.C. and other states.

### ANALYSIS AND RECOMMENDATIONS

There is no direct appropriation to support the Law Enforcement Consolidated Data Center. The Governor's Budget proposes an expenditure program for the data center totaling \$7,868,002 in the current year and \$7,979,889 in the budget year for an increase of 1.4 percent, with the funds to be transferred from the support item of the Department of Justice (Item 34).

### Data Center Plans

The center is currently in the process of a major reorganization to create a project-oriented structure which will enhance the application of data processing technology. The center is also developing a feasibility study for total replacement of its computing equipment to accommodate projected

**CONSOLIDATED DATA CENTER—Continued**

workload. The center estimates that once the feasibility study is approved, the competitive acquisition of new equipment and conversion to it will take approximately three years.

We understand that in the interim the department may be able to upgrade its present UNIVAC systems at no increase in rental. If this can be accomplished, the center should have enough additional capacity to meet its users' requirements during the period required for equipment replacement.

**Replace Consultants**

*We recommend that the Legislature (1) authorize the establishment of two senior and one supervising data processing systems analysts, (2) increase the center's spending authorization by \$69,470 for this purpose, and (3) direct the center to use these positions and phase out by July 1, 1976 the three private technical consultants now employed on a full-time basis to service the center's communications system software.*

Since 1971 the center has retained by contract three full-time consultants to provide technical support to the center's communications system software. The Governor's Budget provides \$132,000 to continue this support in the budget year.

According to the center, efforts to replace the consultants with equally skilled and less costly state personnel have been blocked by the State Personnel Board which has opposed the creation of high level systems analyst positions for regular department use. Had the center been permitted to employ state personnel at the level requested, approximately \$200,000 would have been saved since 1971.

The center can replace the three consultants by phasing in state personnel, provided the positions are established at a salary level which will attract and retain individuals with the required skills. The net ongoing cost to the state will be substantially less than current expenditures once the phase-in has been completed.

An increase in spending authorization will enable the center to prorate among its users the cost to phase in state employees. This is appropriate and should be considered a cost of doing business with the center. Once the replacement has been achieved, the center and its users will realize initial annual savings of approximately \$60,000. This amount will gradually decline to about \$50,000 annually as the new positions attain maximum compensation.

**Tour Program**

*We recommend that the data center not budget resources for Department of Justice tour programs. One clerical position should be deleted and the budget reduced \$8,700.*

The Department of Justice has established a tour program to provide visitors an insight into the operations of the Division of Law Enforcement. Part of this program includes a tour of the data center. The equivalent of three and one-fourth man years of clerical time is provided annually by units within the Division of Law Enforcement to support tour-related activities. The data center provides one of these positions. (Our recom-

mendation to delete the remaining positions is discussed in our analysis of the Department of Justice under Item 34.)

The data center was established to meet the communications and information requirements of law enforcement agencies. In our judgment, performing tour-related duties does not constitute a necessary center function.

#### **Budget Act Language Revision**

*We recommend that the Legislature modify language contained in Item 34 of the Budget Bill to provide the Department of Justice flexibility to reallocate funds budgeted for the data center.*

Item 34 (Department of Justice) contains the support funds for the Law Enforcement Consolidated Data Center. Language in Item 34 provides that the Department of Justice may allocate the unencumbered balance of this amount to personal services or operating expenses and equipment, but only for electronic data processing (EDP) purposes.

A similar provision appears in every departmental budget item which contains an allocation for a consolidated data center. This protects centers such as the Stephen P. Teale Consolidated Data Center by limiting the ability of its customers to reallocate arbitrarily funds intended for its support. This is important to the Teale Data Center because it is a separately constituted facility dependent totally on outside customers.

Unlike the Teale Data Center, the Law Enforcement Data Center is not dependent on outside customers and is instead an integral part of the Department of Justice. The department has informed us that because of the restriction on the allocation of consolidated data center funds, it is unable to reallocate these funds from a canceled EDP project to a non-EDP purpose.

We believe the Department of Justice should be able to reallocate funds as it sees fit and recommend that the language contained in Item 34 be modified accordingly.

### **COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**

Items 39 and 40 from the Peace  
Officers' Training Fund

Budget p. 53

Requested 1975-76 .....	\$10,962,579
Estimated 1974-75.....	9,530,606
Actual 1973-74 .....	11,875,354
Requested increase \$1,431,973 (15.0 percent)	
Total recommended augmentation (Item 39) .....	\$104,850
Total recommended reduction (Item 40) .....	\$104,850

**COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued**  
**1975-76 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount	Analysis page
39	Commission on Peace Officer Standards and Training (support)	Peace Officers' Training Fund	\$1,810,187	41
40	Assistance to Cities and Counties for Peace Officer Training	Peace Officers' Training Fund	9,152,392	44
			<u>\$10,962,579</u>	

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |   |                        |
|---|------------------------|
| 1. <i>Course Curriculum.</i> Augment Item 39 by \$15,103. Recommend addition of one law enforcement consultant II to review and report on course content of all supervisory and middle management courses.                              | Analysis<br>page<br>41 |
| 2. <i>PC 832 Training Program.</i> Augment Item 39 by \$89,747. Recommend addition of one senior law enforcement consultant, one law enforcement consultant II, one senior stenographer and one clerk-typist II for workload.           | 43                     |
| 3. <i>Contract Consultants.</i> Recommendation withheld pending receipt of additional information.  | 43                     |
| 4. <i>Local Assistance.</i> Reduce Item 40 by \$104,850. Recommend (a) reduction to offset cost of augmentations and (b) reevaluation of revenues and, if necessary, additional reduction to reflect more realistic revenue projection. | 44                     |

**GENERAL PROGRAM STATEMENT**

The Commission on Peace Officer Standards and Training (POST), a nine-member body appointed by the Governor, is responsible for raising the level of professional competence of city, county and special-district peace officers by establishing minimum recruitment and training standards. These standards apply to all police jurisdictions pursuant to Chapters 477 and 478, Statutes of 1973, and to those jurisdictions which receive state financial aid (administered by the commission) for peace officer training pursuant to Chapter 1823, Statutes of 1959.

The commission and its local assistance program are supported by the Peace Officers' Training Fund, which derives its revenues from a penalty assessment of \$5 for each \$20, or fraction thereof of criminal fines, and \$1 for each \$20, or fraction thereof, of traffic fines levied by municipal and justice courts. Chapter 1059, Statutes of 1973, also provides revenue to the fund by allocating to it 25 percent of juvenile traffic fines obtained from specified traffic violations. Table 1 illustrates the revenues derived from the preceding sources.

The commission is currently authorized an administrative and support staff of 82 positions in the following programs.



**Table 1**  
**Peace Officers' Training Fund**  
**Revenues**

	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>
Penalties on criminal fines .....	\$3,165,376	\$3,096,643	\$3,492,361	\$3,226,272	\$2,764,714	\$3,275,000	\$3,295,000
Penalties on traffic fines * .....	<u>5,114,229</u>	<u>5,022,075</u>	<u>5,368,079</u>	<u>5,438,132</u>	<u>6,189,026</u>	<u>7,000,000</u>	<u>7,700,000</u>
Total .....	\$8,279,605	\$8,118,718	\$8,860,440	\$8,466,410	\$8,953,740	\$10,275,000	\$10,995,000

\* Recent increases in traffic assessments are attributable to adoption of Chapter 1059, Statutes of 1973, and to tighter enforcement of traffic laws due to energy crisis and 55 m.p.h. speed limit.

**COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued****ADMINISTRATION DIVISION PROGRAM**

This division includes the executive section element, which provides overall direction and supervision to the POST program. It administers the training reimbursements to participating police agencies and issues "general certificates" (basic, intermediate, advanced, management and executive) for attaining specified levels of college credits, POST-course credits and years of law enforcement experience. The division also maintains records of education, training and experience on all participating law enforcement personnel.

**STANDARDS AND TRAINING DIVISION PROGRAM**

This division monitors the quality and suitability of commission (POST) certified courses. Division consultants evaluate course content and preparedness of instructors of some 128 educational institutions and police academies sponsoring approximately 480 certified courses. The division also recommends certification of training institutions and courses, provides training and educational counseling to some 405 participating local law enforcement agencies, formulates and proposes improved instructional techniques, reviews qualifications of candidate instructors, coordinates with local advisory committees to identify needs for new and diversified police training and recommends decertification of institutions and courses failing to meet commission standards.

**TECHNICAL SERVICES DIVISION PROGRAM**

This division is the research arm of POST. It engages in management research and development directed towards improving organization, administration, operations and personnel practices of local law enforcement agencies. It researches management models applicable in a general way to all local law enforcement agencies and disseminates this research information to all interested police agencies.

The division also maintains a resource library, and through its center for police management provides local law enforcement with publications on the solutions of specific management questions or problems.

**ADMINISTRATIVE COUNSELING DIVISION PROGRAM**

This division conducts surveys, makes recommendations, provides implementation assistance and prepares special studies to improve management and operational techniques of local law enforcement agencies. It differs from the technical services function by dealing with individual police agencies and their problems, whereas the former deals with the entire field of police management.

**ASSISTANCE TO CITIES AND COUNTIES PROGRAM**

This item provides assistance to all police agencies for mandatory training of peace officers pursuant to Chapters 477 and 478, Statutes of 1973, and to cities and counties that qualify for state aid for peace officer training pursuant to Chapter 1823, Statutes of 1959. Each jurisdiction participating in the program is reimbursed by the commission from the Peace Officers' Training Fund for the cost of training all personnel, except volun-

teers and those employed on a part-time basis. Such reimbursements, presently consisting of up to 60 percent of peace officer's salary and up to 100 percent of per diem, tuition and travel costs, may be made for not more than 400 hours of training for the basic course, 100 hours for the supervisory course and 40 hours for the advanced officer course. Also reimbursed are the costs of such additional training (up to 120 hours each) as the middle management and executive development courses, and certain technical courses involving training in riot control, narcotics investigation and other areas.

### ANALYSIS AND RECOMMENDATIONS

Table 2 summarizes the commission's budget request, indicating sources of funding by category, expenditure levels by program area and proposed dollar and position changes from the current year. Increases in the administration program reflect salary adjustments and increased operating expenses.

Decreases in the standards and training program reflect the deletion of three positions resulting from the termination of the federally funded Project STAR (Systems and Training Analysis of Requirements for Criminal Justice Participants) and the minority recruitment project.

Increases in the technical services program reflects receipt of a federal grant for a crime prevention institute, which is scheduled to terminate on May 31, 1976. There is also an increase of one position for the center for police management (discussed earlier), which is offset by the deletion of one position from technical services due to workload adjustments.

Increases in the administrative counseling program reflect primarily salary adjustments and increased operating and in-state travel expenses. One position has been eliminated through administrative adjustments. One-half of the personal services moneys for this program has been transferred to the contractual services category to allow local agencies requesting counseling services either to utilize POST staff or the equivalent in funds as a direct grant for a consultant of their choice, subject to approval of POST. As noted later in this Analysis, we are withholding our recommendation relative to the use of private consultants pending further review of this proposal. Almost all remaining anticipated revenues above that needed for commission support is allocated to the local assistance program.

#### Course Curriculum and Evaluation

1. *We recommend that the Standards and Training Division conduct an in-depth review of the course content of all supervisory and middle management courses and seminars to ascertain their relevance and applicability to the functional needs of police officers and report thereon to the Joint Legislative Budget Committee by December 31, 1975.*

2. *We recommend that one law enforcement consultant II be added for a six-month period to the Standards and Training Division at a cost of \$15,103, consisting of \$10,103 for one-half year salary and \$5,000 for in-state travel, to carry out this project. (Item 39).*

Table 3 illustrates the broad categories of courses comprising the POST program.

## COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

**Table 2**  
**Budget Summary**

<i>Funding</i>	<i>Proposed</i>	<i>Change From Current Year</i>	
		<i>Amount</i>	<i>Percent</i>
Peace Officers' Training Fund .....	\$10,962,579	\$1,431,973	15.0
Reimbursements .....	256,983	27,569	12.0
Federal Funds .....	—	-28,321	-100.0
	<u>\$11,219,562</u>	<u>\$1,431,221</u>	<u>14.6</u>
<i>Programs</i>			
Administration .....	\$474,443	\$25,692	5.7
Man-years .....	24	—	—
Standards and Training .....	\$471,651	\$-73,483	-13.5
Man-years .....	18	-3	—
Technical Services .....	\$523,412	\$57,551	12.4
Man-years .....	19	—	—
Administrative Counseling .....	\$597,664	\$18,918	3.3
Man-years .....	20	-1	—
Subtotal .....	\$2,067,170	\$28,678	1.4
Total Man-years .....	81	-4	—
Assistance to cities and counties .....	\$9,152,392	\$1,402,543	18.1
Total Expenditures .....	<u>\$11,219,562</u>	<u>\$1,431,221</u>	<u>\$14.6</u>
Total Man-years .....	81	-4	—

**Table 3**  
**Certified Course Categories, POST**

<i>Course</i>	<i>Minimum Hours of Training</i>	<i>Number of Courses Certified</i>	<i>Completion Requirements</i>
Basic .....	200	43	Prior to exercise of peace officer powers *
Advanced Officer .....	20	60	Once every four years
Supervisory .....	80	40	Within 18 months of promotion
Middle Management .....	100	24	Within 18 months of promotion
Executive development <sup>b</sup> .....	100	7	Optional
Technical/special <sup>b</sup> .....	Unlimited	252 <sup>c</sup>	Optional

\* Chapter 477, Statutes of 1973, operative January 1, 1975

<sup>b</sup> Optional courses

<sup>c</sup> Includes 75 courses established pursuant to Penal Code Section 832 (known as PC 832 program).

Supervisory and middle management courses constitute 15 percent of total certified courses and apply, respectively, to first level supervisors and mid-management personnel. Both categories of courses were certified in 1964 and have not had extensive revision to this date. There has been criticism that (1) much of the course material is not applicable to practical police situations, (2) course content is often redundant and could be covered in less time and (3) teaching material is outdated. Combined expenditures for these two categories of courses were \$880,353 in 1973-74, with 1,943 police professionals receiving instruction.

We believe these courses are necessary and desirable for new supervisors and middle managers and the commission should place a high priority

on their review, evaluation and updating. Last year we made a similar recommendation, which the Legislature adopted; however, due to budget reductions by the Governor, POST was unable to conduct the evaluation.

**PC 832 Training Program has Continuing Staffing Needs**

*We recommend the addition of one senior law enforcement consultant, one law enforcement consultant II, one senior stenographer and one clerk-typist II to the Standards and Training Division to sustain the ongoing workload of this program for an added cost of \$89,747, consisting of \$61,672 for salaries and \$28,075 for in-state travel. (Item 39).*

Chapter 1504, Statutes of 1971, (Penal Code Section 832) requires all peace officers (including auxiliary reserve forces and special purpose officers such as aviation security officers) to take POST-certified training in the exercise of powers of arrest and the use of firearms by July 1, 1974, or within 12 months of employment. In addition to regular officers, some 40,000 auxiliary and special purpose officers had received such training by the July 1 date. The commission was authorized ten positions for 1973-74 to handle that heavy, one-time certification workload. In the 1974-75 Analysis, we recommended that four of these positions be retained (1) to handle continuing certification workload estimated at 4,000 auxiliary and special purpose officers annually (regular full-time officers receive the equivalent PC 832 training through the basic and advanced officer courses), and (2) to implement Chapter 477, Statutes of 1973, which requires specified peace officers (city police, sheriff deputies and special district policemen) employed after January 1, 1975, to complete a course approved by the commission before exercising peace officer powers. The Legislature approved these positions, but the Governor eliminated them from the budget.

Our review of the PC 832 training program, based on the first six months' experience of the current year, indicates the commission could process in excess of 6,000 certifications annually for auxiliary and special purpose officers, but this work is being accomplished currently at the expense of other commission operations. The workload from Chapter 477 is not expected to diminish from previous estimates, and, additional workload is anticipated from Chapter 1397, Statutes of 1974 (effective January 1, 1975, for a one-year period), which permits police departments employing ten or fewer sworn law enforcement officers to apply to the commission for a six-month waiver of Chapter 477 training requirements. To receive such a waiver, the requesting department must submit an application, including a plan showing the officer's proposed alternate training schedule, which must be evaluated and approved by commission staff.

In light of the above, we believe the additional staff is needed to sustain the program and allow currently diverted program staff to return to their other duties.

**Need Additional Study of Proposal for Contract Consultants**

*We withhold recommendation on the proposed transfer of administrative counseling personal services monies to the contractual services category for the purpose of hiring private consultants pending receipt of additional information.*

**COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued**

As indicated earlier, one-half of the personal services budget for the administrative counseling program has been transferred to the contractual services category so that local agencies may utilize POST staff or a private consultant of their choice. Additional information is needed relative to the disposition of the current staff of 20, proposed quality controls over outside consultants and the cost-benefit relationship between the current and proposed manner of providing administrative counseling services. We have discussed the proposal with both Department of Finance staff and with POST personnel and have received conflicting information.

**Assistance to Cities and Counties for Training Peace Officers (Item 40)**

*We recommend (1) a reduction of \$104,850 in Item 40 to offset the cost of our recommended augmentation to Item 39 and (2) an appropriate reduction in this item following the May Revision of Revenue Estimates to reflect a more realistic projection of available resources.*

Table 4 shows budgeted amounts and expenditures for local assistance.

**Table 4**  
**Aid to Cities and Counties Program**

	1972-73	1973-74	1974-75	1975-76
Budgeted .....	\$12,170,000	\$12,650,000	\$8,956,054	\$9,152,392
Expended ....	10,503,497	10,031,326	7,749,849	—
Difference ....	\$1,666,503	\$2,618,674 <sup>a</sup>	\$1,206,205 <sup>b</sup>	—

<sup>a</sup> Net Peace Officers' Training Fund accumulated surplus on June 30 was \$-115,127.

<sup>b</sup> Net Peace Officers' Training Fund Accumulated surplus on June 30 estimated at \$629,167.

As shown in Table 4, it has been necessary to reduce local assistance expenditures for the prior and current years because revenues to the Peace Officers' Training Fund have been overestimated. The proposed local assistance expenditure of \$9,152,392 for the budget year is \$1,402,543 above the estimated \$7,749,849 expenditure for the current year. In view of this experience, we believe the commission and the Department of Finance should, based on the May Revision of Revenue Estimates, propose (if necessary) a more realistic funding level for the local assistance program.

**OFFICE OF CRIMINAL JUSTICE PLANNING**Items 41, 42 and 43 from the  
General Fund

Budget p. 58

Requested 1975-76 .....	\$9,178,540
Estimated 1974-75.....	9,116,231
Actual 1973-74 .....	5,237,339
Requested increase \$62,309 (0.7 percent)	
Total recommended reduction .....	None

**1975-76 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount	Analysis page
41	Office of Criminal Justice Planning— Support	General	\$328,114	48
42	State Operations—Cash Match	General	4,881,393	49
43	Local Assistance—Cash Match	General	<u>3,969,033</u>	49
			\$9,178,540	

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

	Analysis page
1. Accountability. Recommend Office of Criminal Justice Planning (OCJP) be made administratively responsible to Secretary for Health and Welfare.	49
2. Grant Administration. Recommend grant management activities be placed under single division head.	49
3. Grant Awards. Recommend OCJP reassess its allocation of "action" funds to assure they are being equitably awarded.	50
4. Discretionary Grant Awards. Recommend OCJP negotiate with the Law Enforcement Assistance Administration (LEAA) to strengthen the control of the California Council on Criminal Justice (CCCJ) over LEAA discretionary grants.	51
5. Publish Results. Recommend OCJP publish comprehensive reference document for local agencies on criminal justice planning and research efforts and accomplishments.	51
6. Comprehensive Planning. Recommend first priority be to develop a meaningful comprehensive state plan.	52
7. Combine Planning and Research. Recommend legislation to (a) eliminate California Crime Technological Research Foundation (CCTRF) and its board and transfer responsibility for scientific and technological research to OCJP, (b) revise structure of CCCJ to include three members representing scientific community, and (c) augment OCJP budget to offset cost of integrating CCTRF functions.	52

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued****GENERAL PROGRAM STATEMENT**

Chapter 1047, Statutes of 1973, created out of the staff arm of the California Council on Criminal Justice (CCCJ) the Office of Criminal Justice Planning (OCJP) to be administered by an executive director appointed by the Governor. The council, which remains as a separate entity and acts as the supervisory board to OCJP, consists of 25 members: the Attorney General, the Administrative Director of the Courts, 13 members appointed by the Governor and ten members appointed by the Legislature.

The Office of Criminal Justice Planning is designated the state planning agency for administering the federal block grant programs authorized under the Federal Omnibus Crime Control and Safe Streets Act of 1968 (Safe Streets Act), as amended in 1973. Its statutory responsibilities are to: (1) develop, with the advice and approval of the council, a comprehensive statewide plan for the improvement of criminal justice throughout the state; (2) define, develop and correlate programs and projects for the state criminal justice agencies; (3) receive and disburse federal funds and perform all necessary staff services required by the council; (4) develop comprehensive procedures to insure that all local plans and all state and local projects are in accord with the state plan; (5) render technical assistance to the Legislature, state agencies and units of local government on matters relating to criminal justice; and (6) conduct evaluation studies of the programs.

OCJP is divided into the following six program areas.

**Administration**

This program provides overall program and policy direction and management; legal counsel including grant and contract review and analyses of proposed legislation; independent audits of action and planning grants; liaison with CCCJ; dissemination of public information; and management support including business and personnel services, management analysis, accounting and budgeting services.

**Planning and Programs**

This program is responsible for developing a statewide, annual comprehensive plan for submission to the federal Law Enforcement Assistance Administration containing a detailed description of the state's program for reducing crime and strengthening the state's criminal justice system. The division also provides assistance to state, regional, local and private agencies in the development of plans and projects, monitors projects, reviews all grant requests and recommends appropriate action.

**Standards and Evaluation**

This program is responsible for developing operational standards for the criminal justice system and crime reduction goals for the state; evaluating program effectiveness; and providing guidance in technical areas, such as information and communication systems and manpower allocation and training.



**Research and Technical Assistance**

This program coordinates criminal justice research projects, identifies needed research areas and encourages research to meet these needs, assesses the effectiveness of new techniques for crime reduction and provides technical assistance to agencies.

**State Agency Awards**

This item provides for awards of Safe Street Act funds to state agencies to stimulate improvements within the criminal justice system.

**Local Project Allocation**

This item provides for grants for regional criminal justice planning and project undertakings by local jurisdictions with the aim of improving law enforcement and the criminal justice system at the local level.

**Support for Criminal Justice Planning**

Funding for OCJP operations and state agency and local awards is derived largely from an annual federal block grant consisting of planning and "action" funds (designated Part B funds and Part C funds, respectively) which is awarded to the state by the federal Law Enforcement Assistance Administration (LEAA). Sixty percent of the federal planning grant (Part B funds) is allocated to the state planning agency and 40 percent to the 21 criminal justice planning regions. Through this grant the federal government pays 90 percent of the state and 100 percent of the regional planning expenses. Twenty-five percent of the federal action grant (Part C funds) is allocated to the state and the remaining 75 percent (subject to CCCJ approval of individual grants) to local agencies for the general purpose of improving the criminal justice system.

An additional category of federal money (Part E action grants) is also available for state and local correctional facilities and institutions, but these grants are not divided between the state and localities under a set formula. The federal funds cover 90 percent of all action grants. The state pays 10 percent, if applicable to a state project. For local grants, the local project proponent pays 10 percent. The final category of federal money that appears in the budget is the federal discretionary grant, which is awarded directly to state and local agencies by LEAA but administered by OCJP.

Construction projects funded from Part C or E block grants require a 50/50 state/federal match. The state pays 50 percent, if applicable to a state project but for local grants, the state pays 25 percent and the local project proponent pays 25 percent.

**ANALYSIS AND RECOMMENDATIONS**

Table 1 summarizes OCJP's budget request, indicating sources of funding by category, expenditure levels by program area, and proposed dollar and position changes from the current year.

**New Positions**

Requested increases in the administration program reflect the addition of two professional positions to monitor expenditure rates of currently

## OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 1  
Budget Summary

	Proposed	Change From Current Year	
		Amount	Percent
<i>Funding</i>			
General Fund .....	\$9,178,540	\$62,309	6.8
Reimbursements .....	5,605,288	793,677	16.5
Federal funds .....	95,848,253	3,417,706	3.7
	<u>\$110,632,081</u>	<u>\$4,273,692</u>	<u>4.0</u>
<i>Programs</i>			
Administration .....	\$2,011,922	\$147,920	7.9
Man-years .....	82.0	5.0	
Planning and programs .....	\$1,326,996	\$81,710	6.6
Man-years .....	42.5	4.7	
Standards and evaluation .....	\$5,135,405	\$957,245	22.9
Man-years .....	89.0	2.0	
Research and technical assistance .....	\$412,104	-\$10,764	-2.5
Man-years .....	15.5	—	
Subtotal .....	<u>\$8,886,427</u>	<u>\$1,176,111</u>	<u>15.3</u>
Man-years .....	229.0	11.7	
State Agency Awards .....	\$38,587,693	\$996,754	2.7
Local Project Allocations .....	63,157,961	2,100,827	3.4
Total .....	<u>\$110,632,081</u>	<u>\$4,273,692</u>	<u>4.0</u>
Man-years .....	229.0	11.7	

funded projects to assure maximum utilization of available federal funds, one legal counsel and one graduate student assistant for grant and contract review workload, and one clerical position for support services. OCJP also proposes to continue 11 grant-funded positions added administratively during the current year. Six of the positions provide fiscal management assistance to subgrantees and increased grant accounting services. The remaining five positions review project budget proposals and provide grant property management and project cost control.

Increases in planning and programs are attributable to the addition of four professional and 0.7 clerical positions for increased grant administration workload. OCJP also proposes to continue 5.8 grant-funded positions added administratively in the current year. Five of these are assigned the responsibility of developing a more widely usable state plan, while the remaining 0.8 are conducting the "Drug Intervention Economic Model" study and the "Empirical Study of Deadlocked Juries" project.

Increases in the standards and evaluation program reflect the addition of two professional positions to continue development of 13 regional training centers. OCJP also proposes to continue 77 grant-funded positions added administratively in the current year. Five of these positions are to develop a comprehensive statewide program of evaluation and 72 are working on "Project: Safer California" to develop standards and goals for the state criminal justice system.

OCJP proposes to continue 10.5 grant-funded positions added administratively in the current year for the research and technical assistance program. One position disseminates information concerning crime con-

trol techniques and related research findings. Eight positions staff a technology transfer program which assists local agencies to implement crime reduction techniques. The remaining 1.5 positions are developing an "analytical model" to provide a capability to assess the crime problem on a continuing basis and measure the performance of the state's criminal justice system.

As shown in Table 1, reimbursements increase by \$793,677 or 16.5 percent in the budget year. This reflects an allocation of action funds by CCCJ to increase the level of planning support for OCJP as authorized by the Safe Streets Act. The net cost of the administration program is \$3,281,139 (provided in Part B funds) requiring a 10 percent state match of \$328,114 (Item 41), which is \$37,562 or 12.9 percent above the current support budget of \$290,552.

#### **State Agency Grant Funding**

State agency awards are proposed at \$38,587,693, consisting of \$4,881,393 in state matching funds (Item 42) and \$33,706,300 in Parts C and E federal action funds and discretionary grants, for an increase of \$996,754 or 2.7 percent above the current year. The requested state appropriation is 3.9 percent (\$182,743) above the current year.

#### **Local Grant Funding**

Local project allocations are proposed at \$63,157,961, consisting of \$3,969,033 in state matching funds (Item 43) and \$59,188,928 in Parts C and E federal action funds and discretionary grants, for an increase of \$2,100,827 or 3.4 percent above the current year. The requested state appropriation is 3.8 percent (\$157,996) below the current year. Reduced state matching fund requirements reflect a reduction in proposed local construction, which requires 25 percent state match, and a one-time planning augmentation from action funds, which required 10 percent match.

#### **Place OCJP Under Health and Welfare Agency**

*We recommend that the Office of Criminal Justice Planning be made administratively responsible to the Secretary for Health and Welfare.*

The executive director of OCJP, as an appointee of the Governor, should be responsible to an agency secretary to clarify lines of authority, introduce more accountability into the office's operations and conform to the established state organizational structure. The Health and Welfare Agency, which contains the Departments of Corrections and Youth Authority, would be the most appropriate agency for this placement.

#### **Need for Unified Grant Administration**

*We recommend that all grant management activities be placed under a single division head.*

Under the current OCJP organization structure, five units in various program areas under different supervisors are involved in grants management: (1) administration program (Management Support Services Division, Comptroller Branch) provides fiscal management assistance to local agencies for grant applications; (2) planning and programs program (Program Management Branch) reviews grant applications for content and

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

develops recommendations on funding; (3) standards and evaluation program (Evaluation Branch) reviews and rules on the validity and acceptability of grant application evaluation modules; (4) administration program (Fiscal and Technical Review Branch, under the Deputy Director) reviews grant applications for fiscal and administrative regulation compliance; and (5) administration program (Audits and Internal Affairs Branch, under the executive director) conducts post audits of all planning, action and discretionary grants.

This is an overly fragmented organization structure requiring extraordinary coordination to avoid administrative oversights and unnecessary delays in dealing with subgrantees. Also, program continuity and efficiency may be impaired because of communication problems among staff sections. We therefore believe all grant management activities should be placed under the direct supervision of a single division head.

**Grant Award Priorities Need Examination**

*We recommend that the Office of Criminal Justice Planning reassess its allocation of "action" funds to assure they are being awarded among the various criminal justice system components on the basis of identifiable priorities within its statewide comprehensive plan and report thereon to the Joint Legislative Budget Committee by December 1, 1975.*

Table 2 displays the cumulative number and dollar amounts of awards by function for Part C federal funds, indicating the percentage these represent as well as the average dollar amount per award. As will be noted, not only has the law enforcement category received the largest share of funding both in terms of number of awards and dollar amounts, but the average dollar amount per award has been substantially greater than those made in either the judicial or corrections areas. Although the law enforcement category is the largest and most visible of the components, its requirements should be properly balanced with the needs of other components of the criminal justice system. Because of the many criticisms currently being leveled at the judicial and corrections functions for inefficiency and lack of program innovation, we believe it is time for a reassessment of OCJP funding priorities within the context of its comprehensive

**Table 2**  
**Part C Federal Action Fund Awards<sup>a</sup>**  
**(1969 through December 31, 1974)**

Functional Area	Number of Awards	Percentage of Total	Dollar Amounts of Awards	Percentage of Total	Dollar Average Per Award <sup>a</sup>
Law Enforcement .....	977	46.6%	\$78,448,179	50.3%	\$80,300
Judicial .....	243	11.6	11,898,283	7.6	49,000
Corrections <sup>b</sup> .....	656	31.3	40,471,025	25.9	61,700
Multi <sup>c</sup> .....	219	10.5	25,230,145	16.2	115,200
Total .....	2,095	100.0%	\$156,047,632	100.0%	\$74,500

<sup>a</sup> Does not include: (1) \$27.9 million in Part C funds not yet awarded; (2) \$16.7 million in Part B planning funds for support of the state planning agency and regional criminal justice planning boards; or (3) \$12.2 million in Part E correctional action funds.

<sup>b</sup> Includes local as well as state projects.

<sup>c</sup> Refers to activities related to two or more functions. Examples are the Criminal Justice Information System, Regional Training Centers, and many research and development projects.

<sup>d</sup> Rounded to the nearest \$100.

statewide criminal justice plan giving greater weight to judicial and corrections functions. Within this framework, OCJP should examine its criteria for allocating "action" funds and adopt such measures as are necessary to assure a more effective award system.

#### Discretionary Grant Awards

*We recommend that OCJP negotiate with the Law Enforcement Assistance Administration (LEAA) to strengthen the authority of CCCJ to insure that LEAA discretionary grants comply with the state comprehensive plan.*

Under current federal law, unexpended grant funds that revert to the federal government may be utilized by LEAA for discretionary grant awards to state and local agencies for the purpose of "general improvements" to the criminal justice system. In the budget year, as illustrated in Table 3, such discretionary awards amount to \$30 million or 32.3 percent of the total Parts C and E block grants.

**Table 3**  
**Discretionary Funds Awarded by LEAA**

<i>Discretionary Grants</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>
State Agency Awards.....	\$2,986,582	\$2,707,793	\$20,000,000	\$20,000,000
Local Project Allocation .....	8,959,748	5,813,325	10,000,000	10,000,000
Total .....	\$11,946,330	\$8,021,118	\$30,000,000	\$30,000,000
Percent of Total Parts C and E .....	21.2%	15.8%	33.4%	32.3%

Although OCJP is responsible for administering discretionary grants after they are made, many grants are made directly to the recipient by LEAA and are not subject to screening for compliance with the state comprehensive plan. With discretionary grants constituting such a large percentage of the available "action" funds in recent years, LEAA funding decisions have considerable influence on the California criminal justice system. Not only does this situation conflict with the Safe Streets Act, which states that crime (and therefore the criminal justice system) is a local problem, but it also interferes with state efforts to attack the problems in an organized and programmatic manner. We therefore believe that OCJP should negotiate with LEAA to permit CCCJ screening and approval of all discretionary grant awards in order to assure compliance with the state comprehensive plan.

#### Publish Project Results

*We recommend that the Office of Criminal Justice Planning develop and publish a comprehensive reference document for local agencies describing criminal justice planning and research efforts and accomplishments.*

OCJP currently has no established means of informing state and local agencies of the nature of action and research projects which have been funded or of the results of those that have been concluded. Such informa-

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

tion is vital if the local planning effort is to be meaningful, duplication of effort and expense is to be avoided, and a reservoir of data is to be developed from which the state administration, the Legislature, the federal government and OCJP itself can draw conclusions about "what works" and "what fails". Since its inception in 1969, OCJP has expended over \$156 million on almost 2,100 Part C "action" projects. Meanwhile the inability of the criminal justice system to cope with the continuing growth of criminal activity in California gives little evidence of beneficial impact of the programs. More meaningfully, our examination of the manner in which these resources are allocated leads us to conclude that they are not being used with maximum effectiveness.

At a minimum, OCJP should provide the offices of the 21 criminal justice planning regions with a reference publication, continually updated, which provides information on the project proponents, a short description of the project's objectives, the results of the project and the type of evaluation conducted. OCJP also should advise local agencies of the availability of such information at the regional offices.

**Need for a Meaningful Comprehensive State Plan**

*We recommend that the development of a comprehensive state plan for the improvement of criminal justice be given first priority.*

Both the federal Safe Streets Act and state legislation make it clear that the primary responsibility of the state planning agency is to develop a comprehensive state plan for impacting crime and correcting deficiencies in the criminal justice system. However, a review of OCJP's 1975 *California Comprehensive Plan for Criminal Justice* reveals that it is essentially a listing of projects for utilizing federal block grant funds. It does not address the total criminal justice system; it does not identify the most serious problem areas; it does not establish priorities for action or contain meaningful criteria to measure performance.

We believe that OCJP has failed to fulfill its role as state planning agency because of over-concern with fund flow and project development. It has not developed a plan to improve the criminal justice system. Each criminal justice system component is being treated separately rather than as an intrinsic part of the whole. OCJP should reassess its approach to the problems of the criminal justice system, establish priorities, and develop plans to accomplish its objectives.

**Need to Combine Planning and Research**

*We recommend legislation to (a) eliminate the California Crime Technological Research Foundation (CCTRF) and its board and transfer responsibility for scientific and technological research to OCJP, (b) revise the structure of CCCJ to include three representatives of the scientific community, and (c) augment the OCJP budget to offset the cost of integrating CCTRF personnel and functions into OCJP.*

The California Crime Technological Research Foundation was separated from CCCJ in 1971 and given independent responsibility for scientific and technological research in the criminal justice area (Item 44). We believe a factor contributing to the failure of comprehensive planning effort

is this segregation of research from generalized planning. It is difficult, if not impossible, to maintain program continuity and management in a situation involving two separate staff units and two independent policy making boards. Scientific research is an intrinsic part of the overall planning endeavor and should be included within the umbrella of the state planning agency if maximum coordination and unity of direction are to be achieved.

We believe total system planning responsibility must be located with OCJP and therefore suggest legislation to eliminate CCTRF and transfer its personnel and functions to the Research and Technical Assistance Division of OCJP.

With the elimination of the CCTRF board there is a need for representation of the scientific field on CCCJ. We therefore recommend that two of the 13 members appointed by the Governor and one of the 10 members appointed by the Legislature be selected from the scientific community.

Implementation of this recommendation would produce an annual saving of \$44,264 by eliminating the positions of the executive director of CCTRF and his secretary. This is possible because the Research and Technical Assistance Division of OCJP has a division chief at a level comparable to that of the executive director, as well as sufficient clerical support.

### CALIFORNIA CRIME TECHNOLOGICAL RESEARCH FOUNDATION

Item 44 from the General Fund	Budget p. 65
Requested 1975-76 .....	\$128,278
Estimated 1974-75.....	131,388
Actual 1973-74 .....	107,276
Requested decrease \$3,110 (2.4 percent)	
Total recommended reduction .....	\$128,278

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

*Program Transfer. Reduce \$128,278.* Recommend legislation to terminate the California Crime Technological Research Foundation and transfer its functions to the Office of Criminal Justice Planning.

54

#### GENERAL PROGRAM STATEMENT

The California Crime Technological Research Foundation (CCTRF), was established in 1967, simultaneously with the California Council on Criminal Justice (CCCJ). It is responsible for fostering scientific and technological research relating to (1) the prevention and detection of crime, (2) the apprehension and treatment of criminals, and (3) the administration of criminal justice. Initially CCTRF functioned as a scientific advisory arm to CCCJ by reviewing all grant proposals submitted to the council which involved significant applications of science or technology. With the enactment of Chapter 1119, Statutes of 1971, the foundation's existence

**CALIFORNIA CRIME TECHNOLOGICAL RESEARCH FOUNDATION—Continued**

was extended to 1975, its board of directors was increased from 15 to 20 members, and its organizational relationship with CCCJ was eliminated. Chapter 750, Statutes of 1974, extended the foundation's existence to 1977.

**ANALYSIS AND RECOMMENDATIONS**

Table 1 summarizes the foundation's proposed budget. It shows sources of funding by category, expenditures by program area, and position changes from the current year. Minor reductions in the administration program are due to the termination of the "Security of Explosives Storage Facilities" study which was authorized by Chapter 1400, Statutes of 1972. The reduction in criminal justice research and development program reflects (here as in other states) transfer of the federally funded Project SEARCH (System for Electronic Analysis and Retrieval of Criminal Histories) to a private, nonprofit corporation. This reduction is partially offset by increases in the "Interstate Organized Crime Index" and the "Criminal Justice Research Information System" projects. The reduction in the laboratory research and development program is due to termination of the "Crime Deterrence Through Electronics" project, a reduction in the operational support of CCTRF, and a reduction in various projects to develop and install intrusion detection devices. This reduction is partially offset by increases in research to develop a personal safety alarm for correctional personnel, technological crime prevention and detection research, and research to develop nondestructive test systems for building security codes.

**Table 1**  
**Crime Technological Research Foundation**  
**Budget Summary**

<i>Funding</i>	<i>Proposed</i>	<i>Change From Current Year</i>	
		<i>Amount</i>	<i>Percent</i>
General Fund.....	\$128,278	\$-3,110	-2.4
Reimbursements .....	906,995	-42,444	-4.5
Federal Funds .....	1,150,000	-660,526	-36.5
	<u>\$2,185,273</u>	<u>\$-706,080</u>	<u>-24.4</u>
<i>Programs</i>			
Administration .....	\$128,278	\$-3,110	-2.4
Man-years .....	4	—	—
Criminal Justice Research and Development .....	\$1,270,000	\$-646,027	-33.7
Man-years .....	20	-5	—
Laboratory Research and Development .....	\$786,995	\$-56,943	-6.7
Man-years .....	14	-7	—
Totals .....	<u>\$2,185,273</u>	<u>\$-706,080</u>	<u>-24.4</u>
Man-years .....	<u>38</u>	<u>-12</u>	<u>—</u>

**Transfer CCTRF Functions to Office of Criminal Justice Planning**

*We recommend legislation to abolish the California Crime Technological Research Foundation (CCTRF) as a separate criminal justice planning and research organization and transfer its personnel and functions to the Office of Criminal Justice Planning (OCJP) for a reduction in this item of \$128,278.*



As we noted in our analysis of the Office of Criminal Justice Planning (Item 41) that organization is not adequately fulfilling its role as the state planning agency, partially because of the fragmentation that exists within the planning and research effort. Since the adoption of Chapter 1119, Statutes of 1971, scientific and technological research for the criminal justice system has been removed from OCJP and placed under the independently directed CCTRF. We believe that program continuity and management have consequently suffered. The "hard" sciences are an intricate part of the overall planning endeavor and should be included within the umbrella of the state planning agency if maximum coordination and unity of direction are to be achieved.

We believe that total responsibility for system *planning* and *research* must be clearly identified and centrally located, and those responsible must be held accountable if there is to be any hope for success in ameliorating the problems which plague the criminal justice system. We therefore believe that legislation should be adopted to abolish CCTRF as a separate criminal justice planning and research organization and transfer its personnel and functions to the Research and Technical Assistance Division of OCJP, which is logically suited to assume this responsibility. The Research and Technical Assistance Division has a permanent staff of five (including a division chief at a level comparable to the CCTRF executive director) and it should be possible to eliminate the positions of the CCTRF executive director and his secretary for a net savings of \$44,264 (\$128,278—\$84,014). The legislation implementing this recommendation should carry an appropriation of \$84,014 to OCJP to support the transferred positions.

Transfer of the foundation's functions to OCJP would not impair the availability of federal funding for research programs.

### ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS

Item 45 from the General Fund

Budget p. 69

Requested 1975-76 .....	\$775,000
Estimated 1974-75.....	775,000
Actual 1973-74 .....	775,000
Requested increase   None	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

This item reimburses counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in the trial courts or who are involuntarily detained under the Lanterman-Petris-Short Act. The reimbursements are authorized by Section 987.6 of the Penal Code and may not exceed 10 percent of the counties expenditures for these purposes. The state has never contributed the 10 percent maximum permitted.

**ASSISTANCE TO COUNTIES FOR PUBLIC DEFENDERS—Continued****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The state contribution of \$775,000 represents less than two percent of the counties 1975-76 expenditures for this function.

**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS**

Item 46 from the General Fund

Budget p. 69

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Requested 1975-76 .....	\$150,000
Estimated 1974-75 .....	839,000
Actual 1973-74 .....	377,033
Requested decrease \$689,000 (82.1 percent)	
Total recommended reduction .....	None

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**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Pursuant to Government Code Sections 15200-15203, this item reimburses counties at that point where total costs of homicide trials exceed a five cent local property tax rate.

The expenditures under this item cannot be determined at this time, but the amount budgeted appears to be reasonable.

The higher expenditure level in the current year includes \$339,000 in county reimbursements under Penal Code Section 4700.2 for trial costs arising from crimes committed in connection with an escape from the custody of the Department of Corrections. No further expenditures are anticipated under this provision because reimbursements are limited to trials based on indictments filed between November 1, 1970 and June 30, 1971.

**ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS**

Item 47 from the General Fund

Budget p. 69

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Requested 1975-76 .....	\$1,496,580
Estimated 1974-75 .....	1,461,553
Actual 1973-74 .....	1,556,131
Requested increase \$35,027 (2.4 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

Existing law defines the extent of the liability of the state and its employees for tort actions and makes the Board of Control responsible for administration of the program. The Attorney General investigates all

claims to determine their validity, provides legal services to the board for the program and, with the board's approval, settles small claims directly.

This item provides funds for payment of (1) claims for all state agencies except the University of California and a small number of agencies with unique liability problems which are covered by special insurance, (2) legal and investigative services provided by the Attorney General, and (3) insurance premiums to cover claims between \$2 million and \$50 million and for the state's liability up to \$2 million for accidents involving state-owned and state-hired aircraft. Except for aircraft the state assumes direct liability for payment of claims of less than \$2 million and more than \$50 million because insurance against the smaller claims has proved too costly and insurance to protect against those exceeding \$50 million is not generally available.

The amount budgeted for claims should fund those which can reasonably be anticipated. Larger claims are generally appropriated by special legislation, such as Chapter 338, Statutes of 1974, (SB 2173) which appropriated \$1,036,200 in the current year to pay the settlements arising out of the state's liability in the Sylmar Tunnel disaster. Special fund agencies, (with the exception of the Department of Transportation which investigates, litigates and pays its own claims), reimburse the General Fund for payments made under the program on their behalf.

#### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The proposed 2.4 percent increase in this program reflects higher Attorney General costs for legal and investigative services. Table 1 shows the funding and proposed expenditures for the tort liability program.

**Table 1**  
**Budget Summary**

	<i>Proposed</i>	<i>Change From Current Year</i>	
		<i>Amount</i>	<i>Percent</i>
<i>Funding</i>			
General Fund .....	\$1,496,580	\$35,027	2.4%
Reimbursements .....	22,250	—	—
Total .....	\$1,518,830	\$35,027	2.4
<i>Program</i>			
Attorney General .....	\$900,665	\$35,027	4.1
Claims .....	405,533	—	—
Insurance Premiums .....	212,632	—	—
Total .....	\$1,518,830	\$35,027	2.4%

Table 2, which compares the dollar amount of tort claims filed with amounts paid, is indicative of the Attorney General's workload in this program.

**Table 2**  
**Tort Liability Claim Workload**

	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75 (est)</i>	<i>1975-76 (est)</i>
Tort Claims filed with the Board of Control .....	\$973,161,265	\$6,582,222,275	\$8,688,000,000	\$9,557,000,000
Total Claims Paid .....	\$764,038	\$1,538,127	\$1,441,233	\$405,533

## ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

## INDEMNIFICATION OF PRIVATE CITIZENS

Item 48 from the General and  
Item 49 from the Indemnity  
Fund

Budget p. 70

Requested 1975-76 .....	\$2,874,328
Estimated 1974-75.....	2,855,494
Actual 1973-74 .....	1,557,011
Requested increase \$18,834 (0.7 percent)	
Total recommended reduction .....	None

## 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
48	Indemnification of Private Citizens	General	\$2,867,328
49	Indemnification of Private Citizens	Indemnity	7,000
			<u>\$2,874,328</u>

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Victim Claims. Recommend Department of Finance reexamine General Fund program requirements in May revision of expenditures and revenues. 59
2. Rehabilitation. Recommend legislation transferring rehabilitation service responsibilities to the Department of Rehabilitation. 60

## GENERAL PROGRAM STATEMENT

This program, which is administered by the Board of Control, provides compensation to needy residents of California (1) who are victims of crimes of violence or are financially dependent upon a victim, or (2) who sustain damages or injury as a result of acts benefiting the public. Under the provisions of Chapter 1144, Statutes of 1973, (effective July 1, 1974) total recovery for claims by needy residents is limited to \$10,000 for lost wages, \$10,000 for medical expenses, \$3,000 for rehabilitation and \$500 for attorney fees. Until the effective date of Chapter 1144, benefits were available only to the victim or his dependents and total recovery was limited to \$5,000 with no provisions for rehabilitative services.

Before claims are considered by the Board of Control, they are first investigated by the Attorney General to determine their validity. The Attorney General also provides all necessary legal services for the program.

Although the General Fund is responsible for the support of this program, the annual appropriation is partially offset by fines which are levied on the perpetrators of the crimes. Receipts from these fines, estimated at

\$7,000 for the budget year, are deposited in the Indemnity Fund (Item 49) but transferred to the General Fund for support of this program.

#### ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the Governor's Budget proposes an increase of \$18,834 in this program, reflecting cost-of-living increases to the Attorney General for investigative and legal services. The current-year expenditure reported in the Governor's Budget (not shown in Table 1) includes an estimated Emergency Fund allocation of \$1,003,028 to cover an anticipated deficiency of \$173,494 for investigative and legal services by the Attorney General and \$829,534 for claims.

**Table 1**  
**Budget Summary**

	Proposed	Change From Current Year	
		Amount	Percent
<i>Funding</i>			
General Fund appropriation.....	\$2,867,328	\$18,834	0.7%
Indemnity Fund.....	7,000	-	-
Total .....	\$2,874,328	\$18,834	0.7
<i>Program</i>			
Claims—victims of crimes.....	\$2,482,000	-	-
Claims—citizens benefiting the public ...	50,000	-	-
Attorney General expenses.....	342,328	\$18,834	5.8
Total .....	\$2,874,328	\$18,834	0.7%

#### Program Probably Underbudgeted

*We recommend that the Department of Finance update its estimate of the fiscal requirements for this program and report thereon to the fiscal committees following its May revision of expenditures and revenues to avoid underbudgeting this program.*

According to Board of Control estimates, which have proved reliable in the past, the cost of this program in the budget year will exceed \$6 million, and therefore is underbudgeted by more than \$3 million. The board bases its estimate on the large number of claims currently being filed, which averaged 328 per month during the last five months of 1974 compared to approximately 144 per month for the previous year.

This increase in the number of claims exceeds previous estimates and is largely attributable to the provisions added by Chapter 1144, Statutes of 1973, which require law enforcement personnel to inform all victims of crimes of their entitlement to compensation under the program. As a result, by January 1, 1975, there was a backlog of 1,298 claims, consisting of 513 in the Board of Control and 785 in the Department of Justice. (The \$173,494 from the Emergency Fund in the current year will provide the Attorney General with additional resources to deal with this backlog.) Because of the current backlog, claims under the liberalized program are only now beginning to be processed and precise data on the amount of money needed to pay them are not available. We therefore believe the Department of Finance should reestimate the fiscal requirements of this program, including the costs to the Attorney General and the Board of Control, and report to the fiscal committees of the Legislature following

**INDEMNIFICATION OF PRIVATE CITIZENS—Continued**

its regular May revision of expenditures and revenues when the board will have had greater experience with the new claims.

**Transfer of Rehabilitation**

*We recommend legislation transferring responsibility for providing rehabilitative compensation to the Department of Rehabilitation.*

In addition to other liberalizing provisions, Chapter 1144, Statutes of 1973, authorizes the Board of Control to make cash payments to victims not exceeding \$3,000 for job retraining or similar employment oriented rehabilitative services. We believe that responsibility for rehabilitation should be transferred to the Department of Rehabilitation because (1) that department has greater expertise than the Board of Control in evaluating rehabilitative claims, and (2) 80 percent of the department's costs for providing rehabilitation services are borne by the federal government. The exact cost saving resulting from this transfer cannot be determined because the board has insufficient experience with such claims to provide reliable data. The transfer would, however, produce savings to the General Fund because of the 80 percent federal cost participation.

**STATE CONTROLLER**

Items 50-53 from various funds

Budget p. 72

Requested 1975-76 .....	\$14,716,103
Estimated 1974-75 .....	12,323,908
Actual 1973-74 .....	10,921,541
Requested increase \$2,392,195 (19.4 percent)	
Total recommended increase .....	\$405,409 <sup>a</sup>

<sup>a</sup> Offset by similar reduction in the Department of Benefit Payments budget.

**1975-76 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
50	State Controller	General	\$13,291,389
51	State Controller	Aeronautics Account	73,916
52	State Controller	State Transportation Motor Vehicle Fuel Account	1,127,030
53	State Controller	Transportation Tax State School Building Aid	223,768
			<u>\$14,716,103</u>

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. *Welfare Audit Independence. Augment \$405,409.* Recommend direct General Fund appropriation to fund Controller's welfare audit activities. Augmentation would be offset by similar reduction in the Department of Benefit Payments budget.

63

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|---|----|
| 2. Audit Accountability Document. Recommend supplemental budget language requiring publication of annual report summarizing welfare audit findings.   | 64 |
| 3. Subvention Audit Study. Recommend supplemental language requiring Controller report to Legislature by September 1, 1975 on the effects of eliminating interagency contracts for subvention audits.                                       | 65 |
| 4. Delinquent Taxes. Recommend legislation to raise interest charge applied to delinquent state taxes and tax refunds.  | 66 |
| 5. Clarification of Audit Responsibility. Recommend supplemental budget language requiring Controller to seek clarification of county cost allocation plan audit responsibilities, and report findings to Legislature by September 1, 1975. | 66 |
| 6. PIMS Payroll Subsystem. Recommend Controller resolve problem regarding support of payroll system development by the PIMS project.  | 69 |

#### GENERAL PROGRAM STATEMENT

The Controller is an elected constitutional official who is the accounting and disbursing officer of the state. The Controller serves on a number of boards and commissions including the State Board of Equalization, the Franchise Tax Board, State Lands Commission, Pooled Money Investment Board, Board of Control, and the various bond finance committees.

The office, which is responsible for administering four major programs, is organized into six divisions and the Personal Information Management System (PIMS), authorized by the Legislature in 1973. PIMS is a joint project involving the Controller, State Personnel Board, Public Employees' Retirement System (PERS), and California State University and Colleges aimed at developing an integrated computer based personnel-payroll system. The project is divided into two elements: The Personnel Services Division, which is responsible for administering the soon to be completed employee history file and the system development element, which is developing the remaining subsystems which will tie in the civil service examination process, the payroll activities, the certification of employees process, health benefit records and PERS records with the employee history file. Of the total increase of \$2,392,195 requested in the Controller's 1975-76 Budget, \$1,817,726 represents the additional amount proposed for continued development of the PIMS system and the operation of its completed components. Department organization and estimated 1974-75 and proposed 1975-76 program expenditures are shown in Table 1.

#### ANALYSIS AND RECOMMENDATIONS

##### I. FISCAL CONTROL

The objectives of this program are to maintain an effective system of internal control over the state's financial transactions, and to report accurately the state's financial condition and operations in order to assure fiscal integrity in the administration of the state government. The divisions of accounting, audits, and disbursements carry out the activities of the eight program elements. The allocation of personnel to these elements and budget changes from the current year are shown in Table 2.

## STATE CONTROLLER—Continued

**Table 1**  
**State Controller's Program Budget—All Funds**  
**(in thousands)**

<i>By Program, Division, and Element</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Change*</i>	<i>Percentage Change</i>
<b>I. Fiscal Control</b>				
Accounting Division				
Control accounting .....	\$820	\$872	\$52	6.3%
Financial analysis .....	283	296	13	4.6
Unclaimed property .....	326	420	94	28.8
Audits Division				
Claim audit .....	558	592	34	6.1
Field audit .....	1,622	1,707	85	5.2
Disbursements Division				
General disbursements .....	1,629	1,738	109	6.7
Payroll .....	2,026	2,102	76	3.8
Data processing (distributed to other elements) .....	(281)	(468)	(187)	66.5
Subtotal, Fiscal Control .....	\$7,264	\$7,728	\$464	
<b>II. Tax Administration</b>				
Inheritance and Gift Tax Division				
Inheritance tax .....	\$2,285	\$2,345	\$60	2.6
Gift tax .....	359	371	12	3.3
Tax Collection and Refund Division				
Tax collection .....	61	40	-21	-34.4
Gas tax refund .....	728	746	18	2.5
Subtotal, Tax Administration .....	\$3,433	\$3,502	\$69	
<b>III. Local Government Fiscal Affairs</b>				
Local Government Fiscal Affairs Division				
Financial reporting, budgeting, and accounting .....	\$483	\$499	\$16	3.3
Streets and roads .....	408	422	14	3.4
County cost plans .....	100	103	3	3.0
Tax-deeded land .....	185	190	5	2.7
Subtotal, Local Government .....	\$1,176	\$1,215	\$39	
<b>IV. Administration</b>				
Distributed to other elements .....	\$(526)	\$(541)	\$(15)	2.9
Undistributed administration .....	294	304	10	3.4
PIMS project				
Personnel Services Division .....	\$1,058	\$1,920	\$862	81.5
System development .....	766	1,620	854	111.5
Subtotal, PIMS .....	\$1,824	\$3,540	\$1,716	
Reimbursements .....	<u>-1,666</u>	<u>-1,573</u>	<u>-93</u>	-5.6
Total, All Programs .....	\$12,324	\$14,716	\$2,392	19.4%

\* Numbers may not total due to rounding.

#### Changes in 1974-75 and Proposed Changes in 1975-76

In the current year seven positions were administratively established in the Disbursements Division to reduce overtime costs and cope with the



**Table 2**  
**Fiscal Control Program Staff**

	<i>Man-years</i>			<i>Nature of Change</i>
	<i>Estimated</i> 1974-75	<i>Proposed</i> 1975-76	<i>Change</i>	
Accounting Division				
Control accounting .....	43.8	44.2	+ .4	Administrative Adjustment
Financial analysis .....	11.8	11.8	-	—
Unclaimed property .....	16.2	19.3	+3.1	Increased Enforcement Activities
Audits Division				
Claim audit .....	42.0	42.3	+ .3	Administrative Adjustment
Field audit .....	73.4	73.8	+ .4	Administrative Adjustment
Disbursement Division				
General disbursements .....	38.6	38.6	-	—
Payroll .....	140.4	128.4	-12.0	Transfer to Personnel Services Division
Data processing .....	12.0	12.0	-	—
Total .....	378.2	370.4	-7.8	

increasing number of payroll deductions. An additional six positions were transferred from the Teale Data Center to aid the Controller's conversion to the Teale Data Center. These 13 positions are requested to be continued in the budget year.

The Governor's Budget proposes the transfer of 12 positions in 1975-76 from the Disbursements Division to the new Personnel Services Division as a result of a part of the payroll function being assumed by the new division. The Governor's Budget also requests that two auditors and one staff council be added to strengthen the enforcement of the unclaimed property law. The Controller estimates the augmentation of the Unclaimed Property program will increase state revenues by \$230,000 in 1975-76.

#### **Audit Independence Needed**

*We recommend that the Controller's restrictive county welfare audit contract with the Department of Benefit Payments be eliminated and that the Controller's budget be augmented by \$405,409 to continue this audit function without contract restrictions. (Augmentation would be offset by similar reductions in the Department of Benefit Payments budget.)*

Counties will spend an estimated \$565 million in 1975-76 administering welfare programs. The state will reimburse counties for about a quarter of this cost or \$136 million. The responsibility for auditing county welfare administration costs was transferred by the Legislature in 1972 from the former Welfare Department (now the Department of Benefit Payments) to the State Controller in order to insure an independent audit. Despite the transfer, audit independence has not been achieved because the audits are funded by a restrictive interagency contract between the Department of Benefit Payments and the Controller. The contract limits the Controller's flexibility to concentrate on problem areas by requiring a rigid audit schedule—large counties must be audited every 12 months, all other counties every 24 months. The contract also provides that the Department of Benefit Payments shall distribute the audit findings. This provision has resulted in audit reports being held up, audit findings being removed, and discussions of policy problems being eliminated. For these reasons we are recommending that the contract between the Department of Benefit

**STATE CONTROLLER—Continued**

Payments and the Controller not be renewed in 1975-76 and that the state supported portion of the Controller's welfare audit activities be funded by a direct appropriation to the Controller from the General Fund. The recommended augmentation of the Controller's budget will not result in any increased state costs because we are also recommending deletion of a similar General Fund amount from the Department of Benefit Payments budget. The portion of present audit contract costs reimbursed by the federal government will be recovered through the state's cost allocation plan, which is an accounting mechanism to allocate state overhead costs to specific programs as a means of securing federal payment of state overhead costs for federal grant programs.

**Audit Accountability Needed**

*We recommend supplemental budget language requiring the Controller to publish on a pilot project basis an annual Audit Accountability Document for welfare audits which will summarize the audit findings and identify problem areas.*

We believe it essential that information gathered by auditors in the field which is relevant to budget and policy decisions reach the Legislature and the executive in a usable form. We also believe that budget decisions about the level of audit activity in the various subvention programs should be based on information about observed management and policy problems, as well as the dollar value of audit exceptions. Therefore, in order to (1) inform policy-makers of problems uncovered by auditors and (2) provide budget decision-makers with information about problem areas so that audit priorities can be reviewed, we are recommending that the Controller publish on a pilot project basis an annual Audit Accountability Document covering his welfare audit activities. If the Audit Accountability Document is successful in supplying information needed by policy and budget decision-makers, the annual audit report requirement should be expanded to other subvention audit activities.

We recommend that the county welfare subvention audits findings be summarized by the Controller in an Audit Accountability Document, to be published by September 1, 1975.

The Welfare Audit Accountability Document should address two major questions:

- (1) What has been the growth in county welfare administration costs and what explains the growth and variations in growth among counties and programs?

- (2) What alternatives are available for promoting cost-efficiency and/or cost-effectiveness in county welfare administration?

The report should provide or reference the following basic data by county, and program for the past five years: total administrative cost; overhead administrative cost; numbers of employees (social workers, eligibility workers, and support staff); and compensation of employees by classification. The report should examine, describe and explain the effects of HR 1 on administrative cost and the distribution of employees by program, the problems encountered in the HR 1 transition, the impact of cost

sharing ratios on the cost-efficiency of administration, the accuracy of the present employee time allocation method, and the relative efficiency of the various systems used by the counties for processing eligibility determinations and determining benefit entitlements for cash grant assistance, medical assistance, food stamps, and social services. The report should make a judgment whether increased county welfare administration costs have been justified by the workload. The report should propose and evaluate alternative methods of improving county welfare administration including, but not limited to, adoption of a standard county share of the administrative cost regardless of the program administered by the county welfare department, limitation of state participation to a maximum amount per eligibility determination or redetermination, a maximum amount per AFDC warrant issued, a maximum per ATPs issued, etc., and adoption of staffing standards related to workload. The report also should identify and explain any other problems areas identified during the audit activities. In developing the report the Controller should avoid duplicating information developed by other state departments but insure that such information used in meeting these reporting requirements is accurate.

We realize that these reporting requirements are demanding. However, we have been assured by the Controller's staff that much of the data and evaluation demanded have already been developed and the audit workload decrease resulting from the termination of county administration of the adult aid programs will free up sufficient time to meet these reporting requirements.

#### **Need for Increased Audit Independence**

*We recommend supplemental budget language requiring the Controller to report to the Legislature by September 1, 1975 on the effect of eliminating interagency contracts for subvention audits.*

It is a statutory responsibility of the constitutionally established office of State Controller to provide independent control and review of state expenditures. The 19 interagency contracts between state departments or the federal government and the Controller for auditing various subvention programs tend to reduce the Controller's effectiveness because the amount of auditing to be performed under such contracts is determined by the contracting department and not the Controller. This arrangement prohibits the Controller from allocating audit resources to the subvention programs with the greatest problems.

We recommend that the Controller (1) study the feasibility of eliminating interagency contracts, (2) suggest alternative funding means, (3) seek the response of the involved departments, (4) develop a 1976-77 budget proposal which eliminates interagency contracts where feasible; and (5) describe the perceived problems in each subvention program which justify the proposed allocation of audit resources. The findings and proposed allocation of resources are to be reported to the Legislature by September 1, 1975.

## STATE CONTROLLER—Continued

## II. TAX ADMINISTRATION

The function of this program is to administer the gift and inheritance taxes and gas tax refunds and collect various delinquent taxes administered by other state departments. The allocation of personnel to program elements and proposed budget changes from the current year are shown in Table 3.

Table 3  
Tax Administration Program Staff

Division and Program Element	Man-Years		Change	Nature of Change
	Estimated 1974-75	Proposed 1975-76		
Inheritance and Gift Tax Division				
Inheritance tax .....	126.9	126.9	—	—
Gift tax .....	18.3	17.8	-.5	Salary savings
Tax Collection and Refund Division				
Tax collection .....	3.3	2.2	-1.1	Workload decrease
Gas tax refund .....	40.4	39.5	-.9	Workload decrease
Total .....	188.9	186.4		

## Low Interest Rate Encouraging Delinquencies

*We recommend legislation to raise the interest rate applied to all delinquent state taxes and tax refunds.*

State law provides a 6 percent per year interest charge on all delinquent state taxes, except the gift tax to which a 7 percent interest rate applies. Because the interest rate on short-term investments is well above 6 percent and the cost to the taxpayer of borrowing money is even higher, there is an incentive for taxpayers to delay payment of their taxes. Based on Controller, Franchise Tax Board, and Board of Equalization estimates of 1973-74 interest payments or assessments on delinquent taxes, net of interest paid on refunds, we estimate that the state would have realized potential additional revenues of \$15 million in 1974-75 if the interest rate on delinquent taxes and refunds was 9 percent or \$30 million if the interest rate was 12 percent.

## III. LOCAL GOVERNMENT FISCAL AFFAIRS

This program is responsible for (1) prescribing uniform accounting systems for local government, (2) reporting local government financial transactions, (3) developing and approving county cost plans, (4) administering tax-deeded lands, and (5) reporting and auditing property tax rates and rate increases. These functions are encompassed within four program elements. Table 4 shows the division's organization and proposed changes in staff.

## Need for Clarification of Audit Responsibility

*We recommend supplemental budget language requiring the Controller to seek clarification from the federal government of who is responsible for field auditing the county cost allocation plans and report to the Legislature by September 1, 1975 on what the state's needs and responsibilities are in this area.*

**Table 4**  
**Local Government Fiscal Affairs Program Staff**

<i>Division and Program Element</i>	<i>Man-Years</i>		<i>Change</i>	<i>Nature of Change</i>
	<i>Estimated 1974-75</i>	<i>Requested 1975-76</i>		
Local Government Fiscal Affairs Division				
Financial reporting, budgeting and accounting .....	20.5	20.6	0.1	Administrative Adjustment
Streets and roads .....	19.1	19.1	—	—
County cost plans .....	5.3	5.3	—	—
Tax-deeded land .....	9.8	9.8	—	—
Total .....	54.7	54.8		

The federal government requires each county to prepare and enact a plan for allocating county overhead costs as a precondition to receiving federal reimbursement for overhead costs attributable to federally supported programs. The state also reimburses county overhead costs for some major state programs, such as welfare, through the county cost allocation plan.

In 1971 the state agreed to assume the responsibility of reviewing and approving the counties cost allocation plans prior to claiming state and federal reimbursements in order to insure accurate cost allocations. The fact that only 13 county cost plans for 1974-75 have been approved by the Controller and that several field audits of plans approved in past years have turned up evidence that costs have been incorrectly charged indicates that the purpose of the state's review and approval process has not been achieved. We believe that if county cost allocation plans are to be used to claim expenditures against state and federal funds, they must be subject to field audit. The question of whether the state or the federal government is responsible for such field audits is unresolved. Therefore, we are recommending that the Legislature direct the Controller to seek clarification from the federal government of who is responsible for the field audit of county cost plans, make an assessment of the state's needs and responsibilities in this area, and prepare a plan to meet these needs. The Controller should report his findings, assessment of need, and plan to meet those needs to the Legislature by September 1, 1975.

#### V. ADMINISTRATION

This program assists the Controller in his responsibilities on various boards and commissions and provides policy direction and administrative services to the other operating units in the office. No significant changes are requested in this program.

#### PERSONNEL INFORMATION MANAGEMENT SYSTEM (PIMS)

The PIMS project is a joint effort initiated in 1973 and conducted by the State Controller, State Personnel Board, Public Employees' Retirement System (PERS) and the California State University and Colleges (CSUC). A steering committee comprised of high-level representatives of these agencies controls the project.

Development of the system is intended to improve the state's personnel

**STATE CONTROLLER—Continued**

and payroll processes which include the handling of millions of transactions each year. This is being accomplished through a combination of organization and procedural changes together with the employment of computer technology.

According to the Governor's Budget, the expenditure for the current year will total \$1,823,538, and \$3,539,805 is provided for the 1975-76 fiscal year. The substantial increase in the budget year reflects the continued development of unfinished components of the system and the actual operation of completed components on a production basis. The resulting automated system will replace a fragmented personnel/payroll process which has for some time been in need of a major overhaul in order to be responsive to established personnel and payroll requirements of state government.

**Project Progress**

The project in its early stage of development was marked by a number of significant problems which could have contributed to the project's failure. We discussed these problems in the 1974-75 Analysis and indicated that our office would conduct a review of project progress and report our findings to the fiscal committees before action on the budget was completed. Our supplemental analysis of April 1, 1974 reported that the major problems which we identified had been addressed and the project was progressing satisfactorily.

We have continued to monitor the project and find continued progress toward project goals. Some slippage in the schedule has occurred, however, and estimates of computer use cost have had to be revised upward as programs have become operational.

The employment history component is being implemented on a pilot basis using selected records of the Departments of Motor Vehicles and Food and Agriculture. Completion of this module allows employee employment history to be created, modified and retrieved by remote terminals linked to a central computer. We understand the pilot operation is successful and conversion of departments to full operation will begin on February 3, 1975 with all departments converted by September 1975.

Other modules of the system (in various stages of development) relate to payroll and position control, examination and certification, PERS active members and CSUC employment history.

**Office Equipment Procurement**

At one time the PIMS project had a policy of acquiring from other state agencies surplus office equipment such as desks and chairs in order to meet its equipment needs. This policy has apparently lapsed and the practice now is to acquire new equipment only.

The Department of General Services can provide serviceable used equipment. The earlier policy was more economical and therefore we suggest that the PIMS project as a matter of practice seek used equipment prior to acquiring new items. This practice will assist in reducing the overall cost of the project which has now significantly exceeded earlier estimates.

**Payroll Subsystem**

*We recommend that the Controller resolve the problem of providing personnel in the Controller's disbursements division to the PIMS project for design and implementation of the new payroll system.*

The design and implementation of a revised state payroll system is part of the PIMS project. The present system is operated by the Controller's office on outmoded equipment and maintained by programming staff in the disbursements division. Although this staff is required to support necessary modifications to the present system, some of these personnel are considered essential to the design and implementation of the new payroll system and their services are required now by the PIMS project.

However, the disbursements division's ability to make these key personnel available to the PIMS project could be impaired should new statutory requirements require further modification to the existing payroll system. This could lead to the situation where the Controller's office wants to implement a new payroll system via the PIMS project, but actually delays such development by not making needed personnel available.

The PIMS project must have a firm commitment of these personnel in order to develop the new payroll system with a reasonable expectation of meeting scheduled completion, or the Controller must develop an alternative solution which will resolve the problem.

**Continued Monitoring**

Although progress has been made, we believe that slippage in the CSUC employment history component, the question of PERS participation in the project, the timely development of the payroll system and actual operation of various modules require continued monitoring of PIMS projects by our office.

Any serious problems we detect in the course of this monitoring will be made known to the PIMS steering committee and will be brought to the attention of the fiscal committees if satisfactory resolution is not accomplished.

**STATE BOARD OF EQUALIZATION**

Items 54-56 from various funds

Budget p. 85

Requested 1975-76 .....	\$39,466,950
Estimated 1974-75.....	38,096,609
Actual 1973-74 .....	33,292,027
Requested increase \$1,370,341 (3.6 percent)	
Increase to improve level of service \$48,539	
Total recommended augmentation .....	\$194,138

## STATE BOARD OF EQUALIZATION—Continued

## 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
54	State Board of Equalization	General	\$37,487,340
55	State Board of Equalization	Energy Resources Surcharge Fund, State Energy Resources Conservation and Development Special Account, General Fund	28,465
56	State Board of Equalization	Motor Vehicle Fuel Account, State Transportation Fund	1,951,145
			<u>\$39,466,950</u>

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Intercounty Equalization. Augment Item 54 by \$194,138.* 75  
Recommend 10 appraiser positions to maintain the quality of board's assessment ratio findings.
2. *Campaign Audit Deficiency.* Recommend board determine need for 1975-76 deficiency appropriation based on analysis of campaign audit workload completed as of September 30, 1975. 79
3. *Campaign Audit Workload.* Recommend board provide campaign audit workload data to the Joint Legislative Budget Committee by November 1, 1975. 80

## GENERAL PROGRAM STATEMENT

The Board of Equalization, which is the largest tax collection agency in California, consists of five members. Four are elected from geographic districts, the fifth is the State Controller, who serves ex officio. All members of the board serve four-year terms and are elected at each gubernatorial election. The chairmanship of the board is rotated among the members annually, with the chairman automatically serving as a member of the Franchise Tax Board, which administers the personal income and bank and corporation franchise taxes.

## Responsibilities of the Board

The main responsibility of the board is the administration of eight major state and local taxes. Administration of these taxes includes registration of taxpayers, processing tax returns, auditing accounts, and collecting taxes receivable. This and the board's various other responsibilities are described briefly below.

*Administration of State and Local Taxes.* The primary function of the board is to administer and collect the state's 4¼ percent sales and use tax, the local 1¼ percent sales and use tax, and a ½ percent sales and use tax for the San Francisco Bay Area Rapid Transit District (BARTD). The board is either responsible or shares responsibility for the administration of six state excise taxes: the alcoholic beverage tax, the cigarette tax, the motor vehicle fuel license tax (gasoline tax), the use fuel tax (diesel tax), the motor vehicle transportation license tax (truck tax) and the insurance



tax. The board also administers the private car tax, which is imposed on privately owned railroad cars, and a surcharge on the consumption of electricity.

**Local Property Tax Equalization.** The board investigates the operations of county assessors' offices, issues rules governing assessment procedures and trains property appraisers. The board is also required to determine annually for each county the ratio of assessed value to full cash value of property subject to local assessment.

**Assessment of Public Utilities.** The board determines the value of the property of public utilities and allocates assessed values to each local taxing jurisdiction in which such property is located.

**Review of Appeals From Other Governmental Programs.** The board hears appeals by taxpayers and property tax assistance claimants from decisions of the Franchise Tax Board. In addition, hearings are also provided to review local assessments of property owned by a city or county, when these assessments are contested.

**Auditing of Campaign Statements.** The board has the responsibility of investigating and auditing selected campaign expenditure statements filed with the Secretary of State. Provisions of Proposition 9 (approved by the electorate in the June, 1974 primary election) effectively shifted this function to the Franchise Tax Board as of January 7, 1975. However, the Board of Equalization retains the responsibility of auditing statements filed with respect to elections held during 1974.

#### Revenues Administered by the Board

Table 1 summarizes estimated General and Special Fund revenues from programs administered by the board in the current and budget years. Total estimated revenues of \$5.2 billion in 1975-76 represent a growth of 8.7 percent over the \$4.8 billion estimated for 1974-75.

**Table 1**  
**Board of Equalization**  
**Estimated Tax and Surcharge Revenues**  
**(Millions of Dollars)**

Source	Revenues		Change	
	1974-75	1975-76	Amount	Percent
State sales and use taxes .....	\$3,367.5	\$3,708.0	\$340.5	10.1%
Alcoholic beverage taxes and fees .....	144.5	149.2	4.7	3.3
Cigarette tax .....	267.1	275.1	8.0	3.0
Motor vehicle fuel license tax .....	715.0	740.0	25.0	3.5
Use fuel tax .....	52.0	56.0	4.0	7.7
Motor vehicle transportation license tax <sup>a</sup> .....	0.5	—	-0.5	—
Insurance tax .....	204.0	223.5	19.5	9.6
Private car tax .....	7.7	8.2	0.5	6.5
Energy resources surcharge .....	1.7	15.3 <sup>b</sup>	13.6	—
Totals .....	\$4,760.0	\$5,175.3	\$415.3	8.7%

<sup>a</sup> Repealed by Chapter 563, Statutes of 1972 (AB 705), effective June 30, 1973.

<sup>b</sup> Based on continuation of existing rate after September 1, 1975 (see analysis of Energy Resources Surcharge program).

#### ANALYSIS AND RECOMMENDATIONS

The responsibilities of the board are divided among 13 administrative programs. Table 2 provides a breakdown by program of authorized man-years and expenditures for the current and budget years. As shown in this table, 2,425 man-years budgeted for all programs in 1975-76 represent a

**Table 2**  
**Board of Equalization**  
**Authorized Man-Years and Expenditures by Program**

	<i>Authorized Man-years</i>		<i>Change</i>		<i>Expenditures</i>		<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>Number</i>	<i>Percent</i>	<i>1974-75</i>	<i>1975-76</i>	<i>Amount</i>	<i>Percent</i>
1. Local property tax equalization .....	157.7	158.7	1.0	0.6%	\$3,848,597	\$3,974,635	\$126,038	3.3%
2. State-assessed property tax .....	88.5	89.9	1.4	1.6	1,891,641	1,974,158	82,517	4.4
3. Sales and use tax .....	1,906.1	1,934.9	28.8	1.5	35,561,501	37,115,378	1,553,877	4.4
4. Alcoholic beverage tax .....	34.3	34.5	0.2	0.6	546,375	564,677	18,302	3.4
5. Cigarette tax .....	17.1	17.2	0.1	0.6	965,431	1,041,125	75,694	7.8
6. Motor vehicle fuel license tax .....	14.3	14.3	—	—	277,301	285,087	7,786	2.8
7. Use fuel tax .....	98.3	98.3	—	—	1,620,554	1,666,058	45,504	2.8
8. Motor vehicle transportation license tax .....	17.5	—	-17.5	-100.0	376,339	—	-376,339	-100.0
9. Insurance tax .....	4.2	5.2	1.0	23.8	92,533	124,604	32,071	34.7
10. Appeals from other governmental programs .....	11.9	12.0	0.1	0.8	302,337	312,465	10,128	3.4
11. Campaign statement auditing .....	36.0	32.0	-4.0	-11.1	450,000	626,000	176,000	39.1
12. Energy resources surcharge .....	—	2.0	2.0	N/A	—	28,465	28,465	N/A
13. Administration and support								
(a) Distributed to other programs .....	(166.7)	(167.8)	(1.1)	(0.7)	(3,333,541)	(3,426,974)	(93,433)	(2.8)
(b) Undistributed .....	32.3	25.5	-6.8	-21.1	618,874	445,484	-173,390	-28.0
Totals .....	2,418.2	2,424.5	6.3	0.3%	\$46,551,483	\$48,158,136	\$1,606,653	3.5%
Less reimbursements .....					-8,454,874	-8,691,186	-236,312	2.8
Total from state funds .....					\$38,096,609	\$39,466,950	\$1,370,341	3.6%

**STATE BOARD OF EQUALIZATION—Continued**

net increase of less than one percent over the 2,418 estimated for 1974-75. Total expenditures from reimbursements and state funds will grow from \$46.6 million estimated for 1974-75 to the \$48.2 million budgeted for 1975-76, an increase of 3.5 percent. Both the change in authorized man-years and expenditures reflect the repeal of the motor vehicle transportation license tax, effective June 30, 1973. The planned phase-out of the board's program for administering this tax was included in the 1973 Budget Act. 1974-75 is the final year of the phase-out and no resources are budgeted for 1975-76.

**LOCAL PROPERTY TAX EQUALIZATION PROGRAM****Establishing County Assessment Ratios**

Each year the board establishes county assessment ratios which are used primarily to "equalize" locally assessed values where state aid or the allocation of costs to local jurisdictions is based on a formula which includes assessed values. To the extent that the ratios established by the board are unreliable, the equity of the distribution of these intergovernmental payments will be adversely affected. Thus, we believe a determination of the adequacy of the resources utilized in the process of deriving these ratios is important.

The process of establishing ratios of assessed value to full cash value involves an appraisal by the board's Division of Intercounty Equalization of a small sample of properties selected in each county every three years. Full cash value of all locally assessable property is estimated from the appraised values of the sampled properties. This estimate is projected forward into each of the three years between surveys by means of a mathematical trending process. The trended estimate of full cash value is compared to actual locally assessed value to determine each county's assessment ratio.

**Decreasing Sample Size**

Table 3 provides a summary of properties sampled by the board and the man-hours devoted to the appraisal of these properties for a nine-year period. To minimize cyclical variations of the annual data, which result primarily from the fact that the sample is selected in a different group of counties each year over the three-year survey period, the number of sampled properties and sampled properties per 1,000 assessments are shown as three-year moving averages (i.e., the figures for a given year represent averages of sampled properties and assessments for that year and the two previous years).

This table demonstrates an overall decline in the size of the board's sample, both absolutely and as a proportion of local assessments. In 1966-67, the three-year average of properties sampled was nearly 5,620, representing 2.27 properties per 1,000 assessments. In the current year, a three-year average sample size of approximately 5,290 is equal to 1.94 properties per 1,000 assessments. Although total appraisal hours per sample have increased over this period, direct appraisal hours, as a percent of total hours, have generally decreased.

## STATE BOARD OF EQUALIZATION—Continued

**Table 3**  
**Properties Sampled by Division of Intercounty Equalization**

Year	<i>Sampled Properties</i>		<i>Appraisal Man-Hours Per Sampled Property</i>	
	<i>Three-Year Average</i>	<i>Per 1,000 Assessments</i>	<i>Total</i>	<i>Direct as Percent of Total</i>
1966-67.....	5,618	2.27	20.8	59.1%
1967-68.....	5,550	2.25	22.7	57.3
1968-69.....	5,362	2.15	23.9	57.3
1969-70.....	5,179	2.07	24.3	55.2
1970-71.....	5,115	2.02	23.8	56.2
1971-72.....	5,186	2.03	24.0	55.9
1972-73.....	5,308	2.04	23.9	54.6
1973-74.....	5,287	1.99	24.9	56.3
1974-75.....	5,293	1.94	23.8 <sup>a</sup>	55.7

<sup>a</sup> Estimated.

The board indicates that the reduced proportion of total man-hours available for direct appraisal effort, and the consequent decline in sample size, is primarily the result of the establishment in 1966 of the Office of Appraisal Appeals. The creation of this office, which provides a third-party review of board appraisals contested by county assessors, has necessitated an increase in that portion of appraisal time which is devoted to documentation and review.

**Increasing Importance of County Ratios**

Table 4 illustrates the growth since 1965-66 of intergovernmental payments which are affected by assessment ratios. This table shows the dramatic increase in total distributed payments and costs in 1972-73 and again in 1973-74. These changes were primarily due, respectively, to the allocation of Medi-Cal costs to counties (included in "other payments") and to the enactment of Chapter 1406, Statutes of 1972 (SB 90), which substantially increased school equalization aid. In the current year, total intergovernmental payments affected by county ratios will exceed \$1.7 billion.

**Table 4**  
**Intergovernmental Payments Affected by County Ratios**  
**1965-66 through 1974-75**  
**(in thousands)**

Year	<i>School Equalization Aid</i>	<i>Other<sup>a</sup> payments</i>	<i>Total</i>
1965-66.....	\$325,934	\$53,832	\$379,766
1966-67.....	355,694	66,000	421,694
1967-68.....	492,642	71,670	564,312
1968-69.....	500,937	81,751	582,688
1969-70.....	584,579	87,330	671,909
1970-71.....	560,935	92,213	653,148
1971-72.....	525,680	99,831	625,511
1972-73.....	599,811	365,352	965,163
1973-74.....	1,183,932	408,616	1,592,548
1974-75.....	1,314,494	434,594	1,749,088

<sup>a</sup> Includes pupil transportation aid, repayments on state loans to school districts, grants to libraries, county recoupment tax levies, and counties' share of Medi-Cal costs.

**Augmentation Justified**

*We recommend that the budget be augmented by \$194,138 to provide 10 property appraiser positions and the necessary supporting positions and operating expenses and equipment to maintain the reliability of county assessment ratios established by the board.*

For the 1973-74 fiscal year and again in our 1974-75 Analysis, we supported an augmentation by the Legislature of the board's intercounty equalization program. In both cases, these augmentations were vetoed by the Governor.

In recent years, reliance on the board's assessment ratio findings has increased substantially. At the same time, the effective man-hours available for the direct property appraisal needed to derive these ratios have declined. Thus, we believe an augmentation of the appraisal staff for the purpose of insuring the reliability of county assessment ratios continues to be justified. The reliability of county assessment ratios depends on three basic factors: (1) the quality of the board's appraisal of sampled properties, (2) the size of the sample in each county, and (3) the accuracy of the trending process. If the other factors are held constant, a decrease in the size of the sample will result in a decrease, to some degree, in the reliability of the assessment ratio. This is because, according to fundamental concepts of statistical theory, *sampling error* is inversely related to *sample size*. Thus, as the size of the sample becomes smaller, the error tends to increase.

In practice, it is not possible to "hold constant" the other factors which determine the reliability of assessment ratios (i.e., the quality of appraisals and the accuracy of the trending process). Thus, it is also not possible to isolate and, therefore, to quantify the exact impact of the decline in the sample size on the distribution of intergovernmental payments affected by these ratios. However, it is clear that a decrease in properties sampled will have an adverse effect on the reliability of county assessment ratios.

Because of the potential for deterioration in the reliability of the board's ratio findings, concurrent with an increased reliance on the accuracy of these findings, we believe additional resources are justified for the purpose of increasing the number of properties sampled. The board indicates that an augmentation of ten appraisal positions would allow an increase of an estimated 800 samples. Thus, the sample size would be returned to the average level existing in 1965-66 to 1967-68, or about 2.25 properties sampled per 1,000 assessments.

**SALES AND USE TAX PROGRAM****Sales Tax Auditing**

The board selects sales tax accounts for audit on the basis of the probability that the audit will be productive, i.e., that it will recover revenue equal to or greater than the cost of auditing. In theory, because accounts generally are audited in order of decreasing productivity, revenue from the audit program is maximized when the last audit to be made in the pro-

## STATE BOARD OF EQUALIZATION—Continued

gram recovers revenue which just offsets the cost of that audit. At this point, audit coverage (i.e., the percent of eligible accounts audited) is considered to be at the "optimum" level. If coverage is increased beyond this level, nonproductive accounts will be audited and the additional revenues will be less than the cost. On the other hand, if audit coverage is below the optimum level, the potential net revenue gain from unaudited productive accounts is foregone.

Table 5 provides a summary of annual sales tax audit coverage over a 10-year period. As shown in this table, accounts audited as a percent of all accounts eligible for audit are estimated to be 5.6 percent in the current year. Because sales tax accounts typically are audited on a three-year cycle, the percent of total accounts regularly audited is equal to approximately three times the annual coverage. Thus, at the existing 5.6 percent rate of coverage, almost 17 percent of eligible firms would be audited over a three-year period.

Table 5  
Sales Tax Audit Coverage  
1966-67 Through 1975-76

<i>Audit period</i>	<i>Eligible<sup>a</sup> Accounts</i>	<i>Accounts Audited</i>	<i>Percent Coverage</i>
1966-67 .....	278,272	26,685	9.6%
1967-68 .....	280,280	25,933	9.3
1968-69 .....	285,212	22,512	7.9
1969-70 .....	289,790	29,296	7.0
1970-71 .....	294,069	19,479	6.6
1971-72 .....	298,796	16,972	5.7
1972-73 .....	303,425	17,117	5.6
1973-74 .....	308,572	17,400 <sup>b</sup>	5.6
1974-75 .....	321,803	18,057 <sup>c</sup>	5.6
1975-76 .....	329,500 <sup>c</sup>	18,057 <sup>c</sup>	5.5

<sup>a</sup> These are firms which have been in business at least three years.

<sup>b</sup> The number of audits completed in 1973-74 has been adjusted down from the actual figure of 18,562 to reflect the temporary increase in coverage resulting from the special sample audit study conducted in that year.

<sup>c</sup> Estimated.

## Maintaining Existing Coverage

In our 1973-74 Analysis, we recommended approval of an augmentation to the board's sales tax field auditing staff of 21 positions. We supported this increase based on nonquantifiable indications that the level of audit coverage in existence at that time was significantly below the optimum and, thus, the revenues recovered by the additional auditors would exceed the increased costs.

Seven field audit positions are requested for 1975-76 to maintain the level of coverage effectively approved for 1973-74 (approximately 5.6 percent of eligible accounts). Based on the projected growth in eligible accounts from 1973-74 to 1975-76 and an estimated total revenue gain of nearly \$380,000, we believe these positions are justified.

**Increasing Audit Coverage**

We have stressed the importance of establishing empirically the "optimum" level of audit coverage as a basis for justifying augmentations of the sales tax field audit staff. Toward this end, we recommended in our 1973-74 Analysis that the board undertake a special sample audit study to determine the productivity of accounts that are not normally audited.

The board has completed its study, and we believe that the results, in conjunction with several other factors, generally indicate that the existing level of audit coverage (i.e., 5.6 percent) is *below* the optimum. However, it is our opinion that, due primarily to statistical limitations of the sample data, the study does not identify precisely the optimum level of coverage and, thus, does not at this time support a specific augmentation of the audit staff above the seven positions requested for increases in workload.

We have discussed the limitations of the sample audit study with representatives of the board, and they indicate that an augmentation of the basic data and certain revisions to the study should serve to strengthen its conclusions. We intend to continue to work with the board in an effort to determine the extent to which the sample audit data can be utilized as a reliable means of quantifying the need for additional audit staff.

**CAMPAIGN STATEMENT AUDITING PROGRAM**

The Waxman-Dymally Campaign Disclosure Act (Chapter 1186, Statutes of 1973) requires the board to make field investigations and audits of selected campaign expenditure statements filed with the Secretary of State by state political candidates and committees. The board's findings are to be reported to the Attorney General and the Secretary of State. Provisions of Proposition 9 (approved by the voters in the June, 1974 primary election) effectively shifted this function to the Franchise Tax Board as of January 7, 1975. However, the Board of Equalization retains the responsibility of auditing statements filed with respect to elections held during 1974.

**Campaign Audit Workload**

Table 6 provides a breakdown of the board's estimated campaign audit workload by type of audit. As shown in this table, an estimated 1,240 candidates, committees, and major contributors involved in 1974 elections will be selected for audit under the Waxman-Dymally Act.

The board estimates an average of 4 to 15 man-days per field audit (including field review and supervision) will be needed to determine the "accuracy and completeness of each campaign statement reviewed", as required under provisions of existing law. Based on these average requirements, a total of 9,859 man-days, or approximately 56 man-years, will be needed to complete all 1,240 audits. Although the board's campaign auditing experience to date has been limited (approximately 25 audits of committees involved with propositions or in special elections have been completed), we believe that this experience combined with federal campaign audit workload data indicates that these estimates are reasonable.

## STATE BOARD OF EQUALIZATION—Continued

**Table 6**  
**Estimated Campaign Audit Workload**  
**1974 Elections**

<i>Type of Audit</i>	<i>Number of Audits</i>	<i>Field Audit</i>	
		<i>Average</i>	<i>Man-Days Required Total</i>
Governor .....	245	10	2,450
Lieutenant Governor .....	32	10	320
Secretary of State .....	24	10	240
Treasurer .....	20	10	200
Attorney General .....	20	10	200
Superintendent of Public Instruction .....	10	10	100
Senate .....	125	10	1,250
Assembly .....	450	8	3,600
Judicial .....	20	5	100
Propositions .....	39	5	195
Special elections .....	4	10	40
Statewide committees .....	4	15	60
County committees .....	116	5	580
Major contributors <sup>a</sup> .....	131	4	524
Totals .....	1,240	8	9,859
Man-years required <sup>b</sup> .....			56

<sup>a</sup> Includes individuals, businesses, and special interest groups.

<sup>b</sup> One productive man-year is equal to approximately 175 man-days.

**Extended Completion Date**

Under provisions of the Waxman-Dymally Act, the board is required to complete *all* campaign audits within a four-month period. Because auditing may not begin until the final expenditure statements are due (38 days after the special or general election), April 12, 1975 is the nominal deadline for audits of candidates and committees involved in 1974 elections. Based on the board's time-schedule for training campaign auditors and making audit assignments, it appears that approximately 500 audits, or only 40 percent of the total, will be completed by the April 12th deadline. Although the Waxman-Dymally Act permits "supplementary" audit reports to be completed and filed after the statutory deadline, it is apparent from the language of the Act that such reports were intended to be the exception and not the rule.

According to the board, total compliance with the four-month audit period is administratively unrealistic. Assembly of audit data, auditor training, and preparation and approval of audit reports would use up three of the four months. Completion of the 1,240 field audits in the remaining one month would be a virtual impossibility. The board indicates that the earliest practical completion date for the entire campaign audit process is September 30, 1975.

**Potential Deficiency in Campaign Audit Resources**

Table 7 provides a breakdown, by category of expenditure, of resources available for campaign auditing in 1974-75 and those budgeted for 1975-76. As this table shows, 19 man-years were available for campaign field auditing in the current year, while 23 field audit man-years will be provided by the expenditure requested for the budget year. Thus, a total of



42 man-years will be *available* over the two-year period. This compares to the 56 man-years which the board estimates will be *required*, resulting in a 14 man-year deficiency.

**Table 7**  
**Resources Available for Campaign Auditing**

Category	1974-75		1975-76		Total Man-Years Available
	Direct Expenditures	Man-Years	Direct Expenditures	Man-Years	
Personal services <sup>a</sup> :					
Headquarters .....	\$64,000	3	\$67,000	3	6
Field audit .....	333,000	19 <sup>b</sup>	413,000	23 <sup>b</sup>	42
Operating expense and equipment ..	68,000	—	146,000	—	—
Totals .....	\$465,000	22	\$626,000	26	48

<sup>a</sup> Includes salary savings and staff benefits.

<sup>b</sup> Based on the entry level of the tax auditor III salary range (\$1,311/monthly). The board indicates that this salary level is equivalent to about the median salary of sales tax auditors used in campaign auditing.

#### **Sales Tax Audit Revenue Loss**

Although 42 field audit man-years have been designated for campaign audit purposes in the current and budget years, the board indicates that the estimated 56 man-years needed to complete all campaign auditing by September 30, 1975 will be "borrowed" from the sales tax audit program. Thus, to the extent that available campaign audit resources are not sufficient to "repay" fully the tax audit program by the end of 1975-76, the existing level of sales tax audit coverage will be reduced.

If it is assumed that current sales tax audit coverage is at or below the "optimum" level (i.e., that audit revenues from the least productive audits exceed the cost of auditing), a reduction in audit coverage will result in a decrease in *net* audit revenue. Moreover, because there is a three-year statute of limitations for sales tax auditing purposes, a portion of revenue from postponed audits will be lost permanently. The combination of a projected net loss of 14 man-years to the sales tax audit program and the postponement of some audits normally audited every three years could reduce sales tax audit revenue by an estimated \$800,000.

#### **Possible Need for Additional Sales Tax Audit Resources**

*We recommend that the board (1) determine, as of September 30, 1975, the amount of sales tax field audit time diverted to campaign auditing and (2) request from the Department of Finance a deficiency appropriation for 1975-76 to provide any additional resources which are needed to recover significant sales tax audit revenue losses.*

The board's projection of a 14 man-year deficiency in campaign audit resources (and the consequent estimated sales tax audit revenue loss) is based on current *estimates* of total workload requirements and productive man-years available. Sufficient *actual* data on campaign audit requirements should be available by September 30, 1975 to allow for a redetermination of the magnitude of the net deficiency, if any. Therefore, we believe that the board should (1) determine, based on campaign audit workload available as of September 30, 1975, the total amount of sales tax field audit time which will be diverted to campaign auditing in 1974-75

**STATE BOARD OF EQUALIZATION—Continued**

and 1975-76 and (2) request additional resources for 1975-76 if recoverable sales tax audit revenue losses are expected to be significant.

**Continuing Campaign Audit Requirements Of The Franchise Tax Board**

*We recommend that the board compile specified workload data from completed campaign audits and provide a summary of this information to the Joint Legislative Budget Committee by November 1, 1975.*

The Franchise Tax Board's ongoing campaign audit responsibilities under Proposition 9 basically parallel the existing responsibilities of the Board of Equalization. Although the Franchise Tax Board has the additional requirement of auditing lobbyists, a large portion of its campaign audit workload will be similar, in terms of the type and quantity of audits, to that completed by the Board of Equalization under the Waxman-Dymally Campaign Disclosure Act.

In order to provide information useful for evaluating the continuing campaign audit resource requirements of the Franchise Tax Board, we believe that the Board of Equalization should compile workload data from all campaign audits completed as of September 30, 1975. This information should be summarized and provided to the Joint Legislative Budget Committee by November 1, 1975. The summary should include, but not necessarily be limited to, a listing of individual audits by (1) type of audit (e.g., Assembly, Senate, proposition, etc.), (2) amount of expenditures and/or contributions, (3) number of statements and statement pages, (4) number of transactions, (5) total number of related committees, (6) number of field and headquarter audit hours, and (7) any other data potentially related to resource requirements.

**ENERGY RESOURCES SURCHARGE PROGRAM**

Chapters 276 and 991, Statutes of 1974 (AB 1575 and AB 2077) enacted the Warren-Alquist State Energy Resources Conservation and Development Act. This act established the five-member State Energy Resources Conservation and Development Commission, which is to be funded by an electrical energy surcharge administered by the Board of Equalization.

All responsibilities with respect to administration of the surcharge will be placed in the board's Excise Tax Unit. For 1975-76, two positions (one tax auditor III and one stenographer II) have been budgeted at a total cost of \$28,465, all from the Energy Resources Surcharge Fund, State Energy Resources Conservation and Development Special Account of the General Fund. In addition to establishing the rate of the surcharge, the board's administrative responsibilities will include registration of utilities, maintenance of accounts, return review, advisory services, auditing of utility records, and billing and collection.

The surcharge, which is imposed on electricity purchased from electric utilities, is effective as of January 1, 1975 and is set initially at the rate of one-tenth mill (\$0.0001) per kilowatt-hour. Beginning in 1975, the board is required to establish a new rate before August 1st of each year to become effective on September 1st of that year. The rate is limited to two-tenths mill (\$0.0002) and is to be set at a level which will provide sufficient revenues to fund expenditures budgeted for the Energy Commission.

The board estimates that a rate of one-tenth mill (\$.00001) will produce annual revenues of approximately \$15 million. Because the commission members were not yet appointed as of the preparation of the budget, total expenditure requirements for 1975-76 have not been determined. The budget document indicates that expenditures for the commission will be budgeted and presented to the Legislature in the spring of 1975. Thus, the actual rate of and total estimated revenues from the surcharge in 1975-76 are not determinable at this time.

## SECRETARY OF STATE

Items 57, 58 and 59 from the  
General Fund

Budget p. 104

Requested 1975-76 .....	\$4,479,103
Estimated 1974-75 .....	4,690,858
Actual 1973-74 .....	3,647,067
Requested decrease \$211,755 (4.5 percent)	
Total recommended reduction .....	\$60,803

### 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
57	Secretary of State operations	General	\$3,450,103	82
58	Printing ballot measures	General	1,000,000	83
59	Subvention to local government	General	29,000	—
			\$4,479,103	

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Consultant and Professional Services. Reduce Item 57 by \$15,000.* Recommend amount budgeted for consultant and professional services be reduced to reflect more accurate budgeting. 83
2. *Salary Savings. Reduce Item 57 by \$25,000.* Recommend anticipated savings resulting from salary savings be included in budget. 84
3. *Personnel Reduction. Reduce Item 57 by \$45,432.* Recommend 5.2 new positions be deleted from the elections program. 84
4. *Chief Election Officer.* Recommend Secretary of State report to the Legislature by December 1, 1975 on ways to strengthen the office's role in administering the statewide election process. 85
5. *Foreign Language Ballot Pamphlets.* Recommend Secretary of State report to the Legislature by December 1, 1975 regarding provision of foreign language versions of the ballot pamphlet. 85

**SECRETARY OF STATE—Continued**

6. Personnel Need Reappraisal. Recommend Legislature withhold approval of \$82,142 budgeted for nine new positions for corporate filing and Uniform Commercial Code programs pending reappraisal of workload projections. 86
7. *Transfer Positions. Reduce Item 57 by \$5,000.* Recommend Legislature direct the closing of the executive office in Los Angeles and the transfer of positions currently assigned to that function to Sacramento for net savings in travel costs. 86
8. *Data Processing Positions. Augment Item 57 by \$28,824.* Recommend two data processing support positions be authorized to improve use of electronic data processing. 87
9. *California Heritage Preservation Commission. Augment Item 57 by \$800.* Recommend commission be continued and funding be provided in the Secretary of State budget. 87

**GENERAL PROGRAM STATEMENT**

The Secretary of State is a constitutional officer. In addition to performing numerous duties prescribed in the Constitution, the office has statutory responsibility with regard to the filing of specified corporate-related documents and financing statements, statewide elections, notaries public, and the state archival function.

**CORPORATE FILINGS**

Attorneys and document examiners on the staff of the Secretary of State examine articles of incorporation and related documents which establish, revise, or dissolve corporate entities and attest to their compliance with the appropriate statutes before accepting them for formal filing. Information regarding corporate officers and corporate addresses is also maintained as required by law.

**ELECTIONS**

Responsibilities in the area of elections include the overseeing and coordination of all statewide elections, the production of various statistical reports required by the Elections Code, the preparation of ballot argument pamphlets, the compilation of a semiofficial and official canvass of election results, and membership on the State Commission on Voting Machines and Vote Tabulating Devices.

**UNIFORM COMMERCIAL CODE**

Under the Uniform Commercial Code, Uniform Federal Tax Lien Registration Act and the Government Code, the Secretary of State is required to accept for filing as a public record financing statements which perfect security interests in personal property.

**NOTARY PUBLIC**

The Office has responsibility for the appointment of notaries public, including the issuance of original certificates and renewals. It also provides verification of the authenticity of notary signatures upon request from the public.

### ARCHIVES

The Chief of Archives and his staff collect, catalog, index and preserve historic and otherwise valuable papers and artifacts. These documents are by law received from both state and local government. Reference services are provided for the public. Advice and direction is received from the California Heritage Preservation Commission and the Secretary of State serves as its secretary.

### ANALYSIS AND RECOMMENDATIONS

The proposed budget of \$4,479,103 represents a decrease of \$211,755 which is 4.5 percent less than current year estimates of expenditures. The decrease results from the one-time expenditure of \$600,000 in the current year, as mandated by the Legislature, to reimburse local government for costs associated with a change in the size of the ballot pamphlet. However, the operating budget proposed for the office (Items 57 and 58) represents an increase of 8.8 percent over the amount budgeted for the current year. The proposed budget also includes 26.8 new positions, primarily in the elections program.

Although total revenues generated by the office through statutorily-prescribed fees are anticipated to decline slightly during the current year, the budget predicts an 8.6 percent revenue increase for the 1975-76 fiscal year.

Table 1 portrays the office's recent and projected operating budget and revenue data.

**Table 1**  
**Operating Budget and Revenue Data**

	<i>Actual</i> <i>1973-74</i>	<i>Estimated</i> <i>1974-75</i>	<i>Percent</i> <i>Change</i> <i>Over Pre-</i> <i>vious Year</i>	<i>Proposed</i> <i>1975-76</i>	<i>Percent</i> <i>Change</i> <i>Over Pre-</i> <i>vious Year</i>
Budget ....	\$3,647,067	\$4,090,858	+12.2	\$4,450,103	+8.8
Revenue ..	\$4,698,451	\$4,616,890	-1.7	\$5,012,801	+8.6

#### Printing Budget Augmented (Item 58)

Because of an anticipated increase in the cost of printing ballot pamphlets for statewide elections and the practice of usually budgeting an insufficient amount for this expense (over 50 percent under-budgeted in some years), the Legislature augmented the 1974-75 budget by \$606,500 to provide a total of \$929,000 for ballot pamphlet printing. The budget for 1975-76 includes \$1 million for this purpose, an amount which should be sufficient unless paper costs and/or the length of the ballot pamphlet increase significantly.

#### Consultant and Professional Services

*We recommend that the amount allowed for consultant and professional services be reduced (Item 57) by \$15,000 to reflect more accurate budgeting.*

The budget for the current year includes \$30,500 for consultant and professional services. We understand that the planned expenditures in the current year for such services will be substantially less than the amount

**SECRETARY OF STATE—Continued**

available and probably less than \$5,000. In this regard, we note that of \$23,000 budgeted for the 1973-74 fiscal year for consultant and professional services only \$3,395 was expended. Based on the past expenditure record in this area and no new evidence to indicate a planned increase, we believe the \$20,000 budgeted for 1975-76 for consultant and professional services should be reduced by \$15,000 to \$5,000.

**Salary Savings**

*We recommend that Item 57 be reduced by \$25,000 to reflect anticipated salary savings.*

The budget as proposed does not contain an estimate of savings to be accrued through temporary vacancies in authorized positions. Based on past annual salary savings, we believe \$25,000 to be a reasonable estimate of such savings in 1975-76 and that the budget should be reduced by that amount.

**ELECTION ACTIVITIES**

*We recommend the deletion of 5.2 positions from the elections program for a savings of \$45,432 in salaries and staff benefits (Item 57).*

The office intends to establish administratively a number of new positions during the current year to accommodate (1) workload created by legislation which became effective in January 1974 relative to the filing of campaign financing statements and financial interest disclosures, and (2) new workload anticipated as a result of the passage of the Political Reform Act of 1974 (Proposition 9) at the June 4, 1974 primary election. According to the Governor's Budget, 10.6 of these positions have been established during the current year and the remaining 5.2 new positions will be added in the budget year. However, we understand that the office may add all 15.8 positions during the current year because financial disclosure filings may be underestimated.

At the time we were developing an estimate of the potential cost impact of Proposition 9, the office indicated that the impact would be minor with regard to its operations. This position appeared reasonable to us because Proposition 9 contained a number of provisions which replaced existing law, and the Secretary of State was already performing the functions.

Much of the Proposition 9 workload for which the office has projected personnel requirements is based on provisions which have become effective only recently (January 1975). Although these requirements are difficult to assess, we note that the budget does not reflect revenue which some of this projected workload should produce, such as revenue derived from providing copies of legislative advocates' reports and the registration fee which may be charged.

Further, a portion of the projected workload is performing functions which are either not mandatory or relate to such activities as planning and training. We believe that the combination of (1) adding a substantial number of positions during the current year, (2) estimating a workload which may not materialize, (3) including optional activities in workload projections, and (4) shifting some officewide personnel resources to "load-level" peak workloads, suggests that the office can fulfill its specified

responsibilities with its existing staff which includes the 10.6 positions identified in the Governor's Budget as having been added administratively in the current year.

We therefore believe that one senior clerk-typist, four clerk-typists II, and two-tenths temporary help should be deleted for a savings in salary and staff benefits of \$45,432. We suggest the Secretary of State defer the administrative establishment of these positions pending the hearing of the budget.

#### **Chief Election Officer Concept**

*We recommend that the Secretary of State determine the ways in which the role of the office in election activities can be strengthened, along with the benefits to be realized, and report its findings and recommendations to the Legislature by December 1, 1975.*

By virtue of the numerous election laws for which the office is responsible, the Secretary of State is considered to be the chief elections officer of the state. However, there are many aspects of the state's election process over which the Secretary of State has either no authority or a limited authority. These include voter registration, precinct determination, voters who do not speak English, and voter-related forms and election ballots which vary widely among the counties.

Attempts to strengthen the rôle of the Secretary of State in this area through legislation have not been entirely successful. Part of the problem in gaining such approval is probably related to the fact that a stronger state role would likely impinge on responsibilities now assigned to county officials. It appears to us that a logical first step to improve the state's election processes would be for the Secretary of State to determine the specific ways in which the office's election authority could be strengthened and the benefits which would result.

The counties should be involved in such an effort because their assistance will be valuable in areas where mutual agreement can be attained. In areas where there are differences of opinion, the Secretary of State will at least be informed of the nature of the problem in gaining acceptance by county officials.

We recommend that the Office of the Secretary of State conduct a study in this area and report its findings and recommendations to the Joint Legislative Budget Committee and the Assembly and Senate Committees on Elections and Reapportionment by December 1, 1975.

#### **Foreign Language Ballot Pamphlets**

*We recommend that the Secretary of State provide the Joint Legislative Budget Committee with (1) the details of its program of providing foreign language ballot pamphlets to voters, and (2) a determination of the desirability of extending this service to additional foreign language groups. We recommend further that the Secretary of State report this information to the Joint Legislative Budget Committee and the fiscal committee by December 1, 1975.*

Since 1972, the Secretary of State has made Spanish language versions of the statewide ballot pamphlet available to Spanish-speaking voters. We believe that the Secretary of State should inform the Legislature regard-

**SECRETARY OF STATE—Continued**

ing the nature of this program, including an assessment of its effectiveness, and the desirability of extending this service to other foreign language groups. The criteria for selecting groups and the estimated cost to expand the service should be considered in evaluating this service.

The report should include cost data and the methodology used for distribution of pamphlets, including the number distributed and the geographical areas receiving the pamphlets. This report should be made to the Joint Legislative Budget Committee and the fiscal committees by December 1, 1975.

**CORPORATE FILING AND FINANCING STATEMENTS**

*We recommend that the Legislature withhold approval of \$82,142 budgeted for nine new positions requested for the corporate filing and Uniform Commercial Code programs pending a report of updated workload projections by the Secretary of State to the fiscal committees at the time the budget is heard.*

The Secretary of State by law performs a variety of filings and other functions with regard to corporate documents and corporate information. Similarly, a significant portion of the office's workload is associated with the filing and certification of financing statements filed in accordance with the Uniform Commercial Code.

The budget contains nine new positions for these programs at a cost of \$82,142 for salaries, staff benefits and operating expenses. These new positions have been requested in anticipation of workload increases in the two program areas. However, the most recent workload data which we have examined indicates a decline which if continued could eliminate the need for the nine new positions.

We believe the funding for these positions should be withheld pending an assessment of updated workload projections by the office. These projections should be provided to the fiscal committees and our office before the budget is heard.

**LOS ANGELES OFFICE**

*We recommend that the Legislature (1) direct the closing of the Los Angeles executive office and the transfer to Sacramento of all positions assigned to that office and (2) reduce the amount in Item 57 budgeted for in-state travel by \$5,000.*

Since 1972 the Secretary of State has maintained offices in Los Angeles and San Francisco. The Los Angeles office provides office space and personnel for the executive functions of the office, and facilities and personnel for the corporate filing program. A small amount of office space is maintained in San Francisco in the state office building.

The corporate filing function in Los Angeles provides valuable service to clients in that area and special fees charged for this service more than support this activity. However, there does not appear to be any executive function performed in Los Angeles which could not be performed more effectively from the headquarters of the office in Sacramento.

Based on records in the State Controller's Office, we estimate that the maintenance of executive facilities in Los Angeles and the attendant



travel back and forth for staff meetings and administrative purposes has cost the General Fund an average of over \$7,000 annually.

We suggest that the Legislature reduce the amount budgeted for in-state travel by \$5,000 and direct the closing of the executive office in Los Angeles. The transfer of staff positions associated with this function should also be required. The San Francisco office should be closed for the same reasons.

If the Legislature adopts the recommendation to close the Los Angeles executive office, we suggest that the Secretary of State investigate the feasibility of relocating the Los Angeles corporate filing function to the building currently housing the Los Angeles offices of the Departments of Insurance and Corporations. This could be advantageous from the standpoint of (1) sharing office services (such as document reproduction), and (2) the possibility of providing better service to clients who often conduct corporate-related transactions with both the Secretary of State and the Department of Corporations.

#### DATA PROCESSING SUPPORT

*We recommend that Item 57 be augmented \$28,824 to provide for a data processing technician and a computer programmer II.*

In 1972 when the computer operations of the Secretary of State were transferred to the Stephen P. Teale Consolidated Data Center, all computer operation positions were transferred to the Teale Center. Because of this transfer, the Secretary of State has had to use programming personnel to perform some of the computer job preparation tasks which could not be transferred to the Teale Center. The position of data processing technician is a more appropriate classification to perform these tasks and such a new position would free programmer time for more productive work.

The additional position of programmer II is recommended in order to provide the office with additional personnel resources to improve its current use of electronic data processing and develop new uses where cost-justified. The office has acquired a skilled systems analyst on a temporary (two-year) basis. The combination of this expertise together with additional programming support will permit the improvement of existing systems (such as election result processing), and also provide the capability to further improve the overall effectiveness of other programs by the use of automated techniques.

#### CALIFORNIA HERITAGE PRESERVATION COMMISSION

*We recommend that funding of the California Heritage Preservation Commission be established as a special item of expense in the Secretary of State budget, and that the budget be augmented \$800 for that purpose.*

The California Heritage Preservation Commission was established by Chapter 1938, Statutes of 1963, and continued by Chapter 1383, Statutes of 1965. The Secretary of State is secretary of the commission, which is comprised of representatives of four designated state agencies, a private college or university, six private citizens appointed by the Governor and two members of each house of the Legislature. Members serve without compensation but \$800 has been provided each year to reimburse mem-

**SECRETARY OF STATE—Continued**

bers for actual expenses.

The purpose of the commission is to advise the Secretary of State (whose duty it is to preserve historical and otherwise valuable documents) on matters regarding the identification, restoration and preservation of such documents.

The accomplishments to date which have in part resulted from work of the commission include a document restoration laboratory in the state archival program, a recently-opened archival display room at 1020 O Street in Sacramento, and coordination with local government to enhance the retention of documents of historical significance.

The Governor's Budget has deleted any funding for the commission and proposes instead that the commission be abolished by legislation and its function transferred to the Secretary of State. In consideration of the commission's accomplishments at a minimal cost to the state, we consider this action to be unjustified and believe that the Secretary of State's budget should be augmented \$800 to provide continuing support to the California Heritage Preservation Commission.

**STATE TREASURER**

Item 60 from the General Fund

Budget p. 110

Requested 1975-76 .....	\$1,457,884
Estimated 1974-75 .....	1,427,207
Actual 1973-74 .....	1,101,376
Requested increase \$30,677 (2.1 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

- |   |    |
|---|----|
| 1. Investment Authority. Recommend expansion of investment authority with respect to specified securities.                                | 91 |
| 2. Investment Information. Recommend improvement in reporting of information on investment program.                                       | 91 |
| 3. District Securities Division Fees. Recommend increase in District Securities Division fee schedule, if deficit occurs in current year. | 93 |

**GENERAL PROGRAM STATEMENT**

The State Treasurer has the following responsibilities:

1. Provide custody of all money and securities belonging to, or held in trust by the state;
2. Invest temporarily idle state and other designated funds;
3. Pay warrants and checks drawn by the State Controller;
4. Prepare, sell and redeem general obligation bonds;
5. Prevent the issuance of unsound securities by irrigation, water storage and certain other districts.

These responsibilities are implemented through the six program ele-

ments shown in Table 1.

Proposed staff increases in the investment services and trust services program elements account for most of the increase in gross expenditures for the budget year. Higher reimbursements partially offset the proposed increase in General Fund support. The requested staff increases of two professional positions are required to handle the current and anticipated increases in the investment and trust services workload.

**Table 1**  
**Program Requirements of the State Treasurer**

Program Elements	Man-Years			Expenditures		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
1. Bond sales and services .....	10.7	13.3	13.3	\$280,478	\$330,825	\$336,119
2. Investment services .....	5.3	5.5	6.5	159,874	196,256	208,743
3. Paying and receiving .....	28.2	34.4	34.4	490,752	642,797	638,402
4. Trust services .....	13.6	15.1	16.1	263,435	310,786	332,750
5. District securities division .....	7.0	7.0	7.0	181,621	199,743	203,570
6. Administration (cost distributed to other elements) .....	11.7	12.5	12.5	(294,407)	(359,576)	(359,344)
Totals .....	76.5	87.8	89.8	\$1,376,160	\$1,680,407	\$1,719,584
Reimbursements .....				-274,784	-253,200	-261,700
General Fund costs .....				\$1,101,376	\$1,427,207	\$1,457,884

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

### BOND SALES AND SERVICES

Issuing, selling, servicing and redeeming all general obligation and revenue bonds, California notes and building certificates are the responsibilities of this program element. The projected budget year cost of bond sales service, as well as bond and coupon servicing, totaling about \$74,000, will be reimbursed from the individual bond funds.

### Interest Cost of Long-Term Borrowing to Remain High

Table 2 summarizes the Treasurer's past, current and projected bond marketing activity.

**Table 2**  
**Treasurer's Bond Sales**  
**(Millions)**

	Actual 1973-74		Estimated 1974-75		Projected 1975-76	
	Amount	Average Interest Cost	Amount	Average Interest Cost	Amount	Average Interest Cost
General obligation bonds	\$285.0	5.10%	\$540	5.70%	\$515	5.50%
Revenue bonds .....	43.8	6.07	219	6.50	300	6.70

Although short-term interest rates are expected to decline from the record levels attained during 1974, the interest cost of long-term borrowing is expected to remain firm in 1975, due to anticipated heavy corporate borrowing to finance new capital investments and reduce short-term debt.

## STATE TREASURER—Continued

## INVESTMENT SERVICES

The main objective of this program is to maximize the interest return on state investments within the statutory framework and considering the state's liquidity needs. The Treasurer, under the direction of the Pooled Money Investment Board (composed of the Treasurer, State Controller and Director of Finance), is responsible for the investment of temporarily idle state funds.

The investment program provides services for the Pooled Money Investment Account (composed of temporarily unused balances from the General Fund and other state funds which joined the pool) and several other independent state funds, which utilize the Treasurer's services for their investment program. These independent funds include the State Highway Fund, the Condemnation Deposit Fund (money held in trust as a result of condemnation proceedings) and the Unemployment Compensation Disability Fund. Starting in 1975 Chapter 706, Statutes of 1974 will permit the investment of the Condemnation Deposits Fund as part of the Pooled Money Investment Account. This action will improve administrative efficiency and may result in additional investment income.

## What the Record Shows

Table 3 shows the amounts invested, earned and the rates of earnings for the past two fiscal years.

**Table 3**  
**Investments by the Treasurer for the Pooled Money Investment Board**  
**(Millions)**

	1972-73			1973-74		
	Average Daily Amount Invested	Earnings	Percent Yield	Average Daily Amount Invested	Earnings	Percent Yield
Pooled Money Account	\$2,239.1	\$124.3	5.51%	\$2,577.2	\$231.2	8.97%
Condemnation Deposit Fund.....	15.3	.8	5.42	17.4	1.6	9.21
Totals*	\$2,254.4	\$125.1		\$2,594.6	\$232.8	

\* These figures do not include investments of other funds, such as the State Highway Fund, Unclaimed Property Fund, the Unemployment Compensation Disability Fund and Marketing Trust Accounts. These funds have their own cash management and investment policies and use the Treasurer only for making the transactions, as well as for limited investment counseling. They are not under the supervision of the Pooled Money Investment Board. Total earnings from these independent funds amounted to \$15.3 million in 1972-73 and \$26.0 million in 1973-74.

## Record Earnings on 1973-74 Investments

Record high interest rates, combined with a significant increase in the amount of state funds available for investment and with more flexible money management, produced an 86 percent increase in 1973-74 earnings on state investments over the prior year. High yields on short-term investments during most of the fiscal year were primarily responsible for the record investment income.

**Future Earnings Uncertain**

The outlook for the last half of the current year and for budget year earnings is not as bright. Less restrictive federal monetary policy, combined with reduced corporate demand for inventory capital, has caused short-term interest rates to decline in recent months and this trend is expected to continue during 1975. Although the demand for long-term money is expected to remain strong, the rate of return on these investments has recently been below the current yield on short-term investments. In addition, projected increase in state costs relative to revenues will reduce the average daily amounts available for investments from an estimated \$2.2 billion for the current year to a projected \$2.0 billion for 1975-76.

**Need to Expand Investment Authority**

*We recommend that the Treasurer seek expansion of his statutory investment authority to include (a) negotiable certificates of deposit and (b) eligible commercial paper with maturity-date of up to 270 days, and (c) increase limitation on commercial paper from 15 percent to 30 percent of the investment portfolio.*

State law requires the Treasurer to invest available state funds in such a manner so as to maximize the return on investments, consistent with safe and prudent treasury management. These funds may be invested in securities, time deposits or as loans to the General Fund. Investment decisions are determined by the state's current and anticipated future cash-flow requirements, as well as by the prevailing and projected interest rates. Securities eligible for investment are statutorily limited to specified federal issues, California state and municipal bonds, "prime" commercial paper and banker's acceptances. Investment in eligible commercial paper is currently limited to issues with maximum maturity date of 90 days and up to 15 percent of the total portfolio. The Treasurer is presently not authorized to invest in negotiable certificates of deposit (i.e., short-term borrowings by banks).

The Auditor General has recommended expansion of investment authority to include negotiable certificates of deposit and increasing the maturity and maximum portfolio share of eligible commercial paper to 270 days and 30 percent, respectively. This change would provide the Treasurer with added investment flexibility that may be utilized, when warranted by money market conditions, to obtain maximum earnings on state investments. We concur with the recommendation.

**Need to Improve Investment Reports**

*We recommend that the Treasurer use a computer program developed by the Auditor General's office, to improve the reporting of information on its investment activities.*

Recent efforts to evaluate the Treasurer's investment program have been hampered by lack of sufficient and current detailed information in these reports, such as effective yield on all investments. Also, the daily portfolio report currently does not provide the composition of the portfolio and composite effective yields by type and maturity of the securities. We had difficulty obtaining this information in evaluating the Treasurer's

**STATE TREASURER—Continued**

investment activities for our 1974-75 Analysis. The Auditor General experienced similar difficulties during his study of the Treasurer's investment practices. To overcome this deficiency, he designed a computer program that produced the data required for his report.

Data processing staffs of the Treasurer and of the Auditor General agree that this program, with minor modifications, could be applied to the Treasurer's daily investment portfolio in order to produce the desired detailed investment information. The program could also be used to produce more detailed investment records for the monthly and annual reports on investment activities that are currently compiled manually. For example, computing the effective yield of securities in the portfolio and producing cumulative totals for the monthly report requires 20-25 man-hours. Application of the computer program to this activity would significantly reduce compilation time and effort and would result in more timely publication of these reports. Personnel and computer costs for modification and application of this program are estimated to be minor and could be funded from the Treasurer's proposed budget. Therefore, we suggest that the Treasurer modify this computer program and apply it during the budget year to provide the desired investment data. The additional information would improve the daily portfolio report, as an evaluation tool, and as a better management tool for reaching investment decisions.

**PAYING AND RECEIVING**

This program provides banking services for state agencies. It includes depositing tax collections, redeeming warrants issued by the State controller and other agencies, and accounting for state time deposits placed in banks throughout California. These activities supplement the investment program by reporting the state's daily cash position and furnishing information used in calculating the "compensating balance" formula.

**TRUST SERVICES**

This program provides for the safekeeping of all state-owned securities in the Treasurer's vault or in other approved depositories. The securities are held under agreement between the Treasurer and the banks or trust companies and are under the Treasurer's control.

The total value of securities held at the end of fiscal year 1973-74 was 11.9 billion.

Other trust activities include the preparation and keeping of agreements on the state's time deposits, the control and maintenance of the required collaterals on these time deposits, as well as collection of interest on securities held. The Treasurer expects to receive approximately \$188,000 in the budget year as reimbursements for collection and transfer-agent costs as well as in escrow fees from the various state agencies for handling of their securities.

**DISTRICT SECURITIES DIVISION**

The prime function of the division is the technical and fiscal evaluation of construction projects proposed by water and certain other districts. Its main objective is to promote sound financial programs for these districts

in order to prevent excessive indebtedness and thereby protect the public against the issuance of unsound securities.

The authorized staff of 7, located in San Francisco, consists of an executive secretary, assistant executive secretary, two engineers, an auditor and clerical support.

The division is budgeted from the General Fund and revenues from fees charged for its services go into the General Fund.

Our 1974-75 Analysis discussed in detail the division's fee collection problems that are accentuated periodically by tight money conditions and uncertainty of federal funding.

#### **Need to Balance Revenues and Expenditures**

*We recommend that the District Securities Division increase fees if expenditures exceed fee billings significantly in the current year.*

The division has improved its fee billing and collection procedure. Delay in fee collections is caused primarily by external economic and other factors beyond the division's control. Because of this, its continued support from the General Fund is appropriate.

However, we believe program costs for this activity should be covered by fee revenues from the beneficiaries of the division's activities. In 1973-74, fee revenues slightly exceeded program expenditures, but in most of the preceding years fee revenues fell short of program costs. The outlook for the current year is uncertain. Although collection problems make it unreasonable to expect that actual cash revenues equal expenditures each year, fee billings should cover expenditures each fiscal year. Therefore, we suggest that the fee schedule be increased if billings fall significantly below expenditures for 1974-75.

### **DEPARTMENT OF FINANCE**

Item 61 from the General Fund

Budget p. 113

Requested 1975-76 .....	\$6,544,354
Estimated 1974-75.....	6,373,054
Actual 1973-74 .....	5,640,843
Requested increase \$171,300 (2.7 percent)	
Total recommended increase .....	\$65,603

#### **SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Economic Development Research. Augment by \$65,603.* 95  
Recommend augmentation to fund three positions to carry out limited correspondence and research functions in area of economic development.
2. *Federal Grant. Recommend Department of Finance continue efforts initiated by Department of Commerce to obtain grant for technical assistance to local economic development programs.* 96
3. *EDP Unit. Recommend withholding approval of \$388,036* 97

**DEPARTMENT OF FINANCE—Continued**

budgeted for department's EDP unit pending reexamination of department's statewide EDP program by department with report to Legislature.

**GENERAL PROGRAM STATEMENT**

Department of Finance activities are organized into five programs. Program I is the Preparation and Enactment of the Annual Financial Plan. The major activities included in this program are the compilation of the Governor's Budget and the analysis of legislation. Program II, Support and Direction of the Annual Financial Plan, involves activities such as the administration of various Budget Act controls, allocation of emergency fund expenditures, and cash-flow management. Program III, Assessment and Optimization of State-Administered and State-Financed Programs, involves the analysis of the effectiveness and efficiency of state programs and the development and evaluation of alternatives for program improvement. Among the specific activities included in this program are program evaluation studies, financial audits, maintenance of the state's accounting system, and oversight of the state's EDP activities. Program IV, Development of Supportive Data, involves the basic functions of economic and demographic research, revenue estimating, tax research, and computer support to other programs through the Financial Management Computer System, formerly called the Budget Data System. The fifth department program is Administration.

Table 1 shows the allocation of man-years.

**Table 1**  
**Allocation of Man-Years by Program and Program Element**

	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Estimated 1975-76</i>
I. Preparation and Enactment of Annual Financial Plan:			
a. Development of the annual financial plan .....	45.7	46.8	45.9
b. Legislative process .....	36.6	37.5	36.9
Program I Total .....	82.3	84.3	82.8
II. Support and Direction of the Annual Financial Plan .....	22.4	23.0	22.6
III. Assessment and Optimization of State-Administered and State-Financed Programs:			
a. Program management, organizational, and operational evaluations .....	76.4	74.4	71.9
b. Financial audits .....	42.1	41.4	40.6
c. Development of statewide EDP centers .....	14.4	13.0	12.7
Program III Total .....	132.9	128.8	125.2
IV. Development of Supportive Data:			
a. Economic research .....	2.8	3.0	3.0
b. Revenue estimating and tax research .....	9.0	9.2	9.0
c. Demographic research .....	12.6	13.0	13.7
d. Computer support .....	5.0	6.3	6.1
Program IV Total .....	29.4	31.5	31.8
V. Administration (distributed to other programs) .....	(11.4)	(12.2)	(11.9)
Total, All Programs .....	267.0	267.6	262.4



**Little Change in Budget Request**

The Department of Finance 1975-76 budget request is not significantly different from the department's 1974-75 budget. The additional positions requested are (a) one budget analyst in Program I to review projects proposed by the Office of Criminal Justice Planning in excess of \$50,000 as required by the Budget Act of 1974 and (b) 1.3 additional clerk positions. Three program review analyst positions in Program III are being deleted due to the expiration of a federal grant.

**Budget Process Needs Reevaluation**

In our 1974-75 Analysis, we observed that program budgeting had been adopted by the state approximately five years previously, and noted that although California was considered to be a leader in this area, there was evidence that the implementation of program budgeting had had limited success in improving the quality of information and analysis for budget decisionmaking. We further commented that there was some dissatisfaction with the system on the part of members and staff of legislative fiscal committees and we enumerated several deficiencies we felt existed. Most of the deficiencies discussed in last year's Analysis related to the structural aspects of the program budgeting effort. We discussed the failure of agencies to define programs and program elements properly, the lack of adequate accounting systems to provide accurate program costs, and we reiterated our belief in the need to develop measures of program effectiveness.

In addition to these structural and procedural problems that relate specifically to the implementation of program budgeting, we believe that there are more basic problems in the state's budget process. These include the lack of systematic and comprehensive audits of state programs, insufficient analysis of budget issues and failure of the various departments and/or the Department of Finance to develop and present alternatives to existing or proposed programs. We further believe there is insufficient legislative access to data collected and analyses performed by the executive branch. These problems and their potential solutions deserve more attention than can be given within the scope of the Analysis. Therefore, we intend to prepare a special report to the Legislature with recommendations for improving the present budget process.

**Need For Limited Economic Development Function**

*We recommend augmentation in the amount of \$65,603 for three positions to perform limited research and maintain correspondence activities in the area of economic development.*

The Department of Commerce currently has the general responsibility for statewide economic development, which includes responding to inquiries from (1) out-of-state businesses requesting economic data and other information on business conditions in California, (2) in-state firms requesting information on export markets for California firms and products, (3) individuals and organizations seeking information on the availability of tourist accommodations, recreational facilities, scenic areas and other points of interest, and (4) local governments seeking guidance in economic development activities. No funds are provided in the budget year for

**DEPARTMENT OF FINANCE—Continued**

support of the Department of Commerce, and it does not appear that any provision has been made for the continuation of this function.

We believe the state should maintain a limited capability for responding to the type of requests described above. The augmentation we propose would provide funds for three positions, two professional and one clerical, whose responsibility would be to (1) update and distribute, on request, existing state publications which provide information on employment, wage levels, taxation, and other economic data related to the business environment in the state, (2) respond to additional inquiries from individuals, businesses and other organizations in the areas of export trade and business opportunities in California, and (3) provide, on request, technical data and general information to local entities on economic development programs. The performance of these functions would require a limited but continuing research effort and clerical support. Table 2 sets forth the proposed staff and expenditures for this function.

**Table 2**  
**Details of the Recommended Augmentation**

	<i>Number of Positions</i>	<i>1975-76 Budget Support</i>
Personal Services:		
Research analyst.....	2	\$29,251
Clerk Typist I.....	1	6,879
	3	\$36,130
Staff benefits.....		5,420
Total personal services.....		\$41,550
Operating expense and equipment.....		24,053
Total expenditures.....		\$65,603

This activity should be confined to maintaining a capability for responding to those inquiries and requests which have a valid potential for furthering economic development in the state. We suggest that inquiries in the tourism area be referred to private sector tourism organizations for response, and that the administration make arrangements with such organizations to process these referrals.

**Federally-Financed Economic Development Project Should Continue**

*We recommend that state efforts to secure federal funding of the program for technical assistance to local governments for the budget year be continued through the Department of Finance.*

In February 1974, California received a federal grant to provide economic development assistance for local communities, with particular attention to communities affected by reductions in federal defense expenditures. The grant amount of \$191,325 funded most of the personnel and operating costs of the project. It was matched with state contributions of \$12,000 in cash and \$64,775 in staff-time, the latter provided by the personnel of the Business and Industry Division of the State Department of Commerce.

To date, this project has provided technical assistance to areas impacted by defense cut-backs, such as Long Beach, San Francisco and Susanville,

as well as to other California communities seeking economic development help. Several pamphlets have been compiled and published, such as *Growth Industries for California*, *Guide to State Programs for Economic Development* and *Opportunities for Economic Development in California Communities*, that serve as useful tools for local economic development organizations. In addition, regional seminars have been conducted to assist communities in analyzing their economic problems and in formulating possible solutions.

The current grant will terminate in June 1975. The State Department of Commerce applied for its renewal for 1975-76 and, at this writing, the outlook for renewal appears favorable. Because the Department of Commerce is not funded for the budget year, we suggest that state efforts to obtain federal funds for this project be continued through the Department of Finance, provided that such funding can be obtained at no additional cost to the state.

#### **CONTROL OF STATEWIDE ELECTRONIC DATA PROCESSING**

##### **Reexamination Required**

*We recommend that the Legislature withhold approval of the \$388,036 included in the Governor's Budget for the Department of Finance statewide EDP program pending reexamination of this program by the department and the new administration.*

*We recommend that a report responsive to the following problems be submitted to the fiscal committees before budget hearings.*

The Department of Finance is responsible for statewide coordination and control of electronic data processing (EDP) for all agencies in California state government except the University of California, the State Compensation Insurance Fund, agencies provided for by Article VI of the Constitution, and the Legislature. Its responsibilities are prescribed in the Government Code and Section 4 of the Budget Act of 1974. The Electronic Data Processing Control and Development Unit (EDPCDU) in the Department of Finance consists of 13 authorized positions, which are primarily systems analysts at the senior level. The effort is under the direction of a state data processing officer appointed by the Governor.

In accordance with the Supplementary Report of the Committee on Conference on the Budget Act of 1974, the Department of Finance is required to report to the Legislative Analyst on a quarterly basis its progress in implementing the department's statewide EDP responsibilities. It is estimated that the magnitude of the state's total EDP expenditure over which the department has specified responsibility is about \$128 million annually.

The expenditure level for the 1975-76 fiscal year has been budgeted at \$388,036, a decrease of approximately 1.4 percent over the amount estimated for the current year.

##### **Unit Effectiveness Questioned**

Since placement of this function in the Department of Finance in July 1971, it is logical to ask if the Department of Finance EDP unit has been successful in resolving the major problems associated with the effective,

**DEPARTMENT OF FINANCE—Continued**

statewide use of EDP. Although some progress has been made, we believe that, overall, the unit has not been successful and that major problems including appropriate central leadership, improved user effectiveness, and improved systems development continue to be unresolved. It is apparent that not only has the State Data Processing Officer and the EDP-CDU failed to exercise an appropriate leadership role, but meaningful progress has often been hindered by the manner in which control is exercised.

In the 1974-75 Analysis we discussed this question of control and raised the question of control versus development. It was our judgment, at that time, that control was being stressed at the expense of development. This has not changed, and the various criticisms discussed in that analysis continue to be valid.

**Inappropriate Actions**

Certain actions which can be documented to the fiscal committees indicate that the Finance EDP authority is exercised in an inappropriate manner.

The net result of the department's application of its EDP responsibility has been the emergence of a pattern of computer mainframe replacement which is single-vendor oriented.

**Inadequate Leadership**

Although the Department of Finance was most active and assumed a strong position of leadership with regard to its controversial role in the implementation of the Teale Data Center, its leadership in other areas has been notably lacking.

These areas include (1) technical assistance to departments which have demonstrated a continued difficulty in managing the development of information systems, such as the State Water Resources Control Board and the Department of Insurance, (2) resolution of the problems of computer support for the Department of Water Resources, (3) use of data entry devices by departments, (4) development of a program to enable departments to achieve more effective expenditures for data processing, (5) effective management of its own personnel resources, and (6) resolution of the computer output "paper blizzard" problem through such techniques as the conversion of computer output to microfilm.

In the one area where leadership was provided—the selection of a data base management system for the Personnel Information Management System project—the unit found it necessary to acquire a private consultant. This was done despite the fact that it has its own expertise in the form of eight supervising and senior systems analysts with a combined monthly salary range of \$1,595-\$2,137, and a state data processing officer and deputy at annual salaries of \$34,536 and \$31,332, respectively.

In addition, we note that the department has not provided us any quarterly reports of its progress in implementing its statewide EDP responsibility, although these reports are specified in the Supplementary Report of the Committee on Conference on the Budget Act of 1974.

## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 62 from the General Fund

Budget p. 119

Requested 1975-76 .....	\$123,023
Estimated 1974-75.....	120,276
Actual 1973-74 .....	94,483
Requested increase \$2,747 (2.3 percent)	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

The commission, which is composed of 13 public and legislative members appointed by the Governor and the Legislature, conducts studies designed to promote economy, efficiency, and responsiveness in state government. Commission members are reimbursed for necessary expenses incurred in the performance of their duties but receive no salaries. The permanent staff consists of an executive secretary and a secretary. Additional staff for specific projects is obtained from other state agencies or contracted for with private consultants. The budget provides \$50,000 to obtain the temporary staff.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

In compliance with language in the 1974-75 Budget Bill the commission is limiting its use of private consultants to circumstances where needed technical and professional services are not available from state agencies.

The following projects were, or will be, undertaken by the commission. Additional projects will arise during 1975-76.

1973-74	1974-75	1975-76
Study of Internal Auditing	Study of Internal Auditing	
Contractors' State License Board	Contractors' State License Board	Contractors' State License Board
Highway Right-of-Way		
School Building Aid	School Building Aid	School Building Aid
	HUD 701 Grant Administration	
	Salary Compaction (SCR 176)	Salary Compaction (SCR 176)
	Air Resources Board	
	Public Utilities Commission	Executive Reorganization Proposals

**COMMISSION ON INTERSTATE COOPERATION**

Item 63 from the General Fund

Budget p. 120

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Requested 1975-76 .....	\$192,810
Estimated 1974-75.....	110,730
Actual 1973-74 .....	110,730
Requested increase \$82,080 (74 percent)	
Total recommended reduction .....	None

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**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

This appropriation to the Commission on Interstate Cooperation pays California's proportionate share of the cost of the Council of State Governments, a national association whose goal is to preserve and strengthen the role of state government in the federal system. The council publishes reports on current state problems and federal activities affecting the states. It also provides staff support for nine affiliated organizations.

The California Commission on Interstate Cooperation, which facilitates the state's participation in the Council of State Governments consists of 20 members, as follows: (1) the seven members of the Senate Select Committee on Interstate Cooperation, (2) the seven members of the Assembly Select Committee on Interstate Cooperation, (3) five officers of the state appointed by the Governor, and (4) a member of the California Commission on Uniform State Laws (an ex officio member). The Governor appoints the chairman of the commission and is himself an honorary, nonvoting member.

**CALIFORNIA ARTS DEVELOPMENT COUNCIL**

Item 64 from the General Fund

Budget p. 120

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Requested 1975-76 .....	\$1,000,000 *
Estimated 1974-75.....	None
Requested increase \$1,000,000	
Total recommended reduction .....	Pending

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\* New item replacing support for California Arts Commission

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on this item pending passage of legislation which will provide a structure and programs for the California Arts Development Council.*

A California Arts Development Council has been proposed by the administration to replace the California Arts Commission which has been deleted from the 1975-76 budget. General Fund support for the existing California Arts Commission totals \$1,008,463 in the current year (consisting of a \$1 million support appropriation adjusted for salary increase, and savings).

The proposed General Fund appropriation of \$1 million for the new agency would be available subject to the passage of legislation in 1975-76. No detail is provided on the new council's structure or programs. We therefore withhold recommendation until basic operational and programmatic information is determined.

### COMMISSION FOR ECONOMIC DEVELOPMENT

Item 65 from the General Fund

Budget p. 121

Requested 1975-76 .....	\$62,090
Estimated 1974-75.....	88,001
Actual 1973-74 .....	80,797
Requested decrease \$25,911 (29.5 percent)	
Total recommended reduction .....	\$62,090

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. *Funding. Reduce \$62,090.* Recommend deletion of General Fund support for the Commission for Economic Development. 103

#### ANALYSIS AND RECOMMENDATIONS

The Commission for Economic Development is composed of legislative and private sector representatives and is chaired by the Lieutenant Governor. The commission was created for the purpose of providing leadership in the overall economic development of California. Its statutory responsibilities include providing policy guidance to the State Department of Commerce, considering and recommending programs for statewide economic development and annually reporting its activities, findings and recommendations to the Legislature and to the Governor.

Table 1 summarizes staffing and expenditures for the commission.

**Table 1**  
**Budget Requirements of the Commission for Economic Development**

	<i>Personnel Man-Years</i>			<i>Expenditures</i>		
	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Proposed 1975-76</i>
Personal services .....	3	3	1	\$35,751	\$57,737	27,104
Operating expenses and equipment .....				45,046	30,264	34,986
Total General Fund costs				\$80,797	\$88,001	62,090

The \$25,911 (29.5 percent) reduction in the budget year funding is the result of elimination of one research analyst and one secretarial position from the commission's staff. In 1975-76, the commission's staff is limited to an executive secretary position.

**COMMISSION FOR ECONOMIC DEVELOPMENT—Continued****Past Record Disappointing**

In our 1974-75 Analysis we stated that the commission's record was disappointing. Our detailed evaluation indicated that the commission failed to fulfill effectively its statutory responsibilities, membership attendance and input was poor and staff and research support was inadequate. We concluded that the commission's approach to overall policy guidance and leadership in the development of a statewide economic strategy was inadequate and recommended its abolishment. Our recommendation was not accepted and funding of the commission was approved at the budgeted level. However, the Legislature approved language in the Budget Act of 1974 requiring the commission to work with other state agencies and the University of California toward a comprehensive approach to economic development. This approach was to include assessment of statewide and regional economic problems, development of policy alternatives for alleviating or solving these problems, as well as formulation of a strategy or framework for selective economic development of the state.

**Current-Year Record Shows Little Improvement**

A review of the commission's activities during the first half of 1974-75 shows some positive initial steps but no follow-up actions.

The commission sponsored legislation for the establishment of private economic development corporations, the issuance of industrial revenue bonds, and the provision of technical assistance to small businesses, but the proposals were not enacted. A Task Force on Planning was established by the commission for the purpose of formulating an economic development strategy for the state. Following discussions with state, academic and private sector economic development officials on objectives and policy alternatives, the task force recommended to the commission the establishment of an econometric forecasting model and an economic development plan. These projects were to be developed by contract with the University of California at Los Angeles and the University of Southern California. The commission approved these projects and directed the task force to secure state and federal funds for their financing. But, as of the end of 1974, no further action had been taken by the task force or by the commission on these projects.

In October 1974, the commission sponsored the California Conference on Inflation. This conference was called by the Governor to determine what steps state government might take to fight inflation and stimulate the state's economy. Information generated by the conference was to be analyzed by the commission and recommendations for appropriate administrative and legislative actions were to be forwarded to state and federal officials. While the conference provided a forum for discussing national and state economic problems and yielded some useful information, the commission took no effective follow-up action. A subsequently published report included the transcript of the conference, but no recommendations for administrative or legislative action.



**Need for Professional Guidance to Economic Development**

*We recommend deletion of General Fund support for the Commission for Economic Development.*

We believe that an advisory body to provide competent professional guidance to state government in the assessment of California's economic situation and in the formulation of economic development policy would fulfill a useful role. We believe that the Commission for Economic Development is not properly structured nor has it demonstrated the ability to provide this guidance.

We suggest that professional economic guidance may be provided through the Director of Finance by an economic advisory group, composed of professional economists from the governmental and private sectors. An informal advisory group already exists which meets semiannually to assist the department in its economic forecasting activities. Functions of this or a similar group might be made to include (1) periodic identification and evaluation of California's critical economic problems, (2) development of policy alternatives for solving such problems, and (3) identification of statewide economic development objectives and formulation of alternative strategies for their implementation.

Examples of current problem areas that this economic advisory group might address include regional chronic unemployment, statewide and local economic diversification, and the cost and benefit of potential state economic incentives for business development.

**MILITARY DEPARTMENT**

Item 66 from the General Fund

Budget p. 122

Requested 1975-76 .....	\$5,515,292
Estimated 1974-75.....	6,012,535
Actual 1973-74 .....	5,388,642
Requested decrease \$497,243 (8.2 percent)	
Total recommended reduction .....	Pending

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

Staff Reductions. Recommendation withheld pending completion of Department of Finance management and program audits. 105

**GENERAL PROGRAM STATEMENT**

The purpose of the Military Department is to provide an effective military organization in California with the capability to: (1) protect the lives and property of the people in the state during periods of natural disaster and civil disturbances, (2) perform other functions required by the California Military and Veterans' Code or as directed by the Governor, and (3) provide military units ready for federal mobilization. The Military Department consists of three major units: the Army National Guard, Air National Guard, and the Office of the Commanding General.

**MILITARY DEPARTMENT—Continued****Army National Guard**

The troop strength of the Army National Guard is determined by the Department of the Army to meet the current contingency plans of the United States as developed by the Joint Chiefs of Staff with concurrence of the Governor. The Army National Guard currently consists of 21,119 officers and men in 179 company-sized units.

**Air National Guard**

The Air National Guard, as an integral part of the state's military force, consists of air defense, tactical airlift, and communications units allocated to the state by the Department of the Air Force with the concurrence of the Governor. There are four flying bases and three nonflying installations located throughout the state. The authorized strength of the Air National Guard is 5,092.

**Office of the Commanding General**

The Office of the Commanding General is composed of state active-duty personnel and state civil service personnel responsible for the command management element, and the emergency plans and operations element. Command management entails those activities necessary to accomplish departmental objectives. Emergency plans and operations includes collection of data and preparation of plans, procedures, and orders for the deployment of California National Guard personnel and resources to assist state and local authorities in responding to natural or man-caused emergencies. Also included in this activity is the California Specialized Training Institute at Camp San Luis Obispo which is a federally funded training course in civil disturbance management and survival offered to civilian and military personnel.

**ANALYSIS AND RECOMMENDATIONS**

The total proposed budget for the Military is \$111,782,521. Of this amount, approximately 95 percent is federally funded with the remaining 5 percent from the General Fund. The proposed General Fund appropriation for departmental support is \$5,515,292, or 8.2 percent below the current year.

Table 1 shows the funding proposal by program area and a proposed net reduction of 6.8 man-years in authorized positions (from 494.9 to 488.1).

**Table 1**  
**Budget Summary**

Program	Estimated 1974-75	Proposed 1975-76	Change From Current Year	
			Amount	Percent
I. Army National Guard.....	\$3,887,800	\$3,706,767	\$-181,033	-4.6%
II. Air National Guard.....	676,335	640,321	-36,014	-5.3
III. Office of the Commanding General .....	1,448,400	1,168,204	-280,196	-19.3
Total.....	\$6,012,535	\$5,515,292	\$-497,243	-8.2%
Positions.....	494.9	488.1	-6.8	-1.3%

The \$497,243 reduction primarily represents a proposed lower staffing

level and an increase in salary savings (from 13.3 man-years in the current year to 26.3 in the budget year). The higher level of salary savings is partially attributable to expected retirements during the budget year.

#### Proposed Staff Reductions Need Justification

*We withhold recommendation pending completion of a scheduled management and program audit by the new administration in early 1975.*

The Military Department is authorized 494.9 positions in the current year (excluding 3.7 positions separately budgeted to the California Cadet Corps). We are advised that the administration has adopted a policy of returning this department to its pre-Vietnam staffing level. Consistent with this policy, the Department of Finance has identified 16 state-funded positions for deletion in the budget year for a reduction of \$272,483 in personal services. We were not provided with specific criteria or workload data used as the basis for position reductions, but the Governor's Budget states that the Military Department will be the subject of a management and program audit early in 1975. Table 2 shows the deleted positions.

**Table 2**  
**Proposed Reductions in Authorized Positions**

<i>Army Division</i>	<i>Positions</i>	<i>Salary</i>
Commanding General's Office:		
Sgt. major E-9—command sgt. major.....	1	\$17,372
Executive:		
Lt. colonel—secretary to general staff.....	1	21,131
Lt. colonel—chief supply officer .....	1	24,882
Chief warrant officer W-3—admin. assistant .....	1	16,436
Public Affairs and Recruiting:		
Lt. colonel—chief .....	1	24,882
Office of Emergency Plans and Operations:		
Major—intelligence officer .....	1	21,087
Major—military support readiness .....	1	21,087
Clerk-typist II .....	2	15,624
Military Administration Branch:		
Clerk-typist II .....	1	7,670
Organization and Training:		
Major—operations and training officer .....	1	21,087
Armories:		
Armory custodian I .....	2	18,528
Fort Irwin:		
Firefighter/guard .....	1	12,948
<i>Air Division</i>		
Operations and Training Branch:		
Major—operations staff officer .....	1	23,967
Plans and Programs Branch:		
Lt. colonel—chief .....	1	27,822
<b>TOTAL.....</b>	<b>16</b>	<b>\$272,483</b>

In the current year, 9.8 federally reimbursed positions were added administratively because of workload adjustments. The budget proposes continuation of 9.2 of these new positions in the budget year for a cost of \$106,307. Table 3 shows the proposed new positions.

**MILITARY DEPARTMENT—Continued**

**Table 3**  
**Proposed New Positions**

<i>Army Division</i>	<i>Positions</i>	<i>Salary</i>
National Guard Organization:		
Brigadier general (limited term to August 31, 1975) .....	0.2	\$5,657
Installations Branch:		
Captain—engineer officer.....	1	18,423
Armories:		
Armory custodian I.....	2	18,466
Security guard .....	4	31,248
Field Training Sites:		
Chief warrant officer W-4—fiscal officer .....	1	14,090
Fort Irwin:		
Captain—administrative officer.....	1	18,423
<b>TOTAL .....</b>	<b>9.2</b>	<b>\$106,307</b>

While the administration's proposal to return the Military Department to its pre-Vietnam staffing level may be supportable, we have no data to justify either the reduction of 16 positions or the addition of 9.2 positions. We further believe that a decision on staffing adjustments should await completion of the management and program audit scheduled in early 1975.

**Federal Funding Expires**

In addition to the net reduction of 6.8 authorized positions, the budget reflects the deletion of 25.6 federally financed positions assigned to the California Specialized Training Institute (CSTI) which were added administratively in the current year upon renewal of a federal grant which now terminates June 30, 1975. The Military Department anticipates that the federal grant will be renewed during the budget year, in which case the positions will be restored administratively.

**Military Department**  
**MILITARY RETIREMENT**

Item 67 from the General Fund

Budget p. 125

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Requested 1975-76 .....	\$778,709
Estimated 1974-75.....	606,521
Actual 1973-74 .....	473,967
Requested increase \$172,188 (28.3 percent)	
Total recommended reduction .....	None

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**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This program applies only to military personnel ordered to state active duty prior to October 1, 1961. Chapter 2174, Statutes of 1961, provided that military personnel ordered to active duty after October 1, 1961, would become members of the Public Employees' Retirement System (PERS) and military personnel activated prior to that date would have the option

of joining PERS or remaining under the state Military Retirement System where benefits are similar to those of the federal military system.

There are now 42 people retired under this program. They account for the current year's cost. The proposed increase of \$172,188 reflects ten additional eligible people who are expected to retire during the budget year. Two more people will be eligible to retire under this program in future years.

### Military Department CALIFORNIA CADET CORPS

Item 68 from the General Fund

Budget p. 125

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Requested 1975-76 .....	\$132,531
Estimated 1974-75 .....	122,476
Actual 1973-74 .....	105,801
Requested increase \$10,055 (8.2 percent)	
Total recommended reduction .....	None

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#### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The California Cadet Corps is authorized by Sections 500 through 530 of the California Military and Veterans Code. Its objective is to afford an opportunity for high school and junior high school students to participate in a program designed to develop their leadership, citizenship and community service under conditions of military discipline. Training is in basic military subjects as well as leadership, first aid, survival, and hunter's safety.

The program is administered by 25 public school districts and 3 private schools in 13 counties. It is under the direct supervision of the school principal and taught by credentialed teachers as part of the regular educational program. The Military Department provides 3.7 positions for state-wide coordination and program direction in addition to uniforms, awards, and other materials. Current enrollment is 3,165 students in 68 high schools and junior high schools.

## PUBLIC UTILITIES COMMISSION

Item 69 from the General Fund  
and Item 70 from the Transportation Rate Fund

Budget p. 129

Requested 1975-76 .....	\$17,384,895
Estimated 1974-75 .....	16,857,988
Actual 1973-74 .....	14,724,213
Requested increase \$526,907 (3.1 percent)	
Total recommended augmentation .....	\$108,477

## 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
69	Public Utilities Commission	General	\$9,562,413
70	Public Utilities Commission	Transportation Rate	7,822,482
			\$17,384,895

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Compliance Audits.* Augment Item 69 by \$73,056. Recommend four financial examiners to be used solely for compliance audits of major utility companies at least every three years. 112
2. *Depreciation Studies and Utility Affiliates.* Augment Item 69 by \$19,854. Recommend one associate utilities engineer to conduct depreciation and plant verification studies and examine the pricing and costing practices of utility company affiliates. 114
3. *Passenger Operations.* Augment Item 70 by \$15,567. Recommend one transportation analyst III to assist with Passenger Operations Branch workload in reviewing applications and handling complaints. 115

## GENERAL PROGRAM STATEMENT

The Public Utilities Commission (PUC), created by constitutional amendment in 1911, is responsible for the regulation of privately owned public utilities. The term "public utility" includes such entities as truck, bus, and airline companies, pipeline corporations, electric companies, telephone companies, gas companies, and warehouse companies. For operating purposes, however, the PUC distinguishes between regulation of "transportation" companies and regulation of the remaining "utilities." The commission's primary objective is to insure adequate facilities and services for the public at reasonable and equitable rates consistent with a fair return to the utility on its investment.

**Commission Organization**

The commission is composed of five members appointed to staggered six-year terms by the Governor with the advice and consent of the Senate. The commissioners annually elect one of their members as president who also serves as the executive and administrative head of the commission.

The commission's staff of 848 authorized positions is organized into six divisions: Administrative, Utilities, Transportation, Finance and Accounts, Examiner, and Legal. The commission is headquartered in San Francisco with an area office in Los Angeles and some staff located in 14 Division of Transportation field offices throughout the state.

**Programs**

The commission's two major programs are (1) regulation of transportation companies and (2) regulation of utilities. These programs are administered by the Division of Transportation and the Division of Utilities, each of which receives supportive services from the other four divisions. Approximately 37 percent of the commission's total staffing and expenditures are allocated to regulation of utilities, while the remaining 63 percent relate to regulation of transportation.

**Operating Procedures**

The commission passes judgment on all changes in operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities and may also initiate investigations of utility companies on its own volition. In all such cases, data are accumulated by the staff, hearings are held, decisions rendered, and compliance secured through enforcement procedures. Appeal of commission decisions may be made only to the California Supreme Court, whose review power is limited to questions of law.

An application or complaint presented to the commission by or against a utility, for example, would be studied by the Utilities Division. Any financial implications would be reviewed and evaluated by the Finance and Accounts Division. The Legal Division advises the commission on questions of law and assists the staff and other interested parties in presenting their findings before the commission at hearings which are conducted by the Examiner Division. The Administrative Division provides staff supervision, administers commission policies, and maintains housekeeping services.

**Support of the Commission**

The commission is supported by the General Fund and the Transportation Rate Fund. The Transportation Rate Fund finances only those commission activities relating to the rates, charges and practices of highway freight carriers. All other commission functions are supported by the General Fund.

Transportation Rate Fund revenues are derived from a fee on the gross operating revenues of highway freight carriers. Currently, this fee is set at one-third of 1 percent of such revenues. Additional Rate Fund revenue is produced by a \$4 quarterly "filing fee" paid by all highway carriers when filing their quarterly reports on gross operating revenue. Other

**PUBLIC UTILITIES COMMISSION—Continued**

revenues are derived from a miscellany of penalties, application fees for permits and certificates, registration fees and from the sale of documents.

Table 1 shows on a program basis the commission's budget request.

**Table 1**  
**Budget Summary**

Program	Proposed 1975-76	Change From Current Year	
		Amount	Percent
Regulation of Utilities			
Expenditures (excluding reimbursements) .....	\$6,324,963	\$258,047	4.2%
Man-years .....	311.6	-1.1	0.3
Regulation of Transportation			
Expenditures (excluding reimbursements) .....	\$11,059,932	\$268,860	2.4
Man-years .....	520.4	—	—
Administration distributed to other programs:			
Expenditures .....	(\$2,408,629)	(\$68,524)	2.9
Man-years .....	(140)	—	—
Program Totals			
Net Expenditures .....	\$17,384,895	\$526,907	3.1
General Fund .....	\$9,562,413	\$227,915	2.4
Transportation Rate			
Fund .....	\$7,822,482	\$298,992	3.9
Man-years .....	832	-1.1	0.1

**ANALYSIS AND RECOMMENDATIONS**

The commission's budget-year request of \$17,384,895 is \$526,907 or 3.1 percent over estimated expenditures of \$16,857,988 for the current year. However, the department anticipates \$20,000 in federal funds for gas pipeline safety analysis and grade crossing safety studies plus other reimbursements totaling \$450,523 (including \$348,523 collected by the Utilities Division largely for fees and sale of environmental impact reports) resulting in a total proposed expenditure program of \$17,855,418. Compared to the current-year expenditures of \$17,348,938 (including reimbursements), this represents a total program expenditure increase of \$506,480 consisting of (1) \$356,534 for personal services (mostly attributable to merit salary adjustments and 6.5 new positions discussed later), (2) \$138,746 for operating expenses and equipment, and (3) \$11,200 to cover cost increases for the consolidated data center.

The budget indicates that \$9,562,413 or 55 percent of the net program expenditures (excluding reimbursements and federal funds) is to be paid from the General Fund. The remaining \$7,822,482 or 45 percent is to come from the Transportation Rate Fund.

After deducting the equivalent of 22.5 man-years in salary savings, the budget provides for utilization of 832 man-years in the budget year, a decrease of 1.1 man-years from the current level of 833.1.

**Staff Increases**

As shown in Table 2, the commission is requesting continuation of a total of 6.5 new positions added administratively in the current year for a General Fund cost of \$102,864. Three of the positions assist in the evalua-



tion of environmental impact reports. Fees and revenue from sales of the reports will offset their costs. The remaining 3.5 positions are needed to implement Chapter 1319, Statutes of 1974, (SB 1476) which directs the commission to study existing energy resources and determine priorities for their usage during shortages.

**Table 2**  
**Proposed New Positions**

<i>Utilities Division</i>	<i>Number of Positions</i>	<i>Salary</i>
Certification Element (Environmental Reports)		
Senior Utility Engineer.....	1	\$19,140
Associate Utility Engineer .....	1	16,320
Assistant Utility Engineer .....	1	13,302
Service and Facilities Element (SB 1476)		
Associate Utility Engineer .....	2.5	40,800
Assistant Utility Engineer .....	1	13,302
Total.....	6.5	\$102,864

#### **REGULATION OF UTILITIES PROGRAM**

The Regulation of Utilities Program is composed of four elements: (1) regulation of rates, which conducts the basic financial analysis of rate adjustment proposals; (2) service and facilities, which is concerned with the adequacy of utility service and facilities; (3) certification, which acts on applications filed by utility companies desiring to construct or extend facilities to areas not previously served; and (4) safety, whose two units, gas safety and electric safety, are responsible for insuring adherence to minimum standards in the construction, operation and maintenance of utility plants.

##### **Regulation of Rates Element**

This element represents approximately 74 percent of the expenditures in the Regulation of Utilities Program and 26.9 percent of total commission expenditures.

The commission reports that as of December 31, 1974, 155 rate increase applications were pending in the amount of \$929,728,000. Prior to the recent announcement of the President's energy and tax program, the commission estimated the backlog would reach 380 applications in the budget year. If the President's program on changes in oil and gas prices is adopted by the Congress, the number of requests for rate increases would increase substantially. This could impose a severe workload burden on the commission's staff and such a contingency needs to be monitored carefully during the budget hearings. The number of rate increase applications has grown markedly in the past few years, largely because of adverse economic developments such as inflation, high interest rates, energy shortages and environmental factors involving undergrounding of utilities, antipollution plant installations, and low-sulfur fuel requirements. All of these developments have direct impact on a utility's operating costs and, therefore, on the rates it must levy to maintain a healthy financial posture. Table 3 details the workload of this element of the commission.

## PUBLIC UTILITIES COMMISSION—Continued

Table 3  
Regulation of Utilities Rates  
Workload Data

	1970-71	1971-72	1972-73	1973-74	(Est.) 1974-75	(Est.) 1975-76	Per- centage Change Since 1970-71
Amount of utility charges to consumers (billions) .....	\$5.14	\$5.98	\$6.2	\$6.6	\$7.3	\$7.7	50%
Number of rate applications ..	48	50	80	60	70	70	46
Number of rate decisions .....	80	150	67	74	83	90	13
Commission resolutions .....	380	448	481	519	540	565	49
Advice letters .....	1,320	1,067	980	1,250	1,310	1,420	8
Public inquiries and complaints .....	12,090	18,294	25,600	27,820	28,980	29,750	146
Expenditures (millions) .....	\$3.44	\$3.21	\$3.62	\$4.10	\$4.60	\$4.68	36
Personnel man-years .....	175	161.7	170.7	211.2	220.9	219.8	26

Table 3 shows that activity in rate increase applications will continue at a high level into the budget year as utility charges to customers reach \$7.7 billion. While personnel man-years assigned to the regulation of rates has increased 26 percent since 1970-71 (this includes clerical and other non-technical personnel), the number of rate decisions issued by the commission has increased only 13 percent. The relatively low number of rate decisions compared to past years results from (1) greater complexity of the rate increase applications, (2) enlarged scope of the commission's review, and (3) growing length of rate-case hearings caused by more public participation.

**Need More Financial Audits**

*We recommend a General Fund augmentation of \$73,056 (Item 69) for one financial examiner IV, one financial examiner III and two financial examiner II positions, provided that the commission use these positions solely to audit the financial records of the major utility companies with the objective of auditing each at least once every three years.*

Table 3 shows that 9.7 man-years were added to the regulation of rate element in the current year. The backlog of rate increase applications, however, continues to be high and cases still take from 6 to 18 months and sometimes longer before a decision is rendered. Man-year additions have been offset by a greater number and complexity of the applications and more time-consuming hearings. As cases are being processed, many more come in for consideration. The result of these conditions is that the commission has not been able to improve its standing relative to the backlog of cases. When a utility seeks a rate increase, it submits voluminous data on its financial position to justify the increase. The commission assigns audit staff to verify the data provided and determine whether it has been prepared in compliance with commission regulations. Faced with considerable pressure from the rate application backlog, commission staff is left with choosing the lesser of evils: either devote less time and effort to each audit or perform in-depth analyses while the backlog builds and what may

be critically needed rate increases go unconsidered for months. Either choice has potential negative implications for the consumer or utility and places doubt on the quality of the regulatory process. Of the 83 rate decisions in 1974-75 (Table 3) only 34 were made with the benefit of a formal staff audit of the utility. While most of the remaining decisions affected small water companies and involved requests to offset cost increases in such items as fuel or equipment (and therefore did not necessitate formal audits) the fact remains that the commission is forced to utilize audit staff on a priority basis with the result that some decisions are based on less than complete information.

The major impediment to improving the processing of rate cases has for years been the commission's understaffing of auditors. In our analysis of the commission's 1974-75 budget request and in subsequent testimony before the Assembly Ways and Means Committee, we stressed the need to bolster the commission's auditing capability. The Legislature adopted our recommendation to augment the commission's 1974-75 budget by four financial examiner positions which would be assigned solely to financial audits of the major utility companies on a two-year cycle, but this augmentation was vetoed by the Governor. The 1974-75 Budget did, however, provide for seven additional financial examiner positions, three of which were to conduct compliance audits.

There are currently 64 major utilities (defined as those which have \$1 million or more in operating revenues, or are multistate, or have affiliates) in California which the commission estimates service about 99 percent of the state's consumers and account for a like percentage of the \$7.3 billion utility charges collected in the state. The commission's regulatory responsibilities necessitate its being provided at all times with current, reliable data concerning these utilities. Accordingly, greater emphasis should be placed on compliance audits rather than solely on audits performed in connection with rate increase applications. A compliance audit yields virtually the same information as a rate case audit, but it can be conducted under more favorable conditions, i.e., without the urgency typically involved in a rate increase review.

The commission indicates that a three-year audit cycle for those major utilities not audited in connection with a rate increase application would provide more timely data to expedite review and improve decision-making processes. The Federal Power Commission uses a three-year audit cycle for its regulatory program.

The three positions added in the current year for compliance audits will not be sufficient to keep pace with the recommended three-year cycle. For example, in the current year, 34 rate case audits were performed on the 64 major utilities leaving 30 utilities (10 each year) in need of compliance audits over the three-year cycle. However, because of the level of complexity involved, it is estimated that 3.3 man-years will be expended on only four compliance audits in the current year. This creates an immediate backlog of six audits to be carried over into the budget year and added to those already scheduled for that year of the cycle. The end result is that the backlog grows with each passing year. We believe that sound regulatory practice dictates that the commission keep pace with compli-

**PUBLIC UTILITIES COMMISSION—Continued**

ance audit requirements. With the augmentation of four financial examiners and initiation of a three-year compliance audit cycle the commission should be able to meet its mandated responsibility in this area.

**Need Examination of Utility Affiliates**

*We recommend a General Fund augmentation of \$19,854 (Item 69) for one associate utilities engineer, provided the position is used solely to conduct depreciation and plant verification studies and examine the pricing and costing practices of utility affiliated companies.*

Depreciation studies have a great impact on the rate-making process because costs flowing therefrom represent the largest single item of expense (except fuel and taxes) to utility companies. Technological advances and environmental concerns together with new governmental safety regulations are causing early retirement and replacement of facilities. These changes necessitate additional engineering time in the commission's General Engineering Branch.

Plant verification studies are required to insure that the utility plant is operative and used efficiently. These studies are used to determine the reasonableness of utility estimates of plant requirements and construction programs which have direct impact on rate levels. Table 4, detailing the extent of the General Engineering Branch's activity in depreciation and plant verification studies, shows the (1) number of depreciation studies performed has increased, while the staffing assigned to that function has remained relatively level, and (2) plant verification and construction reviews have been discontinued.

**Table 4**  
**Depreciation and Plant Verification Study Activity**

<i>Reviews*</i>	1970-71	1971-72	1972-73	1973-74	(Est.) 1974-75	(Est.) 1975-76
Depreciation reviews performed .....	13	14	15	13	15	19
Man-years .....	1.3	1	1	0.6	1	1
Plant verification, construction reviews .....	2	—	—	—	—	—

\* Exclusive of rate proceedings.

Since 1970-71, depreciation studies have become increasingly complex and can no longer be done in the depth required with only one position. The associate utilities engineer position which we are recommending would allow more time to be devoted to these studies, thereby improving their quality. In addition, important plant verification and construction program reviews could be reinstated. We anticipate that approximately one-half of this person's time would be used for these functions.

The remaining one-half of the associate utilities engineer's time would be spent examining the pricing and costing practices of utility affiliates. This aspect of public utility regulation has received important notice from the courts. The affiliates manufacture or supply plant, merchandise, and services to the utilities. The prices they charge are reflected ultimately in the utility rates consumers must pay. Also, utilities frequently provide services to their affiliates and must allocate their costs proportionately.

The costs of these services are ultimately paid by the consumer as well.

The commission has devoted minimal effort to investigations of affiliates because of overall workload increases in rate proceedings. The recommended one-half time of an associate utilities engineer will make possible significant activity in this important area.

#### REGULATION OF TRANSPORTATION PROGRAM

The Regulation of Transportation Program is composed of four elements (1) regulation of rates, which conducts the basic financial analysis of rate adjustment proposals for transportation and warehouse services; (2) services and facilities, which is concerned with the adequacy of service of all classes of transportation companies, (3) licensing, which acts on applications filed by for-hire carriers or warehousemen desiring to operate in California and (4) safety whose two units, railroad safety and grade crossing safety are responsible for ensuring adherence to minimum standards in the operation of railroads, rapid transit systems, and railroad highway grade crossing facilities.

##### Regulation of Rates Element

*We recommend a Transportation Rate Fund augmentation of \$15,567 (Item 70) for one transportation analyst III to reduce backlog of applications in the Passenger Operations Branch and to speed handling of consumer complaints.*

The Passenger and Operations Branch administers the rates, charges, and operations of surface and air passenger carriers. Much of the staff time is spent analyzing formal applications for rate increases or for new operating certificates. Formal filings have increased 170 percent in the past year, resulting in a current backlog of 97 formal filings pending in the surface passenger section and 49 in the air passenger section. This backlog will continue to grow with the present rate of filings. In addition, the backlog of complaints involving air carriers has more than doubled in the current year. There is presently only one position to investigate air carrier complaints. This results in long delays from the time a complaint is received until the consumer is notified of the action taken. Prompt handling of complaints is a service the public expects and should receive.

Addition of a transportation analyst III will reduce backlog in both formal application review and in complaint handling.

**COMMISSION ON THE STATUS OF WOMEN**

Item 71 from the General Fund

Budget p. 135

Requested 1975-76 .....	\$181,135
Estimated 1974-75.....	122,232
Actual 1973-74 .....	76,601
Requested increase \$58,903 (48.1 percent)	
Total recommended reduction .....	\$31,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. *Commission Chairperson. Reduce \$31,000. Recommend deletion of the commission chairperson as a new position.* 117

**GENERAL PROGRAM STATEMENT**

The Commission on the Status of Women, successor to a limited-term agency established in 1965, is a 17-member body consisting of two statutory members (the Superintendent of Public Instruction and the Chief of the Division of Industrial Welfare), one public member and three assemblymen appointed by the Speaker of the Assembly, one public member and three senators appointed by the Senate Committee on Rules, and seven public members appointed by the Governor. The public members have staggered, four-year terms of office.

The commission received permanent status and broadened functions in 1971. It is directed by statute to study:

- (1) Women's educational and employment problems, needs, and opportunities.
- (2) State laws regarding the civil and political rights of women.
- (3) The effect of social attitudes and pressures and economic considerations in shaping the roles assumed by women in society.
- (4) Any laws, practices, or conditions concerning or affecting women which impose special limitations or burdens upon them or upon society, or which limit or tend to limit opportunities available to women.

**ANALYSIS AND RECOMMENDATIONS**

The commission is proposing a total program expenditure of \$316,698, which is an increase of \$25,888 or 8.9 percent over estimated current-year expenditures.

A Rockefeller Foundation grant of \$135,563 accounts for 43 percent of total budget-year expenditures. The grant finances the commission's part of a national study on conformity of laws to the Equal Rights Amendment. The remaining 57 percent of the total program expenditure consists of a proposed General Fund appropriation of \$181,135, which is \$58,903 or 48.1 percent above the current General Fund support level. This increase is largely attributable to three new positions requested to augment the commission's authorized staff of 6.5 positions.

**New Positions**

The proposed three new positions (associate research analyst, clerk typist II, and commission chairperson) have a total salary cost of \$55,723. The commission states that its responsibility to provide advisory and consultative input to the Legislature has increased markedly. Its staff estimates that significant study and input was possible on only 30 of the approximately 100 bills affecting women introduced in last year's session. The requested associate research analyst would augment the commission's legislation analysis capabilities and assist in meeting greater demands from a variety of sources for statistical information on issues pertaining to women. The clerk-typist II would provide necessary clerical support for the associate research analyst as well as assisting with existing clerical workload.

**Salaried Commission Chairperson Not Justified**

*We recommend deletion of the commission chairperson as a proposed new position for an annual General Fund saving of \$31,000.*

Pending passage of enabling legislation, the budget provides for converting the commission chairperson to a full-time position at an annual salary of \$31,000. Commission members presently are reimbursed for their necessary expenses. This proposal reflects the new administration's desire to enhance the commission's standing relative to other state commissions. While we are sympathetic to the problems women face, we believe the character of the commission's workload does not justify this new position.

The commission is essentially an informational, advisory and promotional body. It has no regulatory power. Its major workload and statutory responsibility consist largely of reviewing legislation, gathering data, disseminating information and coordinating the advocacy of programs to promote women's rights. The proposed research analyst and clerical position are a sufficient staff augmentation to meet workload requirements in these areas. Various other agencies, both federal and state, have specific regulatory power with respect to promoting and enforcing equal rights for women in employment and in other sectors of our society.

Chapter 1378, Statutes of 1965, which originally created the commission, provides only for the annual selection of a chairperson from among the commission members. While specific powers and duties are not listed, past chairpersons have traditionally presided over commission meetings and represented the commission on formal occasions. We understand that the incumbent chairperson has been more directly involved in commission activities than some of her predecessors (she, for example, heads the Rockefeller study for which she is compensated with grant funds), but this is no justification in our judgment for converting a commission membership to a full-time, salaried position.

A commission functions best in an open forum. When advocating a policy position, each member should have equal access to information and to the other members' attention. The presence of a full-time, salaried chairperson negates the concept of equality, thereby undermining the decision-making process and its resultant products. We believe that the existing staff position of executive secretary with a salary of \$19,236 is

**COMMISSION ON THE STATUS OF WOMEN—Continued**

sufficient to interpret commission policy and supervise 5.5 other positions. We would note further that the proposed \$31,000 salary for the commission chairperson approximates that of the chairman of the State Water Resources Control Board (\$32,556) who directs a major program with a budget of over \$66 million, 600 staff members, and regulatory and quasi-judicial power over water rights and water quality matters. The Alcoholic Beverage Control Appeals Board with a staff of four and a budget of \$173,000 would be a more appropriate body for salary comparison purposes. Even though the ABC Appeals Board chairman and members exercise quasi-judicial power (which the commission chairperson would not), their annual salaries are \$17,364.

**Federal Grants Expire**

In 1974, the commission received a \$35,000 grant from the federal Law Enforcement Assistance Administration through the state Office of Criminal Justice Planning for a pilot project, Women in Transition, which trains volunteers to provide counseling and support services for women inmates of the Sacramento County jail as they serve their sentences and return to the community. The grant provided for three positions (research assistants II and IV and temporary help); which were added administratively in the current year. The proposed budget deletes these positions due to expiration of the grant. The commission reports that if the grant is renewed for the budget year the three positions will be administratively reinstated.

Also terminated in the budget year is a \$25,000 federal grant through the Intergovernmental Personnel Act to conduct a training workshop for public members of city and county commissions on the status of women. This grant is not expected to be renewed.

## INTERGOVERNMENTAL BOARD ON ELECTRONIC DATA PROCESSING

Item 72 from the General Fund

Budget p. 136

Requested 1975-76 .....	\$61,590
Estimated 1974-75 .....	58,754
Actual 1973-74 .....	57,144
Requested increase \$2,836 (4.8 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

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|--|-----|
| 1. Annual Report. Recommend board's annual report to the Legislature be made by November 30 of each calendar year.   | 119 |
| 2. Objectives and Responsibilities. Recommend the board report on (1) the meeting of objectives, (2) the degree to which statutory responsibilities are being fulfilled, and (3) activities relative to responsibilities in future annual reports. | 119 |



3. Office Relocation. Recommend Department of General Services be directed to find suitable office space in an existing state facility for the relocation of board. 120
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#### **GENERAL PROGRAM STATEMENT**

The primary statutory responsibilities of the Intergovernmental Board on Electronic Data Processing include the establishment of policies, goals and objectives relative to intergovernmental information systems, and the development of a methodology to achieve appropriate coordination and review of such systems. Also under its statutory authority, the board may recommend legislation to insure the protection of individual privacy and the confidentiality of information contained in intergovernmental information systems.

The board consists of 14 members appointed by the Governor. It elects its own chairman. The Governor appoints the board's executive director, who serves at an annual salary of \$28,152. Members serve without compensation except the chairman who is reimbursed for expenses incurred in the performance of his duties.

A technical advisory committee consisting of representatives of state and local government provides substantial staff assistance to the board.

#### **ANALYSIS AND RECOMMENDATIONS**

The proposed budget of \$61,590 represents a 4.8 percent increase over the current year budget and reflects a continuation of the current staff, consisting of the executive director and secretary, and associated operating expenses. These positions provide necessary support to the board in carrying out its responsibilities. In addition, the secretary position provides support to the California Information Systems Implementation Committee (Item 77).

#### **Annual Report**

*We recommend that the board present its annual report to the Legislature by November 30 of each year, commencing in 1975.*

The board is required by law to report annually during the regular session to the Governor, the Legislature, and all organizations which it represents. The last report received from the board was for the 1972-73 fiscal year and was released on May 31, 1973. The next report is expected to be available sometime in early 1975. Therefore, the board will not have reported in calendar year 1974. These reports would be more meaningful as a basis for evaluating the board's work if they were submitted prior to January 1 of each year.

#### **Fulfillment of Objectives and Responsibilities**

*We recommend that the board inform the Legislature at the time of the budget hearings as to (1) progress made in meeting the objectives contained in the board's 1973 report to the Legislature, and (2) the degree to which the board is fulfilling each of its statutory responsibilities. We recommend also that the board address in future annual reports its activities relative to these responsibilities.*

In response to our recommendation that it identify specific objectives,

**INTERGOVERNMENTAL BOARD ON EDP—Continued**

the board in its 1973 report to the Legislature identified a number of areas in which it intended to operate to fulfill its statutory responsibility. Because the board was criticized in budget hearings last year for failing to participate effectively in intergovernmental electronic data processing activities, we recommend that it report its progress in meeting these stated objectives during the budget hearings this year.

Similarly, we believe that the board should explain to the fiscal committees the degree to which it is fulfilling the 10 specific functions and responsibilities contained in Section 11711 of the Government Code.

Finally, in order to indicate clearly how the board has accomplished its responsibilities and functions, we suggest that future annual reports contain such an assessment.

**Relocate Office**

*We recommend that the Legislature direct the Department of General Services to provide office space in an existing state facility in the Capitol area sufficient to house both board staff and the consultant to the California Information Systems Implementation committee.*

The board's staff and the consultant to the California Information Systems Implementation Committee currently share isolated office space in a privately-owned apartment building in the downtown area. This facility is particularly inadequate because typical office services such as document reproduction must be obtained at nearby state offices at a considerable loss in personnel time. Further, there is no telephone answering backup at the current facility. An answering service was tried but considered inadequate.

It should be possible to find suitable quarters for the three positions involved in an existing state facility where typical office services and adequate telephone backup could be readily obtained.

**HORSE RACING BOARD**

Item 73 from the Fair and Ex-  
position Fund

Budget p. 140

Requested 1975-76 .....	\$591,902
Estimated 1974-75.....	554,803
Actual 1973-74 .....	507,919
Requested increase \$37,099 (6.7 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Licensing. Recommend annual revision of fee structure.

121

**GENERAL PROGRAM STATEMENT**

The Horse Racing Board, which consists of three persons appointed by the Governor and a staff of 27.8 authorized positions in 1974-75, is responsible for licensing all persons participating in horseracing, enforcing the horseracing law, and collecting the state's revenue from horseracing meets.

**ANALYSIS AND RECOMMENDATIONS****LICENSING**

*We recommend that the board review its license fee structure annually to insure that the board is "self-supporting".*

The board raised its 1975 license fees by an average of 32 percent in response to legislative direction that the board become "self-supporting." Despite this large percentage increase the estimated 1975-76 license fee revenues of \$429,000 will fall \$162,000 short of the board's 1975-76 budget. The 32 percent increase in fees indicates that the board has made a reasonable effort toward becoming "self-supporting". However, we believe that the board should adopt a policy of reviewing its license fee structure every year and making any revisions necessary to insure that the board's license fee revenues equal its operating costs. License fees should be adjusted annually beginning in 1976 to levels that will make the board entirely self-supportive for 1976-77 and beyond.

As Table 1 shows, no significant change in the licensing workload is expected in 1975-76.

**Table 1**  
**Horseracing Occupational License Issued,  
Fees Collected, and Personnel**

	<i>Actual 1971-72</i>	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Estimated 1975-76</i>
Licenses issued .....	17,271	17,351	17,397	17,600	18,000
Fees collected (thousands) .....	\$305	\$307	\$314	\$389	\$429
Licensing personnel .....	7	8	8.7	9.2	9.2

**ENFORCEMENT**

The board has joined the Interstate Racing Information Service, which identifies persons violating horseracing laws and regulations in other states, at a 1975-76 cost of \$9,700 for computer equipment and computer time. This investment is expected to aid the board's enforcement efforts. The board should evaluate this investment prior to submission of the 1976-77 budget request.

As Table 2 shows, the enforcement workload (as measured by the number of disciplinary hearings) has been relatively constant since 1970-71 and is not expected to change significantly in 1975-76.

**Table 2**  
**Horseracing Days and Nights, Disciplinary  
Hearings and Enforcement Personnel**

	<i>Actual 1970-71</i>	<i>Actual 1971-72</i>	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Estimated 1974-75</i>	<i>Estimated 1975-76</i>
Disciplinary hearings .....	126	115	129	123	130	135
Enforcement personnel .....	8.7	9.1	11	11	11	11

**HORSE RACING BOARD—Continued****ADMINISTRATION**

Eight man-years are allocated to the board's administrative functions in 1975-76.

**BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF  
SAN FRANCISCO, SAN PABLO AND SUISUN**

Item 74 from the Board of Pilot  
Commissioners' Special Fund

Budget p. 142

Requested 1975-76 .....	\$44,106
Estimated 1974-75.....	41,828
Actual 1973-74 .....	32,626
Requested increase \$2,278 (5.4 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Administrative Services. Recommend board explain to the fiscal committees its decision not to procure administrative services from the Department of General Services. 123

**GENERAL PROGRAM STATEMENT**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for supplying qualified pilots for vessels entering or leaving those bays. The three-member board (appointed by the Governor) administers a single program of licensing and regulating pilots by conducting pilot examinations and acting on disciplinary complaints. The board maintains an office in San Francisco staffed by one full-time secretary to provide support for the board and the Pilotage Rate Committee. This committee is composed of five members appointed by the Governor. Its function is to prepare recommendations on pilotage rates for the Legislature.

Both the board and committee are supported by the Board of Pilot Commissioner's Special Fund. Revenue for this fund is derived from a percentage assessment on pilot fees which are collected directly by the pilots from ships they serve.

**ANALYSIS AND RECOMMENDATIONS**

In fiscal year 1975-76 the board proposes to expend \$44,106 which is \$2,278 or 5.4 percent above estimated expenditures for the current year. This increase reflects rising operating and equipment costs.

**Supplementary Report Recommendation**

*We recommend that the board explain to the fiscal committees its decision not to procure administrative services from the Department of General Services.*

The Supplementary Report of the Committee on Conference (Budget Bill of 1974) recommended that "... the board's administrative services be provided by the Department of General Services rather than by the Department of Consumer Affairs in order to realize potential savings." As pointed out in our analysis for the current year, the board's administrative services are now provided by the Department of Consumer Affairs. For these services, the board pays a pro rata share of the department's costs for operating the Division of Administration and the Division of Consumer Services. We recommended that the board's administrative services be provided by the Department of General Services because that department would charge an hourly rate for services rather than a pro rata charge. We were advised last year that the Department of General Services could provide administrative services to the board for approximately \$2,240 annually. The Department of Consumer Affairs estimates that it will charge the board \$3,283 for administrative services in the budget year.

We have been advised by the Board of Pilot Commissioners that it does not intend to implement the recommendation of the Supplementary Report of the Committee on Conference. However, in view of the potential savings associated with this recommendation, we believe that the board should explain to the fiscal committees at the time the budget is heard its reasons for not implementing this recommendation.

**HEALTH BENEFITS FOR ANNUITANTS**

Item 75 from the General Fund

Budget p. 143

Requested 1975-76 .....	\$6,086,100
Estimated 1974-75 .....	5,452,542
Actual 1973-74 .....	4,665,322
Requested increase \$633,558 (11.6 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

Reflect Actual Cost. Recommend Department of Finance display the total cost of this program in the 1976-77 budget document. 124

**GENERAL PROGRAM STATEMENT**

This statutorily required appropriation provides the state's contribution toward payment of the health insurance premiums of annuitants of retirement systems to which the state makes contributions as an employer. These systems are the Judges' Retirement System, the Legislators' Retirement System, the Public Employees' Retirement System (for retired state employees only), and the Teachers' Retirement System (for retired state

**HEALTH BENEFITS FOR ANNUITANTS—Continued**

employees only).

**ANALYSIS AND RECOMMENDATIONS**

The objective of this program is to provide a degree of postretirement security for employees and their dependents by contributing one of the following amounts toward the monthly premium of a state-approved health insurance plan: (1) \$19 for an annuitant only, (2) \$33 for an annuitant and one dependent, and (3) \$41 for an annuitant and two or more dependents. This level of state contribution was authorized beginning July 1, 1974, by Chapter 374, Statutes of 1974 (the total equivalent compensation (TEC) legislation). Prior to that date, the state's contribution was a flat \$16 per month.

**Understatement of Cost**

*We recommend that the Department of Finance display the total cost of this program in the 1976-77 budget document.*

The \$6,086,100 requested in this item is the amount required to fund the program at the former \$16 premium contribution level and therefore does not reflect the total cost of this program. The remaining funding (\$2,320,032) is in Item 90 which includes augmentations for employee benefits. A similar understatement of cost applies to the estimate of expenditures for 1974-75. Table 1 shows the *total* estimated cost of this program.

**Table 1**  
**Annual Health Benefit Cost**

Retirement System	1974-75		1975-76	
	\$16 Level	Actual Cost	\$16 Level	Actual cost
Judges' .....	\$44,550	\$62,100	\$48,981	\$67,620
Legislators' .....	13,662	19,044	15,794	21,804
Employees' .....	5,346,810	7,538,388	5,970,315	8,242,188
Teachers' .....	47,520	66,240	51,010	74,520
Total .....	\$5,452,542	\$7,685,772	\$6,086,100	\$8,406,132

The Department of Finance advises that the decision to show the cost of this program under two separate items was based on the fact that the costs of the various components of the 1974-75 TEC program could not readily be identified separately for each agency. Therefore, all monies for the 1974-75 TEC program are being appropriated on a lump sum basis in the salary increase and employee benefits items. However, the budget document can identify the total cost of this program even though for administrative purposes it may be desirable to fund the program from two appropriations.

**REFUND OF TAXES, LICENSES, AND OTHER FEES**

Item 76 from the General Fund

Budget p. 147

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Requested 1975-76 .....	\$30,000
Estimated 1974-75 .....	30,000
Actual 1973-74 .....	9,782
Requested increase None	
Total recommended reduction .....	None

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**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

This item provides a source from which expeditious refunds can be made for erroneous payments or overpayment of taxes, licenses, and other fees which are noncontroversial, thereby avoiding the necessity of filing claims with the Board of Control and inserting items in the Claims Bill.

**CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE**

Item 77 from the General Fund

Budget p. 148

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Requested 1975-76 .....	\$32,031
Estimated 1974-75 .....	30,987
Actual 1973-74 .....	—
Requested increase \$1,044 (3.4 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The California Information Systems Implementation Committee is a statutory body comprised of 12 designated members of the Legislature and the executive branch. It is responsible for recommending specific legislative and executive actions necessary to implement the state's electronic data processing (EDP) policies. These policies are set forth in Government Code Chapter 7 (commencing with Section 11700), and Chapter 8 (commencing with Section 11775).

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The \$32,031 requested for the 1975-76 fiscal year will provide one consultant for the committee and associated operating expenses. The consultant will provide general assistance to the committee in its efforts to make recommendations for improving the effectiveness of EDP, and help prepare the committee's reports to the Governor and the Legislature which are due by February 1 of each year.

The primary activity of the committee during the current year has been to review statewide data communications and accept testimony from a number of public utilities and state agencies skilled in providing data communication services.