

Board Workload in Question

We withhold recommendation on the budget request pending a decision by the Department of Corrections on whether to continue biomedical research involving the use of inmates as subjects.

The Institutional Review Board reviews proposals for two types of research involving the use of inmates as subjects: behavioral and biomedical. The board considers research proposals on the basis of the medical, psychological, and social risks they pose to the inmate subjects. With proper informed consent and confidential information practices, the behavioral research poses little or no threat to inmate research subjects. This type of research generally gathers information by questionnaires or from personal interviews with inmates. Consequently, the review of behavioral research constitutes a relatively minor part of the board's workload. It is the biomedical research that is potentially risky to the physical or psychological health and/or social life of an inmate.

At the time this analysis was prepared, the Department of Corrections was in the process of making a policy decision concerning the continuation of biomedical research using inmates as research subjects. If the biomedical research is phased out in the current or budget year, the staffing needs of the Institutional Review Board would be less than proposed in the budget. Pending the Department of Correction's decision, we withhold recommendation on funding for the board.

POLITICAL REFORM ACT

| Item 411 from the General Fund | Budget p. GG 2 |
|--|----------------|
| Requested 1980-81 | \$2,065,921 |
| Estimated 1979-80..... | 2,014,553 |
| Actual 1978-79 | 2,598,846 |
| Requested increase (excluding amount for salary increases) \$51,368 (+2.6 percent) | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The Political Reform Act of 1974, an omnibus elections measure, includes provisions relating to (1) campaign expenditure reporting and contribution limitations, (2) conflict-of-interest codes and related disclosure statements required of public officials, (3) the state ballot pamphlet, (4) regulation of lobbyist activity, and (5) establishment of the Fair Political Practices Commission (FPPC).

Funds to implement these provisions are budgeted for four state agencies. Support for one of these agencies, the Fair Political Practices Commission, is provided directly by the Political Reform Act of 1974. Funds for the other state agencies and any additional funds for the commission are provided by the Legislature through the normal budget process.

POLITICAL REFORM ACT—Continued

Table 1
Support for Political Reform Act of 1974

| <i>Agency</i> | <i>Function</i> | <i>Actual 1978-79</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Amount Change 1979-80 to 1980-81</i> | <i>Percent Change 1979-80 to 1980-81</i> |
|---|-----------------------|---------------------------|------------------------------|-----------------------------|---|--|
| Secretary of State | Filing of Documents | \$429,523 | \$478,792 | \$485,582 | \$6,790 | 1.4% |
| Secretary of State | Reimbursements | -32,916 | -14,157 | -13,904 | -253 | -1.8 |
| Franchise Tax Board | Auditing Statements | 1,827,134 | 1,343,968 | 1,382,900 | 38,932 | 2.9 |
| Attorney General | Enforcement | 183,651 | 205,950 | 211,343 | 5,393 | 2.6 |
| (a) Fair Political Practices Commission (through Budget Act) .. | Administration of Act | 191,454 | — | — | — | — |
| Subtotals | | <u>\$2,598,846</u> | <u>\$2,014,553</u> | <u>\$2,065,921</u> | <u>\$51,368</u> | <u>2.6%</u> |
| (b) Fair Political Practices Commission (through Section 83122 G.C.) | Administration of Act | <u>1,359,504</u> | <u>1,531,079</u> | <u>1,609,626</u> | <u>28,547</u> | <u>1.8</u> |
| Totals, Political Reform Act | | <u>\$3,958,350</u> | <u>\$3,595,632</u> | <u>\$3,675,547</u> | <u>\$79,915</u> | <u>2.2%</u> |

Chapter 1075, Statutes of 1976, requires a separate budget item indicating (1) the amounts to be appropriated to agencies other than the commission, (2) any additional amounts required to be appropriated to the commission, and (3) for information purposes, the continuing appropriation provided the commission by the Political Reform Act of 1974.

Table 1 identifies the departments which will expend funds in support of the act, the general function each performs, and their estimated expenditures during the prior, current and budget years. The subtotal represents that amount appropriated through the Budget Act for support of the Political Reform Act. The total represents that amount available for carrying out the act's provisions, and includes funds appropriated by the Budget Act and the continuing appropriation made by Section 83122 of the Government Code.

Secretary of State Duties

Responsibilities assigned the Secretary of State by the Political Reform Act of 1974 include receipt of campaign expenditure statements and the registration of lobbyists. In addition, the Secretary of State prints and makes available information listed in lobbyist registration statements. Work performed in accordance with the Political Reform Act is estimated to cost \$485,582 in the budget year, which includes \$13,904 in reimbursements. This represents an increase of 1.4 percent above anticipated current year costs of \$478,792.

Attorney General's Duties

The Political Reform Act of 1974 requires the Attorney General to enforce the criminal provisions of the act with respect to state agencies, lobbyists and state elections. In addition, the Attorney General is required to provide legal advice and representation to the commission without charge. Current year expenditures to provide required services are estimated at \$205,950, and \$211,343 is requested for the budget year, an increase of 2.6 percent.

Fair Political Practices Commission

The Fair Political Practices Commission is responsible for the administration and implementation of the act. The commission consists of five members, including the chairman and one other member who are both appointed by the Governor. The Attorney General, the Secretary of State and the State Controller each appoint one member. The commission is supported by a staff hired under its authority, and receives a statutory General Fund allocation adjusted annually for cost-of-living changes based on an initial allocation of \$1 million.

In accordance with the Political Reform Act of 1974, the commission's statutory budget for 1980-81 is \$1,609,626. The Governor's Budget does not provide any funds above the statutory minimum.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$2,065,921 from the General Fund to carry out the provisions of the Political Reform Act of 1974 in

POLITICAL REFORM ACT—Continued

1980-81. This is \$51,368, or 2.6 percent, more than the estimated current year expenditure. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Item 411 appropriates these funds which are then transferred by the State Controller to the items supporting the agencies responsible for the various functions mandated by the act.

FRANCHISE TAX BOARD DUTIES

The Political Reform Act requires the Franchise Tax Board to audit the financial transactions statements of (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or opposing statewide ballot measures, and (4) specified elected officials. The department's auditing responsibilities are carried out by a separate division, the Political Reform Audit Division (PRAD). FTB proposes budget year expenditures for PRAD of \$1,382,900, an increase of \$38,932, or 2.9 percent, over estimated current year expenditures. Staffing for PRAD is budgeted at 45.4 personnel-years in 1980-81, a reduction of 9.6 from 1979-80.

Workload Reduction from 1978 Legislation

Chapter 1411, Statutes of 1978, substantially altered the audit requirements of the Political Reform Act. Whereas previously FTB was required to audit *all* lobbyist and campaign disclosure statements, Chapter 1411 requires such audits to be performed on a *random* basis. Chapter 1411, consequently, has had a dramatic impact on the department's personnel needs.

Table 2 shows that FTB has a baseline staffing level of 99.5 personnel-years in 1979-80 and 1980-81. The department now estimates that it will use only 55 personnel-years and \$1.34 million in the current year, a 44.5 position reduction due primarily to the shift to random audits. The decrease is composed of: (1) a 36.4 personnel-year reduction due to Section 27.2, Budget Act of 1979, and (2) an additional 8.1 personnel-year workload reduction adjustment. In the budget year, the department proposes the permanent reduction of 54.1 personnel-years in order to bring ongoing staffing levels in line with workload need.

Table 2
Franchise Tax Board
Political Reform Audit Division
1979-80 and 1980-81

| | 1979-80 | | 1980-81 | |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
| | Personnel- Years | Expenditures (Estimated) | Personnel- Years | Expenditures (Estimated) |
| Baseline | 99.5 | \$2,734,223 | 99.5 | \$2,808,771 |
| Personal Services | | | | |
| Adjustment: Section 27.2 reduction | -36.4 | -752,569 | — | — |
| Workload | -8.1 | -232,270 | -54.1 | -980,213 |
| OE&E and Other Adjustments | — | -405,416 | — | -445,658 |
| Totals | 55.0 | \$1,343,968 | 45.4 | \$1,382,900 |

The FTB's staffing and expenditure requests for PRAD are based on the projected workload for the four-year period July 1, 1980 through June 30, 1984. The department needs to have resources adequate to ensure that all required audits are completed within the four-year statute of limitations established by Chapter 1411. The proposed staffing level appears to be justified and we recommend approval.

AGRICULTURAL LABOR RELATIONS BOARD

Item 412 from the General
Fund

Budget p. GG 3

| | |
|--|-------------|
| Requested 1980-81 | \$8,642,244 |
| Estimated 1979-80..... | 8,187,437 |
| Actual 1978-79 | 6,702,923 |
| Requested increase (excluding amount for salary increases) \$454,807 (+5.6 percent) | |
| Total recommended reduction | \$242,682 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Operating Expenses. Reduce by \$242,682. Recommend* 1301
elimination of overbudgeting in operating expenses.

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board was established by Chapter 1, Statutes of 1975, Third Extraordinary Session, for the purpose of guaranteeing agricultural workers the right to join employee organizations, to bargain collectively with their employers and to engage in concerted activities through representatives of their own choosing. Agricultural workers are currently excluded from coverage under the National Labor Relations Act which guarantees similar benefits to other workers in the private sector.

To fulfill its objectives, the board conducts the following programs:

1. General administration, which provides budget, accounting, personnel and support services to the board, the general counsel and four regional offices.
2. Board administration, which includes the five-member Agricultural Labor Relations Board and the board's executive secretary. The board establishes policy, procedures and regulations for purposes of carrying out the Agricultural Labor Relations Act, and holds hearings to adjudicate disputes between farm workers and their employers involving such matters as representation elections and unfair labor practice charges filed by employers or workers. The board also reviews decisions of hearing officers when requested by either party.
3. General counsel administration, which through the office of the general counsel:
 - a. conducts secret ballot elections to enable farm workers to select representatives of their own choosing;
 - b. investigates and prosecutes unfair labor practice charges before the board or hearing officers; and

AGRICULTURAL LABOR RELATIONS BOARD—Continued

- c. defends all board actions in the courts and obtains court orders when necessary to carry out decisions of the board regarding such matters as providing remedies for unfair labor practices.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$8,642,244 from the General Fund for support of the Agricultural Labor Relations Board in 1980–81, which is an increase of \$454,807, or 5.6 percent, above the estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 shows the 1980–81 budget summary for the board.

Table 1
Agricultural Labor Relations Board
Budget Summary

| | <i>Estimated 1979–80</i> | <i>Proposed 1980–81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| Administrative Services (distributed) | (\$624,192) | (\$647,293) | (\$23,101) | (3.7%) |
| Personnel-years | 17.7 | 17.7 | — | — |
| Board Administration | | | | |
| a. Policy and Procedures..... | 170,495 | 181,594 | 11,099 | 6.5 |
| Personnel-years..... | 3.6 | 4.6 | 1 | — |
| b. Hearings and Board Review | 3,108,247 | 3,310,603 | 202,356 | 6.5 |
| Personnel-years..... | 62.4 | 62.4 | — | — |
| General Counsel Administration | | | | |
| a. Representation Cases..... | 500,687 | 525,305 | 24,618 | 4.9 |
| Personnel-years..... | 11.8 | 11.8 | — | — |
| b. Unfair Labor Practice Cases | 3,548,986 | 3,723,484 | 174,498 | 4.9 |
| Personnel-years..... | 83.9 | 83.6 | –0.3 | — |
| c. Court Litigation | 859,022 | 901,258 | 42,236 | 4.9 |
| Personnel-years..... | 20.3 | 20.2 | –0.1 | — |
| Totals | \$8,187,437 | \$8,642,244 | \$454,807 | 5.6% |
| Personnel-years | 199.7 | 200.3 | 0.6 | — |

The increase results primarily from merit salary adjustments, inflation and one new position. The latter will assist the chairman to fulfill his administrative duties and the board to promulgate regulations. We believe that sufficient work exists in these areas to justify the additional position.

Rising Workload. The board has experienced a sharp increase in workload since January 1979 when the lettuce strike started. During the past 12 months, unfair labor practice charges have averaged 100 per month, and then reached a high of 199 in August 1979. This compares to approximately 61 per month in 1977–78 and 42 per month during the first half of 1978–79. The increase in workload has created a backlog which should fully occupy the board well into the budget year.

The board has not requested an increase in staff to reduce the backlog because it is not known (1) how long the strike and the accompanying heavy workload will last, (2) whether the workload will return to the pre-strike levels when the strike ends, or (3) how many of the unfair labor practice charges might be withdrawn once a settlement is reached. It is a common practice in labor relations for the parties to withdraw most

pending unfair labor charges regardless of merit once a settlement is reached.

Staffing and Workload Standards. The Legislature, in the Supplemental Report of the 1979 Budget Act, required the board to develop staffing and workload standards and to report thereon by November 30, 1979. We have reviewed the board's report and generally concur with its recommended approach. The standards represent a simplified version of a system utilized by the National Labor Relations Board.

Under the ALRB system, there will be basically three standards for field staff:

- 110 personnel-hours for each election petition.
- 64 personnel-hours for each unfair labor practice (ULP) charge.
- 264 personnel-hours for each ULP complaint.

The standards, together with caseload estimates, will be used to determine staffing levels for future years. The high workload levels being experienced in the current year should provide an opportunity to demonstrate the standard's validity. We will monitor and report on the use of the standards in future analyses.

Travel and Per Diem Abuses. The Legislature reduced the board's request for travel funds last year, and required it to develop a management system for the proper payment of per diem and travel expenses. The Legislature took this action, based on our findings of various abuses, such as:

- Payment of per diem for weekends when there was no evidence of work performed by the employee.
- Excessive travel on the part of clerical personnel.
- Failure to comply with Board of Control rules.

We have reviewed the board's revised procedures as well as most of the travel claims submitted by the board's employees since the budget hearing last spring. Thus far, the board appears to have eliminated these problems. The Legislature also requested the Department of Finance to make a preliminary audit of the board's procedures for managing travel funds. The department reports that the problems have been eliminated.

Operating Expenses Overbudgeted

We recommend a reduction of \$242,682 to eliminate overbudgeting of operating expenses.

The Agricultural Labor Relations Board is requesting \$2,528,642 for operating expenses and equipment in 1980-81. As shown in Table 2, such expenditures were considerably overbudgeted in 1977-78 and 1978-79.

Table 2
Agricultural Labor Relations Board
Operating Expenses and Equipment Costs

| | <i>Budgeted</i> | <i>Expended</i> | <i>Percent Spent</i> |
|---------------|-----------------|-----------------|----------------------|
| 1977-78 | \$2,519,500 | \$2,021,736 | 80.2% |
| 1978-79 | 2,811,000 | 2,032,549 | 72.3 |

Our analysis indicates that this overbudgeting has occurred primarily because the board has failed in some cases to relate its budget estimates

AGRICULTURAL LABOR RELATIONS BOARD—Continued

to prior year actual expenditures.

In budgeting operating expenses, state agencies traditionally apply price increase factors developed by the Department of Finance, as set forth in the department's annual price letter. Where key items of expense are not specifically covered by such guidelines, the agency may increase prior year expenses by a general percentage, to adjust these costs for inflation. The general increase was 5 percent for 1979-80, and 7 percent for 1980-81. If, instead, an agency elects to apply the specific price letter guidelines to some items of expense, it is required to use a percentage factor of 5 percent for goods and services which are not specified in the guidelines.

An application of the general increase factor to the board's 1978-79 actual expenditures (except as discussed below) produces net savings of \$242,682 in the board's operating expenses, as shown in Table 3.

Table 3
Recommended Changes in Operating Expenses

| <i>Category</i> | <i>Actual 1978-79</i> | <i>Proposed 1980-81</i> | <i>Analyst's Proposal</i> | |
|-----------------------|---------------------------|-----------------------------|---------------------------|----------------|
| | | | <i>Amount</i> | <i>Savings</i> |
| Communications | | | | |
| Telephone | \$45,095 | \$75,000 | \$50,500 | \$24,500 |
| ATSS | 35,248 | 71,500 | 39,500 | 32,000 |
| Travel—in-state | | | | |
| Travel expenses | 317,486 | 463,400 | 355,600 | 107,800 |
| Rental vehicles | 154,982 | 211,800 | 173,600 | 38,200 |
| Board Hearings | | | | |
| Transcripts | 586,787 | 535,000 | 657,200 | -122,200 |
| Interpreters | 23,425 | 107,000 | 47,600 | 59,400 |
| Facilities | 17,972 | 55,500 | 22,000 | 33,500 |
| Witness fees | 17,116 | 88,682 | 19,200 | 69,482 |
| Total Savings | | | | \$242,682 |

Our recommendation is consistent with the Department of Finance guidelines except in two cases. We assumed higher expenditure levels in 1977-78 for interpreters and for renting hearing room facilities as the base for estimating these costs for 1980-81. This is because we expect 1980-81 unfair labor practice hearing workload to be higher than experienced in 1978-79.

On the basis of this analysis, we recommend that the board's operating expense request be reduced by \$242,682.

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 413 from the General

Fund

Budget p. CG 11

| | |
|--|-------------|
| Requested 1980-81 | \$3,825,545 |
| Estimated 1979-80 | 5,349,684 |
| Actual 1978-79 | 2,714,626 |
| Requested decrease (excluding amount for salary increases) \$-1,524,139 (-28.5 percent) | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board (formerly the Educational Employment Relations Board) was established by the Educational Employment Relations Act (Chapter 961, Statutes of 1975) for the purpose of guaranteeing to public school employees the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages and working conditions. The State Employer-Employee Relations Act (Chapter 1159, Statutes of 1977 (SB 839)) and the Higher Education Employer-Employee Relations Act (Chapter 744, Statutes of 1978 (AB 1091)) extend similar rights to state civil service employees as well as to employees of the University of California and the California State University and Colleges.

To fulfill its objectives, the board conducts the following programs:

1. *General administration*: Provides budgeting, accounting, personnel and support services to the board, the general counsel and three regional offices.

2. *Board operations* (includes the three-member Public Employment Relations Board): Establishes policy, procedures and regulations for purposes of carrying out the three public employment relations acts. Also holds hearings to adjudicate disputes between public employees and their employers involving such matters as representation elections and unfair labor practice charges by employees or employers.

3. *Regional office operations*: Conducts secret-ballot elections to enable public employees to select representatives of their own choosing; assists the board in resolving other disputes involving representation issues; and arranges for mediation and factfinding to resolve impasses arising from contract negotiations.

4. *General Counsel*: Holds hearings for purposes of resolving unfair labor practice charges, defends the board in court cases and seeks court orders to enforce court decisions.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$3,825,545 from the General Fund for support of the Public Employment Relations Board (PERB) in 1980-81, which is a decrease of \$1,524,139, or 28.5 percent, below estimated current-year expenditures. The board's budget will increase by the

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

amount of any salary or staff benefit increase approved for the budget year.

Expenditure Comparisons Misleading. Current year costs include an estimated expenditure of \$1,238,070 for onetime costs associated with the implementation of the State Employer-Employee Relations Act (SEERA) and the Higher Education Employer-Employee Relations Act (HEERA). Funding for these costs was provided by a separate appropriation (Item 375) in the 1979 Budget Act. Including these onetime expenditures distorts the comparison between current and budget year costs. If these expenditures are excluded, the budget shows a decline in ongoing expenses from \$3,997,729 in 1979–80 to \$3,825,545 in 1980–81, or \$172,184 (4.3 percent).

The onetime implementation costs are expected to result from (1) hiring ad hoc hearing officers and the purchase of transcripts for unit determination hearings under HEERA, (2) the printing, and distribution of approximately 240,000 secret ballots under SEERA and HEERA, (3) the tabulation of the ballots, and (4) the hiring of ad hoc hearing officers and the purchase of transcripts to hear challenges to the HEERA units and objections to the election procedures.

The magnitude and timing of the extra costs that the board will incur as a result of SEERA and HEERA are not known. For this reason, the board is requesting that the unencumbered balance of Item 375 be reappropriated for expenditure in 1980–81 by Control Section 10.15. Our analysis indicates that the reappropriation is warranted, and we recommend approval of the control section.

Table 1 shows the board's proposed expenditures, by program.

Table 1
Public Employment Relations Board
Program Expenditures

| | <i>Estimated 1979–80</i> | <i>Proposed 1980–81</i> | <i>Change</i> | |
|--|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| Administration (distributed to other programs) | (\$894,772) | (\$752,961) | (\$-141,811) | (-15.9%) |
| Personnel-years | (29.5) | (29.5) | - | - |
| Board operations | \$1,332,437 | \$1,154,670 | \$-177,767 | -13.3% |
| Personnel-years | 37.4 | 36.2 | -1.2 | |
| Regional office operations | 1,268,654 | 1,179,680 | -88,974 | -7.0 |
| Personnel-years | 29.2 | 30.2 | 1 | |
| General counsel | 1,510,523 | 1,491,195 | -19,328 | -1.3 |
| Personnel-years | 37.4 | 38.9 | 1.5 | |
| Unallocated workload adjustments .. | 1,238,070 ^a | (1,238,070) | -1,238,070 | -100.0 |
| Totals | \$5,349,684 | \$3,825,545 | \$1,524,139 | -28.5% |
| Personnel-years | 104 | 105.3 | 1.3 | 1.0% |

^a The board is requesting that this amount be available in 1980–81, if not expended in the current year (Control Section 10.15).

Board Staffing and Workload Uncertain. The board's 1980–81 proposed staffing level is based on new staffing and workload standards developed pursuant to the requirements of the Supplemental Report of the 1979 Budget Act. The standards must be considered tentative until

actual operating experience confirms their validity. The new standards are similar to those used by the National Labor Relations Board.

Workload Levels Not Yet Known. Actual workload levels cannot be estimated with any reliability because the board has had very little experience with the two new laws affecting state employees and faculty members (SEERA and HEERA). It has now completed the process of (1) establishing a basic 20-bargaining-unit structure for civil service employees under SEERA, and (2) is in the process of preparing secret-ballot elections for the estimated 140,000 employees in the units.

Workload under HEERA is particularly difficult to project. As of January 1980, the board had not determined the bargaining unit structure for the two state university and college systems which together employ an estimated 100,000 employees covered by HEERA. No elections have been held and few cases have been decided by the board under this new law.

Proposed New Positions. The board's budget proposes 19 new positions, at a General Fund cost of \$430,488 in the budget year. Of these, 16.5 are existing positions which the Legislature limited to June 30, 1980. The board proposes to continue the positions in the budget year, and to add 2.5 positions on a workload basis. Three of the limited-term positions are attorneys which assist the board in writing opinions on cases that are appealed to the board. These three positions are proposed for continuation only until June 30, 1982.

DEPARTMENT OF FINANCE

| Item 414 from the General Fund | Budget p. GG 14 |
|---|-----------------|
| Requested 1980-81 | \$10,825,838 |
| Estimated 1979-80..... | 9,850,626 |
| Actual 1978-79 | 9,660,816 |
| Requested increase (excluding amount for salary increases) \$975,212 (+9.9 percent) | |
| Total recommended reduction | \$218,142 |

| SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS | Analysis page |
|--|---------------|
| 1. <i>Positions Transferred to the Commission on State Finance. Reduce Item 414 by \$223,142.</i> Recommend eight audit positions be deleted. | 1309 |
| 2. Audit Reorganization. Recommend five positions for new functions be limited to June 30, 1981. | 1310 |
| 3. <i>Advisory Commission on Intergovernmental Relations (ACIR). Augment Item 414 by \$5,000.</i> Recommend funding to pay state's contribution to ACIR. | 1311 |
| 4. Departmental Indirect Costs. Recommend state agencies provide details of indirect costs in future budget presentations. | 1311 |

DEPARTMENT OF FINANCE—Continued

5. Implementation of Report. Recommend that department, 1313
at the time of the budget hearings, advise the fiscal subcom-
mittees on progress in implementing recommendations of
EDP Advisory Group.
6. Data Communications. Recommend adoption of supple- 1315
mental report language directing the State Office of Infor-
mation Technology to report on feasibility of establishing a
common message-switching function.

GENERAL PROGRAM STATEMENT

The Department of Finance is responsible for (1) advising the Governor on the fiscal condition of the state, (2) assisting in preparation and enactment of the Governor's Budget and legislative programs, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$10,825,838 from the General Fund for support of the Department of Finance in 1980-81. This is \$975,212, or 9.9 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the current year. The department also proposes expenditures of \$863,472 from reimbursements, which results in total department expenditures of \$11,689,310. This is \$42,870, or 0.4 percent, less than current-year estimated expenditures. In addition to the amount budgeted for ongoing activities, the budget proposes \$6,682,667 for development of the California Fiscal Information System (CFIS) which is analyzed separately under Item 415.

Table 1 presents a breakdown of the budget, by program and funding source, for the past, current and budget years.

Table 1
Department of Finance
Budget Summary

| <i>Programs</i> | <i>Actual</i> | <i>Estimated</i> | <i>Proposed</i> | <i>Change</i> | |
|-------------------------------------|----------------|------------------|-----------------|---------------|----------------|
| | <i>1978-79</i> | <i>1979-80</i> | <i>1980-81</i> | <i>Amount</i> | <i>Percent</i> |
| 1. Budget preparation and enactment | | | | | |
| | \$1,950,138 | \$2,547,440 | \$2,741,605 | \$194,165 | 7.6% |
| 2. Budget support and direction | 963,038 | 1,223,607 | 1,387,663 | 164,056 | 13.4 |
| 3. Assessment of state programs | 7,017,665 | 6,103,711 | 5,631,118 | -472,593 | -7.7 |
| 4. Supporting information | 1,417,111 | 1,857,422 | 1,928,924 | 71,502 | 3.8 |
| 5. Administration | (348,545) | (422,297) | (466,477) | (44,180) | 10.5 |
| Totals | \$11,347,952 | \$11,732,180 | \$11,689,310 | \$-42,870 | -0.4% |
| General Fund | \$9,660,816 | \$9,850,626 | \$10,825,838 | \$975,212 | 9.9% |
| Reimbursements | 1,687,136 | 1,881,554 | 863,472 | -1,018,082 | -54.1 |
| Positions | 376.9 | 365.8 | 336.8 | -29 | -7.9% |

Major Program and Funding Changes Proposed

As a result of several proposed changes, the General Fund will provide a larger proportion of the department's support in 1980-81 than it does in the current year. Table 2 classifies the proposals into workload, price and program changes, and shows their effects on reimbursements and the amount budgeted from the General Fund.

The major workload change is a noncost transfer of 13 positions within the department. In addition, there is an increase of \$203,437 to restore reductions made on a one-time basis in the current year pursuant to Control Section 27.2 of the Budget Act of 1979. Expenditures will also rise as a result of merit salary increases and higher operating expenses.

Program changes, however, account for most of the shift in funding. A redirection of the fiscal management audit section will result in the elimination of 31 reimbursed positions, and the creation of 13 new positions requiring \$402,071 from the General Fund.

Table 2 also indicates that the Census Data Center, which coordinates state use of federal census data, will lose federal funding in the budget year and require \$227,266 from the General Fund. Other program changes include the addition of four positions to be reimbursed by the California Fiscal Information System (CFIS), and the termination of two federally funded projects. The net result of these changes is a \$1,018,082 decrease in reimbursements and an increase of \$975,212 in General Fund support.

Table 2
Department of Finance
Proposed 1980-81 Budget Changes

| | <i>General Fund</i> | <i>Reimbursements</i> | <i>Total Expenditures</i> |
|--|-------------------------|-----------------------|-------------------------------|
| 1979-80 Current Year Revised | \$9,850,626 | \$1,881,554 | \$11,732,180 |
| 1. <i>Workload Changes</i> | | | |
| a. Transfer 13 positions from program evaluation to budget operations and computer support | (454,876) | — | (454,876) |
| b. Section 27.2, Budget Act of 1979, salary savings not continued in 1980-81 | 203,437 | — | 203,437 |
| c. Consultant services | -31,250 | — | -31,250 |
| 2. <i>Price Changes</i> | | | |
| a. Merit salary increase | 140,070 | — | 140,070 |
| b. Price increases | 128,027 | — | 128,027 |
| 3. <i>Program Changes</i> | | | |
| a. Eliminate 31 reimbursed audit positions | — | -685,118 | -685,118 |
| b. Establish 13 audit positions | 402,071 | — | 402,071 |
| c. Reduction to adjust for full year costs of 8 positions transferred to Commission on State Finance | -96,299 | — | -96,299 |
| d. Census data center | 227,226 | -226,488 | 778 |
| e. CFIS performance measures | — | 126,057 | 126,057 |
| f. Projects terminated (federal Title II funds) | | | |
| Legislative bill tracking | — | -104,223 | -104,223 |
| Student interns | — | -138,855 | -138,855 |
| g. Net miscellaneous project changes | 1,890 | 10,545 | 12,435 |
| Total Changes | \$975,212 | -\$1,018,082 | -\$42,870 |
| 1980-81 Proposed Expenditures | \$10,825,838 | \$863,472 | \$11,689,310 |

DEPARTMENT OF FINANCE—Continued**General Fund Support for the Census Data Center**

The state Census Data Center was authorized by Chapter 735, Statutes of 1978, and established in 1979 to coordinate state use of federal census data, using federal funds. It provides census data to the Legislature and state agencies, and serves as a central source of census data for five regional affiliates. The center specializes in information available on computer tape, thus preventing multiple agency purchases of the tapes and the associated software and programming expertise. It also consults on the use of census products to promote efficient retrieval of the most appropriate data.

Federal Title II funds of \$226,488 are providing support for the center during the current year. These funds will not be available in 1980-81, however, and the department proposes General Fund support of \$227,266 for the center. Of this amount, \$180,744 will be spent on contracts to test census computer software. The remaining \$46,522, and \$5,000 in reimbursements, will support 2 positions.

Our analysis indicates that the activities of the center are justified on the basis of the services it provides to state agencies. We recommend approval.

Position Changes in the Program Evaluation Unit

The Program Evaluation Unit (PEU) does studies of significant policy and budget issues assigned by the department. Approximately 30 percent of its workload involves budget studies.

The department states that increasing demands are being made on its budget operations staff. In particular, the department cites heavy workload in position monitoring; assistance on legislative, departmental and local government assistance matters; and analysis of initiatives. It proposes to transfer 13 positions from PEU to budget units to meet this workload. Our analysis indicates that this diversion of existing resources is warranted, and we recommend approval.

The department also proposes to establish four new reimbursed positions in the PEU to monitor and refine performance measures for the first eight departments participating in the California Fiscal Information System (CFIS) in 1980-81. Approximately seven nonreimbursed PEU personnel years are currently allotted to developing performance measures for these departments as the departments modify their information reporting systems prior to coming into CFIS. The four proposed positions would follow up on the departments' experience with performance measures and alert the measurement development staff to any problems experienced by departments already in CFIS. This will enable the measurement development staff to solve those problems in the planning stage for other departments. Estimated expenditures for the four new positions are \$126,057, to be reimbursed by CFIS. The department expects this activity to require seven reimbursed positions by 1982-83.

Eight Transferred Positions Restored

We recommend that eight audit positions be deleted, for a savings of \$223,142 from the General Fund.

The Commission on State Finance was created by Chapter 1162, Statutes of 1979 (SB 165), effective January 1, 1980, to provide forecasts of (1) state revenues, (2) current-year expenditures and (3) the surplus or deficit.

Chapter 1162 provided funding to the commission during the current year, in two ways: (1) It appropriated to the commission \$97,500 from the General Fund in 1979-80 and (2) It required the Department of Finance to transfer to the commission eight positions from the department or from other departments. The positions were to be selected by the Department of Finance in consultation with the commission.

In response, the department transferred eight vacant audit positions to the commission. The budget reports this transfer in the current year in the budgets of both the commission and the department. In the 1980-81 budget for the commission, these eight positions are continued as permanent. In the department's budget, however, the reduction is not continued in 1980-81, thereby restoring the eight positions.

By requiring the transfer of these positions, we assume the Legislature intended to provide permanent staff to the commission from currently authorized positions without creating new ones. Consequently, we recommend that eight auditor positions be deleted, for a savings of \$223,142 from the General Fund.

Reorganization of the Fiscal Management Audit Staff

The Department of Finance has been responsible for the centralized auditing of state agencies. In 1978-79, the federal government required financial audits of the state to be performed by independent auditors as a condition to receiving revenue sharing funds. Because the federal government would not certify that the existing audit program in the Department of Finance was independent, a plan was developed whereby the Department of Finance and the Joint Legislative Audit Committee, through a joint agreement, would perform the required federal audits.

In 1979-80, the Legislature consolidated all revenue sharing audits in the Auditor General's Office. As a result, 34 positions were transferred from the Fiscal Management Audits (FMA) unit of the Department of Finance to the Auditor General.

The department has re-evaluated its audit function and has determined that to continue performing centralized direct audits would be duplicative of the work performed by the Auditor General. As a result, it is proposing to terminate direct audit activity and redirect its resources to supervising, coordinating, advising, and assisting functions. To implement this policy the department has proposed the following changes in its current fiscal audit activities:

1. Grant audits. The state is required to conduct audits of federal funds administered by the Economic Development Department, the Department of Alcohol and Drug Abuse, and the Office of Criminal Justice Planning. A total of 32 positions in the department are used to conduct

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these audits, with the costs reimbursed fully by the state departments administering the various programs. The department proposes to terminate this activity and transfer 31 positions to the administering state agencies to perform the audit function internally. One reimbursed position would be retained to control the auditing of federal Title I construction projects.

2. Statutory audit. The department has statutory audit responsibilities for certain funds and agencies such as the Inmate Welfare Fund, Insurance Companies in Liquidation, and Treasury Cash and Security Accounts. The administration will propose appropriate legislation to eliminate some of these audits and to transfer the responsibility for others to more appropriate units. If enacted, the four positions which are included in the 1980-81 budget for this purpose would be eliminated.

3. Fiscal compliance audits. The department is authorized to perform in-depth fiscal compliance audits of selected state agency activities to test legal compliance and to increase efficiency. Authorized staff for this function is 29 positions. The budget proposes to terminate this activity and redirect all 29 remaining positions to new functions.

Proposed New Functions

We recommend that 5 audit positions be limited, to June 30, 1981.

The new objectives and emphasis of the Fiscal Management Audits unit (FMA) are proposed in three areas, as follows:

1. Performance Accountability Analysis. This would assist the Department of Finance by providing management information concerning the adequacy and effectiveness of the state's systems of (a) operational and budgetary control, (b) the fiscal program and policies, and (c) the quality and effectiveness of performance.

2. Audit Advisory Services. This would assist those state agencies without audit resources by providing advisory services and performing special audits.

3. Supervision and Coordination of Executive Branch Auditors. This would provide for centralized statewide auditing policy as well as planning, supervising, coordinating and monitoring audit resources and activities.

For these new functions the budget proposes 42 positions (38 professional and 4 clerical). Of the 42 positions, 29 would be redirected from positions previously authorized for fiscal compliance audits and 13 new positions would be added (including the 8 positions discussed earlier).

We have no analytical basis for determining the appropriate level of staffing for these new functions because the amount of work to be performed is controllable. The department can control (1) the number of performance accountability and internal audits to be conducted and (2) how comprehensive those audits should be. Thus the department could assign enough tasks to utilize any number of positions. In addition, there is no historical workload data to justify any staffing level.

Currently, there are 29 authorized positions available for assignment to these duties. The department, however, believes this is inadequate. It

proposes to use the eight restored positions for the Commission on State Finance (which we recommend be eliminated, above) plus five additional positions.

We recommend that the five additional positions be limited to June 30, 1981. Proposed continuation of these positions should be justified at that time by actual workload data.

Support Efforts to Promote the State and Local Role in Federal Programs

We recommend a \$5,000 augmentation to pay the state's contribution to the Advisory Commission on Intergovernmental Relations (ACIR).

The ACIR is an independent agency within the federal government which identifies and analyzes intergovernmental problems and recommends ways of strengthening the federal system. The 26-member commission represents the executive and legislative branches of all three levels of government. It has an annual budget of approximately \$2 million and employs a staff of 38.

The ACIR is supported primarily by federal appropriations. It also relies on contributions, totaling about \$100,000 per year, from the states. For 1980-81, the commission is requesting that states in California's population class contribute \$5,000 each.

The commission attempts to insure that the state and local roles in federal programs are maintained or strengthened. Much of its work is directed to improving federal grants management by simplifying generally applicable requirements, suggesting that advance appropriations be made available and encouraging joint funding arrangements. For example, many of the commission's recommendations to decategorize block grants, simplify the planning process and enhance local control have been incorporated into the federal Justice System Improvement Act, which will replace the Crime Control Act of 1976.

The ACIR is currently addressing issues of importance to California, including the question of payments-in-lieu-of-taxes to state and local governments for services provided to federal urban properties.

In addition to advising Congress on significant issues affecting the federal/state/local relationships, the ACIR provides technical assistance to state governments. Much of the information used by the Governor's Commission on Governmental Reform was supplied by the ACIR.

We believe that the states should encourage the efforts of the ACIR in maintaining strong state and local roles in the federal system. While the state contributions represent only a small portion of the commission's budget, they serve to indicate to Congress and the executive branch that the states consider the ACIR to be useful in attempting to resolve significant problems in the federal system. For this reason, we believe that the budget should be augmented by \$5,000 to provide California's contribution.

Insure that Grant Overhead Funds are Used to Reduce State Costs

We recommend that a supplementary schedule detailing the application of departmental indirect cost recoveries be required of all state agencies.

The State Administrative Manual requires agencies to prepare a sched-

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ule detailing anticipated reimbursements and federal funds as a part of the budget preparation process. The schedules identify anticipated receipts in three categories: (1) indirect program costs, (2) statewide indirect cost recoveries, and (3) departmental indirect cost recoveries. Money in the first category is used to implement the desired program. The second category is used to reimburse the state for the added support costs incurred primarily by the control agencies. Money in the third category is intended to offset increased agency administrative costs.

Our analysis indicates that the first two categories generally are treated properly in the Governor's Budget. The direct program cost component normally is justified in a manner similar to state-funded programs. Therefore, the Legislature has adequate information available to evaluate the state's involvement in federally-funded or reimbursed programs. Likewise, statewide indirect cost recoveries no longer can be used for a purpose other than that for which they are received because of Control Section 8.8. This section, which was added to the 1979 Budget Act by the Legislature, requires that these recoveries be transferred to the General Fund surplus. The Governor's Budget shows that approximately \$14 million will be recovered in 1980-81 pursuant to this section.

However, the third category—departmental indirect cost recoveries—has not been treated consistently in the Governor's Budget for at least the past three years. These funds are received to cover agency costs, such as those for accounting, payroll, personnel, and related activities. To the extent that an agency is able to use federal funds to support these activities, the amount of state funds required is correspondingly less. When these funds are not used to offset administrative costs, the receiving agency, rather than the Legislature, can determine how they will be used.

During the last two years, the Legislature has reduced state support to various agencies (Departments of the Youth Authority, and Alcohol and Drug Abuse, and the Office of Emergency Services) to reflect the proper treatment of indirect cost recoveries. In this year's analysis, we recommend that similar reductions be made in the Departments of Justice and Health Services (Items 48 and 284, respectively).

To insure that departmental indirect cost funds are used to reduce state costs in all agencies for 1981-82, we recommend that each agency which budgets to receive reimbursements and federal funds prepare a schedule for the past, current and budget years identifying how the departmental indirect cost amounts are applied to reduce its administrative support costs.

STATEWIDE ELECTRONIC DATA PROCESSING

The Department of Finance is responsible for statewide coordination and control of electronic data processing (EDP) for all state agencies except the University of California, the State Compensation Insurance Fund, the community college districts, 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 1979. These responsibilities are carried out through the State Office of Information

Technology (SOIT) in the Department of Finance, formerly called the State Data Processing Management Office. This office is authorized 14 positions, and is directed by a state data processing officer appointed by the Governor. The office's proposed budget for 1980-81 totals \$496,084, an increase of 9 percent over estimated current year expenditures.

It is estimated that the state's total EDP expenditure over which the department has specified responsibility will be \$190 million in the budget year.

Increased Importance of EDP

The Governor's Budget proposes expenditures for a number of new EDP systems to achieve savings and/or improve services. These requests, coupled with the upgrading of various existing systems, are in response to growing pressure to make government more cost-effective through the use of automated processes.

In our Analysis of the 1979 Budget Bill, we discussed the need to modify existing statutory and administrative procedures in order to remove restrictions which were inhibiting the effective use of EDP technology. Also, we recommended that the Director of Finance initiate a comprehensive review of EDP management and review processes to determine necessary changes.

EDP Advisory Group Formed

In response to our recommendation, the Director of Finance formed an EDP Advisory Group in June 1979. The advisory group was comprised of directorate level officers of executive branch departments and constitutional offices, and representatives of the private sector with expertise in data processing.

The EDP Advisory Group conducted a comprehensive review of laws, policies and procedures affecting the use of EDP technology. The group also examined significant problem areas such as EDP personnel recruitment and retention, and the obstacles faced by new or relatively inexperienced users of EDP.

Major Findings. In December 1979, the advisory group transmitted its report entitled *Recommended Changes in Management and Control Processes Regarding Electronic Data Processing in California State Government* to the Joint Legislative Budget Committee and the fiscal committees. The report includes findings that (1) EDP use is overcontrolled, (2) procurement responsibility is divided, (3) serious EDP personnel resource problems exist, (4) the reluctance to approve EDP funds for projects with cost benefits in future years results in an indefinite continuance of costlier manual processes, and (5) agencies needing EDP technical assistance have difficulty acquiring this assistance from state consulting services, thereby deferring possible savings through the use of automation.

Report Recommendations

We recommend that the department, at the time of budget hearings, advise the fiscal subcommittees as to measures taken to implement the recommendations contained in the EDP Advisory Group report.

The advisory group report contains several recommendations and an

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implementation action plan. The major recommendations are as follows:

1. The Governor should establish, by executive order, the California Information Technology Board to recommend statewide EDP policies, guidelines and standards, review proposed EDP activities of the Department of Finance, and report to the executive and legislative branches.

2. Department directors, within statewide policies, should be given the responsibility to determine how EDP resources will be used to address departmental objectives.

3. The State Data Processing Management Office in the Department of Finance should be renamed the State Office of Information Technology and assume more of an EDP advocacy and service role.

4. EDP procurement should be consolidated within the Department of General Services and delegated to departments which have demonstrated the ability to accomplish procurements on their own.

5. Existing policies and procedures in the State Administrative Manual should be revised to remove unnecessary requirements.

6. There should be a more positive budget philosophy regarding those EDP projects where benefits may not be realized in the budget year, or where there will be a clear improvement to the quality or level of program services.

7. The Department of General Services should provide a full capability to support departments not having adequate staff to implement cost beneficial EDP projects.

8. The California Information Technology Board should draft and coordinate revisions to the Government Code necessary to implement fully the advisory group's recommendations.

The advisory group's report represents a significant effort. Its findings and recommendations are especially important because EDP may offer, in some programs, the *only* means to reduce costs while maintaining services. We recommend that the Department of Finance report to the fiscal subcommittees, at the time of budget hearings, on progress made in implementing the advisory group's recommendations.

Legislative Hearing Regarding EDP Procurements

EDP procurement, one of the areas examined by the EDP Advisory Group, was the subject of a December 1979 hearing by the Senate Finance Committee. The hearing focused on EDP procurement laws, policies and procedures. Testimony was presented by the commercial vendors, state agencies and our office. The hearing also included a discussion of a report issued by our office in September 1979 entitled "Issues in Procurement of Electronic Data Processing Equipment in California State Government."

The findings and recommendations of our report paralleled a number of those contained in the EDP Advisory Group report. Our major finding was that department directors and program managers find themselves *encouraged by policy* to use EDP, but *inhibited by process*. The report also found that the combination of acquisition control processes and the inherent difficulties in implementing EDP projects can discourage a program manager from attempting to reduce costs by automating a labor-intensive

operation.

Our report recommends (1) a new and separate statutory procurement authority to govern the acquisition and disposal of EDP equipment, (2) appropriate delegation of procurement authority, (3) continuation of the EDP Advisory Group, and (4) the provision of assistance to agencies in the area of EDP equipment procurements. Finally, the report makes recommendations regarding means to resolve procurement delays, poor contractor performance, master rental agreements, Section 4 of the Budget Act and appropriate statutory revisions.

Data Communications

We recommend supplemental report language directing the State Office of Information Technology to examine the feasibility of a common message-switching function in support of the state's data communications needs, and report by December 1, 1980.

Improved data communications is essential to the effective use of EDP by state agencies. The advent of distributed data-processing will require a significant upgrade in data communications capability if state data centers are to meet projected service requirements. With distributed data processing, hundreds of computer terminals and numerous minicomputers will be interconnected with the state's data centers. The rapid growth in data communications is resulting in significant budget appropriations for data communications lines, equipment and software. Continued increases can be anticipated.

The state has attempted to control cost increases in this area through a number of means: (1) ATSS/DS, a statewide data communications network, established by the Department of General Services to provide the necessary channels for transmitting electronically encoded information from one point in the state to another, (2) master rental agreements to achieve cost savings through volume acquisition of terminal devices, and (3) data communications specialist positions established in the Communications Division of the Department of General Services to provide for long range data communications planning and review of agency requests.

Message-switching, however, is one potential area of improvement which has received minimal attention. Our review indicates that potential significant savings to the state are possible if a common message-switching function was established.

Message-switching begins where ATSS/DS ends. Through ATSS/DS, or any other state data communications network, messages in the form of encoded information are transmitted from one point to another (for example, terminal to computer, computer to computer, computer to terminal). Once received, the message must be analyzed and routed (switched) to the appropriate processing device.

Message-switching involves costly equipment, software and support staff. In most instances, it is unique to each computing installation. During the current year, the Departments of Justice and Motor Vehicles have established a shared message-switching facility using existing Department of Justice equipment and software. This joint venture has resulted in a net reduction in total message-switching costs to both departments, including

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a reduction in technical personnel. This shared facility concept has demonstrated the cost-benefit of a common message-switching function.

Our analysis indicates that SOIT should explore the feasibility of expanding this function to other computer installations. SOIT should seek the assistance of the Department of Justice because of its expertise, and should also request the assistance of personnel in the Department of General Services. Finally, SOIT should provide a progress report on its efforts. We therefore recommend adoption of the following supplemental report language:

“The State Office of Information Technology is directed to (1) explore the feasibility of developing a common message-switching function for state data communications, and (2) report its progress to the Joint Legislative Budget Committee and the fiscal subcommittees by December 1, 1980.

EDP Assistance to Inexperienced Agencies

The EDP Advisory Group report addresses the need to provide technical assistance to departments. Too often, departments do not have qualified technical staff and experience unsatisfactory results in attempts to use EDP. Cost overruns, delayed implementation and inadequate EDP systems are usually the result. The advisory group's recommendation that state consultant services (such as those provided by General Services) be augmented is a step in the right direction. However, establishing a consulting capability does not necessarily ensure that quality services will result. Our review indicates that some of the poor quality EDP systems have been developed using General Services' consultants. This situation needs to be evaluated as the state moves to increase its provision of in-house services.

Staff Effectiveness Can be Improved

The State Office of Information Technology is a key factor in improving the state's uses of EDP technology. Efforts to make EDP a more useful and readily available tool will depend to a large extent on its ability to effect and participate in needed changes.

According to the Governor's Budget, the authorized staffing level for this office will decrease by two positions in 1980–81, from 16 to 14. This reduction will tax the ability of the office to cope with the numerous substantive EDP issues which have been identified. Yet, in our analysis of EDP in the California University and State Colleges, Item 380, we cite the inefficient use of this staff to conduct “campus investigations” of requested EDP positions. The SOIT staff would be far more effective if it were applied to critical issues such as (1) computer performance evaluation and resource management, (2) susceptibility of data centers to unauthorized electronic access, and (3) the optimum manageable size of state data centers.

Department of Finance

CALIFORNIA FISCAL INFORMATION SYSTEM

Item 415 from the General
Fund

Budget p. GG 24

| | |
|---|-------------|
| Requested 1980-81 | \$6,682,667 |
| Estimated 1979-80..... | 4,038,245 |
| Actual 1978-79 | 938,000 |
| Requested increase (excluding amount for salary increases) \$2,644,422 (+65.5 percent) | |
| Total recommended reduction | \$327,450 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|-------|--------------------------------|---------|-------------|
| 415 | Support | General | \$6,090,980 |
| — | Budget Act of 1979, Item 377 | General | 297,687 |
| — | Budget Act of 1979, Item 377.1 | General | 300,000 |
| Total | | | \$6,682,667 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. CFIS costs. Recommend total CFIS program costs be displayed in future budgets for informational purposes. 1320
2. *Overhead. Reduce Item 415(b) by \$220,443.* Recommend proposed reimbursement for Department of Finance overhead be deleted. 1321
3. Institutional and Standard Accounting Systems special item of expenditure. Withhold recommendation on Item 415(d) pending final contract information. 1321
4. *Controller's System. Reduce Item 415(e) by \$44,007.* Recommend adjustment to correct for overbudgeting. 1322
5. *Hardware Costs. Reduce Item 415(m) by \$63,000.* Recommend CFIS equipment to increase quality graphic display be deleted. 1322

GENERAL PROGRAM STATEMENT

In response to the need for modernizing and improving the state's budgeting, accounting and reporting systems, the Department of Finance contracted with the consulting and accounting firm of Deloitte, Haskins and Sells in October 1977 to assist the department (1) reexamine the state's fiscal management requirements and (2) identify alternative systems which would be more responsive to the perceived needs of executives and legislators. Funding for the contract came from a federal grant of \$132,600.

Based on (1) the findings and proposals in the consultant's final report (May 1978), and (2) the policy established in Chapter 1284, Statutes of 1978 (AB 3322), the Legislature provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act. The consult-

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ant's final report identified over 120 interrelated CFIS activities to be accomplished over a seven-year period, at an estimated total cost of \$21 million to \$27 million. As we have reported in previous analyses, there is no objective basis upon which to evaluate the precise costs and benefits of the specific activities proposed under CFIS, or analyze the long-range cost estimates.

The objectives of CFIS include (a) developing a centralized fiscal and program data base designed to facilitate forecasting, modeling, and revenue monitoring, and (b) improving expenditure and program performance data. Additional objectives include reporting timely and uniform fiscal data in both tabular and graphic formats, and categorizing expenditures by object of expenditure, program, organization, and fund source.

CFIS is administered by a task force which functions as an organizational unit within the Department of Finance. The task force works with representatives of the executive and legislative branches to set CFIS goals and select fiscal management systems. The task force then oversees implementation of these systems.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures of \$6,682,667 from the General Fund for continued development of CFIS in 1980-81 which is \$2,644,422, or 65.5 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Of the total expenditures \$6,090,980 is proposed in Item 415 and \$591,687 which was appropriated in the 1979 Budget Act is proposed to be reappropriated for use in 1980-81. Table 1 summarizes the CFIS budget by items of expenditure during the three-year period ending June 30, 1981.

As the table shows, \$1,624,610 is for CFIS task force support. This is an increase of \$383,653, or 31 percent, over 1979-80. The increase consists of the following:

- | | |
|--|----------|
| 1. Restoration of reductions made on a one-time basis during the current year pursuant to control Section 27.2. (one position) | \$40,780 |
| 2. Cost changes (merit salary adjustments, operating expenses, and staff benefits) | 44,574 |
| 3. Maintenance of CFIS software and terminals that was funded from the special expense items in 1979-80 | 77,856 |
| 4. CFIS related overhead costs in the Department of Finance budget | 220,443 |

Proposed special items of expense total \$5,058,057, as detailed in Table 1. This is \$2,260,769, or 81 percent, above estimated current-year special item expenditure. The major expenditure increases will occur in the implementation of departmental accounting systems and systems developed for the controller, the treasurer, and payroll operations.

Table 1
CFIS Budget Detail

| | <i>Actual</i> <i>1978-79</i> | <i>Estimated</i> <i>1979-80</i> | <i>Proposed</i> <i>1980-81</i> | <i>Change</i> <i>from</i> <i>1979-80</i> |
|---------------------------------------|---------------------------------|------------------------------------|-----------------------------------|--|
| <i>Task Force Support</i> | | | | |
| Personal services | \$557,273 | \$1,039,026 | \$1,107,973 | \$68,947 |
| Operating expense and equipment | 117,676 | 201,931 | 516,637 | 314,706 |
| Subtotals—Task Force | \$674,949 | \$1,240,957 | \$1,624,610 | \$383,653 |
| <i>Special Items of Expense</i> | | | | |
| Interim CFIS | — | 425,000 | — | -425,000 |
| Controller Data | 85,393 | — | — | — |
| Departmental Participation | 28,188 | 200,000 | 326,057 | 126,057 |
| CFIS Software | — | 300,000 | — | -300,000 |
| Data Processing | — | 198,426 | 402,000 | 203,574 |
| Consulting | 194,600 | 266,998 | 300,000 | 33,002 |
| CFIS Terminals | — | 430,000 | 130,000 | -300,000 |
| Budget Preparation System | — | 101,574 | — | -101,574 |
| Reconciliation Project | — | 30,000 | 30,000 | — |
| Departmental Data | — | 120,000 | 120,000 | — |
| Standard/Institutional | | | | |
| Accounting Systems | — | 242,890 | 1,500,000 | 1,257,110 |
| Controller's System | — | 482,400 | 1,000,000 | 517,600 |
| Payroll System | — | — | 150,000 | 150,000 |
| Treasurer's System | — | — | 100,000 | 100,000 |
| Eight Departmental Systems | — | — | 1,000,000 | 1,000,000 |
| Subtotals—Special Items | \$308,181 | \$2,797,288 | \$5,058,057 | \$2,260,769 |
| Totals | \$983,130 | \$4,038,245 ^a | \$6,682,667 ^b | \$2,644,422 |

^a Total expenditures include \$855,000 reappropriated from the Budget Act of 1978.

^b Includes proposed reappropriation from Items 377 and 377.1, Budget Act of 1979:

| | |
|---|-----------|
| Standards/Institutional Accounting Systems | \$491,687 |
| Institutional test hardware for Department of Finance | 100,000 |
| Total | \$591,687 |

CFIS Timetable

The CFIS consultant originally estimated that the project would be completed in seven years at a total cost of \$21 million to \$27 million. The proposed system has grown, however, due to subsequent legislative directives and changes made as a result of consultation with prospective users in various branches of government. The CFIS implementation timetable remains much the same, but costs will be higher due to inflation and the more complex system now envisioned. The final total cost will depend in large part on the level of cost-accounting detail which will be reported in CFIS. A decision on this important issue is now pending.

The CFIS task force has met most of its development schedule deadlines during the planning phase of CFIS. It has acquired the basic CFIS software and plans to operate the system on an "interim" basis until all state departments are included in the system. The interim system provides budget and bill status tracking on 24 terminals in legislative and executive branch locations. Total expenditures for each department in state government are available for the eight years prior to 1979. Departments will be considered part of interim CFIS as they start to provide data in the program, fund, and category format required by Chapter 1284, Statutes of 1978, (AB 3322). Data base entry for the first eight departments will be completed by August 1980. The eight departments are the Department of Motor Vehicles, the California State University and Colleges, the Departments

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of Education, Health Services, Transportation, Water Resources, and Social Services, and the Employment Development Department.

The initial program cost accounting information provided to CFIS by these eight departments will not comply fully with Chapter 1284 because it will be limited to the detail available from the department's current program cost accounting systems. In order to have fully comparable data from all departments showing a matrix of expenditures by fund, program and category, the CFIS program also involves modifying systems now used by the eight departments, the Controller, and the Treasurer, and creating standardized and institutional accounting systems for all other departments.

The CFIS task force is experiencing some delay in the eight department modification project because (1) the departmental systems are not as automated as the task force originally believed, and (2) legislative and Department of Finance staff have requested additional reporting features. Decisions on the reporting features of the other accounting and control systems are pending. Some of these decisions, which concern the level of program cost accounting detail to be provided, will depend on how Chapter 1284 is interpreted. Others will require compromises on various CFIS user needs. While these choices probably will not affect the implementation timetable, they will have a significant impact on the final cost of the CFIS project.

Total Costs of CFIS Should Be Identified

We recommend that all CFIS related costs that are not reimbursed from the CFIS budget be identified and displayed for informational purposes in future CFIS budgets.

One of the goals of the CFIS budget is to include all of the costs of developing the information and accounting systems. The costs consist of (1) direct CFIS expenditures for task force support, certain software and data processing, and hardware, and (2) reimbursements for CFIS-related positions and operating expenses included in other departmental budgets. After each department enters the system, the ongoing costs of updating and processing data will be a nonreimbursed item in the department's own budget.

The 1980-81 CFIS budget includes both direct and reimbursed costs of implementing CFIS. Direct expenditures of \$1,624,610 are proposed for support of the 35.5 member task force, and the special items of expense include direct costs as well as full or partial reimbursement for 26 additional positions. It is not possible, however, to identify the amount of CFIS-related expenditures absorbed in other budgets. The Department of Finance, for example, has delegated seven nonreimbursed positions in its program evaluation unit to develop performance measurements for CFIS.

In evaluating CFIS, the Legislature will need to consider the total costs of implementing *and maintaining* the systems, irrespective of which department budgets for the costs. That information is not readily available now. We recommend that the Department of Finance collect information on all nonreimbursable CFIS-related expenditures and display the amount

in future CFIS budgets, for informational purposes.

Unexplained Overhead Charge

We recommend that \$220,443 to reimburse the Department of Finance for overhead costs be deleted. The CFIS budget proposes an increase of \$220,443 to reimburse the Department of Finance budget for 1980-81 overhead costs related to CFIS activities. The budget also proposes to allocate \$165,000 in 1979-80 for this purpose if sufficient unanticipated savings become available. No justification has been submitted to support this expenditure. When this analysis was written, the CFIS staff was unable to explain how it arrived at the requested amount of \$220,443. Further, it could not identify the specific services to be reimbursed. Lacking this information, we recommend deletion of the request.

Standard and Institution Accounting Systems

We withhold recommendation on the \$1.5 million proposed for the Standard and Institution Accounting Systems (Item 415d) until the current contract negotiations provide more information on (1) the estimated total costs, and (2) the proposed budget year expenditures for these systems.

The CFIS project proposes to select a Standard Accounting System (SAS) and Institution Accounting System (IAS) during the current year. Requests for Proposals were distributed to private vendors and the final selection of the systems is expected to occur in March 1980.

The SAS and IAS will provide an automated accounting process for approximately 80 state agencies and all state institutions by 1983. An expenditure of \$242,890 is estimated in the current year and \$1.5 million is proposed in the budget year. The CFIS staff reports that it is proceeding with the procurement and implementation of an SAS/IAS system. However, the staff has determined that the state could incur significantly greater implementation and operating expenses than were anticipated at the outset of the project.

Potential significant increase in operating costs. The principal reason for the projection of significantly higher operating costs is that preliminary estimates indicate that computer operations costs of a fully implemented SAS/IAS could range between \$13 million and \$17 million per year (about the size of the current Teale Data Center budget). CFIS staff concede that there are various alternative approaches to processing which could lower these costs, and that more precise data will not be available until after the proposals from the vendors have been received.

Decisions made by the administration could result in the operating costs approaching the \$17 million estimate without prior review and approval by the Legislature. For example, on-line data entry to the system would be a technique which would increase operating costs significantly. This is confirmed by the high development and operational costs of the state's new Personnel Information Management system which uses this method of data entry and record updating.

The Legislature should consider the projected total costs of SAS/IAS before approving any budget year expenditures for the systems. Negotiations on the SAS/IAS contract, which the CFIS staff plans to award in early

CALIFORNIA FISCAL INFORMATION SYSTEM—Continued

March 1980, should provide more accurate cost estimates. We withhold our recommendation until this information becomes available.

Controller's Office System Overbudgeted

We recommend that the amount budgeted to implement the State Controller fiscal system (Item 415e) be reduced by \$44,007 to correct for overbudgeting. The 1980-81 CFIS budget includes \$1,000,000 for the second year cost of implementing the State Controller's fiscal system. The new system will replace the existing Fund Accounting and General Disbursement System, and will provide new capabilities for automating reports and procedures. Development and implementation of the system will be coordinated with development of the CFIS accounting and information system. The contract to install the new system has been awarded (Sartoris Inc.), and work commenced in December 1979.

The budget detail shows two primary charges to this item. First, the budget for the State Controller's Office includes reimbursements from CFIS of \$865,993. This will fund 10 positions and related expense (\$348,043) and payments to the contractor for installing the new system (\$517,950). Second, data processing costs of \$90,000 will be paid directly to the Teale Center from the CFIS budget. The total of these two items is \$955,993 or \$44,007 less than the \$1 million requested. Therefore we recommend that the \$44,007 be deleted.

Graphics Hardware

We recommend that special equipment to upgrade the quality of graphic displays (Item 415m) be deleted, for a General Fund savings of \$63,000.

The CFIS budget provides \$130,000 to purchase CFIS terminals for 15 of 17 agencies adopting the standard and institutional accounting systems in July 1981. The testing and implementation schedule for these systems requires that CFIS purchase and install the terminals in the budget year. Because the basic terminals are a start-up cost, they are properly included in the CFIS budget for the purpose of monitoring total program costs.

These terminals will provide access to the core fiscal information system and are unrelated to any hardware required for the accounting systems. The proposed basic terminal provides CFIS output on a teleprinter, with a "daisywheel" for printing graphic displays. These terminals will cost \$4,500 each, for a total cost of \$67,500.

In addition, the budget includes \$63,000 for 15 supplemental pen plotters to provide a better quality of graphic displays. Our analysis indicates that the need for this quality has not been justified. According to the task force, it did not study the needs of the individual departments. Further, the task force is unable to show why the lesser quality graphics would not suffice for most uses. If a high quality chart or graph is required occasionally, it could be printed on one of the central Tektronix terminals, which produce even better quality than a pen plotter does.

In addition, it is not appropriate to fund this equipment in the CFIS budget because the pen plotter is not an essential part of the fiscal information system. If an individual agency can justify the need for high

quality graphics, this equipment should be included in its own budget. There would be no additional costs for attaching the pen plotter to a terminal because separate vendors are involved. Therefore, we recommend the \$63,000 be deleted.

DEPARTMENT OF FOOD AND AGRICULTURE

Items 416, 420-421 from the
General Fund, and Items 417-
419 and 422 from special
funds

Budget p. GG 29

| | |
|---|--------------|
| Requested 1980-81 | \$55,772,211 |
| Estimated 1979-80 | 46,283,923 |
| Actual 1978-79 | 36,571,906 |
| Requested increase (excluding amount for salary increases) \$9,488,288 (+20.5 percent) | |
| Total recommended reduction | Pending |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|---|---|--------------|
| 416 | Support | General | \$27,907,047 |
| 417 | Support | Department of Agriculture | 21,724,282 |
| 418 | Division of Fairs and Expositions | Fair and Exposition | 547,020 |
| 419 | Urban Pesticide Information | California Environmental Li- cense Plate | 128,298 |
| 420 | Salaries of Agricultural Commissioners | General | 371,376 |
| 421 | Subventions to Counties for Pesticide Regulation | General | 4,880,461 |
| 422 | Engineering Services for Fairs | Fair and Exposition | 213,727 |
| | Total | | \$55,772,211 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Veterinary Laboratories. Reduce Item 416 by \$209,667.* 1330
Recommend increase in fees to reduce General Fund costs.
2. *Audits of Pesticide Mill Tax. Reduce Item 416 by \$100,189.* 1332
Recommend deletion of four new positions to audit payments of the pesticide mill tax because the department has not revised its tax form to facilitate audits as directed by the Legislature. Further recommend that the mill tax revenue budgeted for the new audit positions be used to reduce the General Fund cost in Item 416 of the pesticide regulatory program.
3. *Pesticide Regulation. Withhold recommendation on* 1333
\$8,438,177 in increased funding requested for the pesticide regulatory program because the department has not provided adequate justification for the amount requested.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**GENERAL PROGRAM STATEMENT**

The Department of Food and Agriculture promotes and protects the state's agricultural industry, protects public health, safety, and welfare, assures an abundant supply of wholesome food, develops California's agricultural policies, preserves natural resources to meet requirements for food and fiber, and assures true weights and measures in commerce.

The department's activities are broad in scope. They include:

- Crop forecasting.
- Financial supervision of local fairs.
- Pest identification and control.
- Regulation of pesticide use and protection of farmworker health and safety.
- Enforcement of standards of quality, quantity, and safety in agricultural and certain consumer goods.
- Administration of marketing orders.

The department supervises the county agricultural commissioners and operates many programs jointly with them. Headquarters are in Sacramento and other offices are located throughout the state.

ANALYSIS AND RECOMMENDATIONS

The budget proposes seven appropriations totaling \$55,772,211 from various funds for support of the Department of Food and Agriculture and the county agricultural commissioners in 1980-81, which is an increase of \$9,488,288, or 20.5 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

For the most part, the General Fund supports activities which benefit the public and agriculture in general, while special fees and taxes deposited in the Agriculture Fund support activities that serve specific identifiable segments of the agriculture industry. Where a segment of the agriculture industry (1) imposes costs on, or presents a hazard to, the public or general agriculture and (2) has an impact on the general public that requires enforcement activities by the state, the programs are funded through fees paid by the responsible agriculture industry and deposited in the Agriculture Fund. Because of changing program conditions, the determination of benefits and costs is not static and has become increasingly difficult in recent years.

Table 1 shows the department's sources of funding for both departmental support and local assistance in 1980-81. Total proposed expenditures are \$68,114,930. The General Fund and the Agriculture Fund provide 90 percent of the department's support budget. The Fair and Exposition Fund provides \$547,020 to support the Division of Fairs and Expositions, which supervises the financial management of local fairs. Approximately \$5.2 million from reimbursements and federal funds is also included in the department's support budget. The budget proposes \$11,137,164 for assistance to county agriculture programs. For the first time, the budget includes a significant General Fund subvention for county pesticide

regulatory activities. The appropriation of \$4,880,461 from the General Fund plus the \$3.5 million county share of the tax on pesticides sold in California (the pesticide mill tax), will provide a total of \$8,380,461 for county pesticide regulatory activities as part of the department's proposed expansion of its pesticide regulatory program. Unclaimed gasoline tax money, (the estimated amount of tax paid on motor fuel for off-road agricultural use, for which farmers have not filed refund claims) provides \$2,336,784 of the county assistance. It also provides \$500,000 each year for department administrative costs and an annual reserve of \$1 million for emergency eradication, control, or research relating to pests and weeds.

Table 1
Department of Food and Agriculture
Sources of Funding—1980-81

| <i>Support:</i> | <i>Amount</i> | <i>Total</i> |
|---|---------------|--------------|
| 1. General Fund (Item 416) | — | \$27,907,047 |
| 2. Department of Agriculture Fund: | — | 21,982,443 |
| a. Appropriated by Item 417 | \$21,724,282 | — |
| b. Unclaimed Gas Tax allocated for department administration ^a | 258,161 | — |
| 3. Fair and Exposition Fund (Item 418) | — | 547,020 |
| 4. California Environmental License Plate Fund (Item 419) | — | 128,298 |
| 5. Reimbursements: | — | 2,374,024 |
| a. Public Works Employment Act, Title II | 247,402 | — |
| b. Engineering Services to Fairs (Item 422, Fair and Exposition Fund) | 213,727 | — |
| c. Administrative overhead from continuing appropriations and trust funds | 1,089,190 | — |
| d. Other | 823,705 | — |
| 6. Federal Funds: | — | 2,797,095 |
| a. Pesticide Enforcement | 1,565,968 | — |
| b. Meat Inspection contract | 318,103 | — |
| c. Dutch Elm Disease eradication | 238,059 | — |
| d. Brucellosis control and diagnosis | 200,000 | — |
| e. Cattle Scabies eradication | 160,000 | — |
| f. Market News Service | 119,476 | — |
| g. Other | 195,489 | — |
| Total Department Support Expenditures | — | \$55,735,927 |
| <i>Local Assistance:</i> | | |
| 1. General Fund | — | 5,251,837 |
| a. Salaries of County Agricultural Commissioners (Item 420) | 371,276 | — |
| b. Subventions for pesticide regulation (Item 421) | 4,880,461 | — |
| 2. Department of Agriculture Fund: | — | 5,885,327 |
| a. Pesticide Mill Tax ^a | 3,500,000 | — |
| b. Unclaimed Gas Tax | 2,336,784 | — |
| c. Other | 48,543 | — |
| Total Local Assistance | — | \$11,137,164 |
| <i>Unclaimed Gas Tax:</i> ^b | | |
| 1. Emergency Reserve | 1,000,000 | — |
| 2. Allocated to off-budget agricultural programs | 241,839 | — |
| Total Gas Tax | — | \$1,241,839 |
| Total Funds in Governor's Budget | — | \$68,114,930 |

^a Section 12844, Food and Agricultural Code.

^b Section 224, Food and Agricultural Code.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Spending not in Budget. The department plans to collect and spend approximately \$16.6 million in industry fees for inspection and administrative services it performs for the agricultural industry. These programs are shown in the Governor's Budget for information purposes beginning on page GG 45. In addition, the department handles approximately \$31 million under 31 marketing orders for programs established at industry request to aid in production, control and advertising of agricultural products. These marketing order expenditures are not included in the Governor's Budget. They are treated as special trust accounts in the Agriculture Fund. Neither the special inspection programs nor the market order programs are included in total expenditures.

Significant Program Changes.

Table 2 compares spending in the current year with proposed spending for 1980-81, by program and by funding source. Total proposed expenditures of \$68,114,930 for 1980-81 are \$8,484,822, or 14.2 percent, above estimated expenditures of \$59,630,108 in the current year. Almost all of this increase is accounted for by an increase of \$8,438,177 for department support and county assistance due to the expansion of the pesticide regulatory program. The increase of \$8,484,833 in total expenditures is \$1,003,466 less than the increase of \$9,488,288 in appropriations requested in the Budget Bill because of a reduction in funds from two sources not appropriated through the Budget Bill, as follows:

- (1) Reimbursements and grants from the federal government are expected to decrease by \$761,954 in 1980-81, and
- (2) Agriculture Fund assistance to the counties provided through continuing appropriations is budgeted to decrease by \$241,512.

Table 2
Department of Food and Agriculture
1980-81 Major Budget Changes by Program

| | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change In</i> | | | | <i>Net Change From 1979-80</i> |
|--|------------------------------|-----------------------------|-------------------------|---|---|--------------------------|--|
| | | | <i>General Fund</i> | <i>Department of Agriculture Fund</i> | <i>Reimburse- ments and Other Funds</i> | <i>Federal Funds</i> | |
| 1. Pest and Disease Prevention | \$22,753,957 | \$21,588,898 | \$-536,208 | \$+185,132 | \$-711,838 | \$-102,145 | \$-1,165,059 |
| a. Terminate pilot urban pest detection project, PWEA ^a (-2.2 PY) | — | — | — | — | (-89,100) | — | (-89,100) |
| b. Reduce Guayule rubber project, PWEA ^a (-4.9 PY) | — | — | — | — | (-432,355) | — | (-432,355) |
| c. Increase Pink Bollworm detection (+10.5 PY) | — | — | — | (+153,121) | — | — | (+153,121) |
| d. Initiate Budget Act funding for Hydrilla eradi- cation (+5.9 PY) | — | — | (+582,383) | — | — | — | (+582,383) |
| e. Hydrilla eradication appropriations available in 1979-80 (Ch. 176, Statutes of 1977 and Ch. 1147, Statutes of 1979) | — | — | (-1,283,727) | — | — | — | (-1,283,727) |
| f. Funding for studies of the pesticide DBCP in 1979-80 (Ch. 1147, Statutes of 1979) | — | — | (-500,000) | — | — | — | (-500,000) |
| g. Minor and baseline changes ^b | — | — | (+665,136) | (+32,011) | (-190,383) | (-102,145) | (+404,619) |
| 2. Standards and Inspection | 9,215,080 | 9,622,497 | +111,842 | +265,834 | +1,849 | +27,892 | +407,417 |
| a. Increased dairy inspection (+2 PY) | — | — | — | (+82,246) | — | — | (+82,246) |
| b. Minor and baseline changes ^b | — | — | (+111,842) | (+183,588) | (+1,849) | (+27,892) | (+325,171) |
| 3. Marketing | 10,171,611 | 10,779,988 | +373,381 | +183,091 | +51,905 | — | +608,377 |
| a. Inner City Farmers Markets (+1.9 PY) | — | — | (+148,088) | — | — | — | (+148,088) |
| b. Minor and baseline changes ^b | — | — | (+225,293) | (+183,091) | (+51,905) | — | (+460,289) |

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 2
Department of Food and Agriculture
1980-81 Major Budget Changes by Program

| | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>General Fund</i> | <i>Change In</i> | | <i>Federal Funds</i> | <i>Net Change From 1979-80</i> |
|---|------------------------------|-----------------------------|-------------------------|---|---|--------------------------|--|
| | | | | <i>Department of Agriculture Fund</i> | <i>Reimburse- ments and Other Funds</i> | | |
| 4. Pesticide Regulation | 10,747,383 | 19,767,406 | +6,503,919 | +2,447,570 | +128,340 | -59,806 | +9,020,023 |
| a. Pilot Urban Pesticide information project, California Environmental License Plate Fund (+2.9 PY) | — | — | — | — | (+128,298) | — | (+128,298) |
| b. Expansion of pesticide regulatory program, state operations (+91 PY) | — | — | (+1,090,169) | (+2,600,000) | — | (-132,453) | (+3,557,716) |
| c. Expansion of pesticide regulatory program, county agricultural commissioners | — | — | (+4,880,461) | — | — | — | (+4,880,461) |
| d. Minor and baseline changes ^b | — | — | (+533,289) | (-152,430) | (+42) | (+72,647) | (+453,548) |
| 5. Supervision of Local Fairs | 1,022,342 | 1,040,447 | — | — | +18,105 ^c | — | +18,105 |
| 6. Management and Administration | 1,167,565 | 1,317,152 | +21,951 | +100,189 | +27,447 | — | +149,587 |
| a. Increase auditing of pesticide mill tax payments (+3 PY) | — | — | — | (+100,189) | — | — | (+100,189) |
| b. Minor and baseline changes ^b | — | — | (+21,951) | — | (+27,447) | — | (+49,398) |
| 7. Assistance to counties for agricultural purposes other than pesticide regulation | 3,309,065 | 2,756,703 | +1,650 | -554,012 | — | — | -552,362 |
| a. Transfer of unallocated emergency reserve ^d | — | — | — | (-570,764) | — | — | (-570,764) |
| b. Other adjustments | — | — | (+1,650) | (+16,752) | — | — | (+18,402) |
| 8. Unclaimed gas tax—reimbursements to programs funded by continuing appropriation and to the emergency reserve | 1,243,105 | 1,241,839 | — | -1,266 | — | — | -1,266 |
| Totals | \$59,630,108 | \$68,114,930 | \$+6,476,535 | \$+2,626,538 | \$-484,192 | \$-134,059 | \$+8,484,822 |

^a Federal Public Works Employment Act, Title II, funds allocated by the Employment Development Department.

^b Includes restoration of positions held vacant due to increased salary savings mandated by Section 27.2, Budget Act of 1979.

^c PWEA reimbursements \$+2,700 and Fair and Exposition Fund \$+15,405.

^d Unallocated funds from the \$1 million annual emergency reserve derived from unclaimed gasoline tax transferred to county assistance per Section 224(2), Food and Agricultural Code.

PY = Personnel-Years.

Pest and Disease Prevention Program. Funding reductions for four projects will reduce total spending for agricultural pest and disease prevention by almost \$1.2 million in 1980-81. Hydrilla eradication expenditures will be reduced from \$1.3 million in the current year to \$582,383 in 1980-81. Hydrilla is an aquatic weed that grows rapidly in lakes and canals, restricts water flow and damages other aquatic life. Chapter 176, Statutes of 1977, appropriated \$925,000 from the General Fund for Hydrilla eradication at Lake Ellis in Marysville. The department will spend the remaining \$783,727 of that appropriation in the current year to complete the project and monitor the condition of the lake to confirm eradication. The \$2.8 million total cost of the project has been shared by the state, local and federal governments.

The other major Hydrilla infestations are in the canals of the Imperial Irrigation District (IID) and at Lake Murray in San Diego County. Chapter 1147, Statutes of 1979, appropriated \$500,000 from the General Fund for Hydrilla eradication in the IID canals during 1979-80. The IID and the federal government are contributing an additional \$1 million in the current year, and the eradication project is expected to continue through 1982-83 at an annual cost of \$1.5 million. The department is requesting \$500,000 from the General Fund in 1980-81 to continue the state's contribution. The Budget Bill contains control language in Item 416 which requires that two-thirds of the cost of the eradication program in the Imperial Valley for 1980-81 be provided from federal and local funds. We concur with this requirement. If the department requests funds to continue the program in 1981-82, it should present a scientific evaluation of the program's progress and the probability of eradication.

The department is also requesting \$82,383 from the General Fund to continue eradication efforts at Lake Murray, where initial efforts funded by an allocation of \$52,800 from the gas tax emergency reserve have failed to achieve eradication.

Reimbursements from Public Works Employment Act, Title II funds for a project to demonstrate the feasibility of growing the Guayule plant for rubber production will decrease by \$432,355, from \$632,355 to \$200,000. Chapter 1147, Statutes of 1979, provided \$500,000 for use in the current year to fund research to determine the health risks of water contaminated by the pesticide DBCP, the extent and mechanism of that contamination, and alternatives to the use of DBCP for pest control. This appropriation was made after DBCP was found in the groundwater supplies. The department also plans to end a pilot urban pest detection project funded by \$89,100 in Public Works Employment Act money in the current year.

Direct Marketing. The budget proposes an increase of \$148,088 from the General Fund to the direct marketing program for the promotion of inner-city farmers markets in 1980-81. The money will be used to support two additional positions and provide \$100,000 for grants of up to \$10,000 each to community groups. The grants would cover initial expenses and salaries associated with establishing a market.

Expansion of Pesticide Regulatory Program. The largest and most significant change in the department's budget is in the pesticide regulatory program. The budget includes an increase of 91 positions within the de-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

partment for pesticide regulation, and \$4,880,461 to pay for increased county pesticide regulatory activities. The budget also includes an increase of \$128,298 from the California Environmental License Plate Fund for an urban pesticide information project.

Possible Increased Funds for Counties. Section 224 (2) of the Food and Agricultural Code appropriates \$1 million each fiscal year from unclaimed gasoline tax money to the department for "emergency detection, eradication or research of agricultural plant or animal pests or disease." The section also provides that any unencumbered balance from this \$1 million reserve shall be transferred at the end of the year to assist county agricultural programs in the next fiscal year. The budget shows a decrease of \$552,362, from \$3,309,065 to \$2,756,703, in assistance to counties for agricultural purposes other than pesticide regulation. The primary reason for this decrease is that county assistance in the current year includes \$570,764, which was the amount that remained unencumbered in the emergency reserve at the end of 1978-79. No such transfer of unused reserve money is included in county assistance in 1980-81 because the budget assumes that all of the emergency reserve for 1979-80 will be spent by the department. However, expenditures from the emergency reserve were only \$38,320 as of February 1980, and there are no pending requests to spend additional funds. The 1979-80 emergency reserve now contains \$961,680. If no more emergency projects are funded, all of this money will be transferred to county assistance in 1980-81. This would result in an *increase* in county assistance (excluding pesticide regulation) of \$409,318, rather than the budgeted decrease in 1980-81.

Veterinary Laboratories

We recommend an increase of \$209,667 in fees collected by the veterinary laboratories and a corresponding reduction in support from the General Fund (Item 416).

The department operates five veterinary laboratories located at Fresno, Petaluma, Sacramento, San Gabriel, and Turlock. The laboratories serve the livestock and poultry industries by performing autopsies, making diagnoses, and providing various animal health tests. The budget proposes total expenditures of \$1,686,786 for the laboratories in 1980-81. Of this amount, the General Fund provides \$1,466,786, or 87 percent, and the remaining \$220,000 is budgeted to come from fees charged the owners of the animals and poultry.

Interim Funding of Turlock Laboratory. When preparing the 1979-80 budget, the department identified the Turlock laboratory, which primarily handles poultry, as a low-priority function. Subsequently, it proposed to close the Turlock laboratory and eliminated most of the staff positions as part of the position reductions made during 1978-79 in response to control Section 27.2.

The Legislature did not approve the closure of the Turlock laboratory and augmented the department's budget by \$120,000 in order to keep it open in 1979-80. The augmentation provided money from the General Fund to maintain operation of the Turlock laboratory pending the adop-

tion of a new fee schedule which would yield enough money in 1980-81 to replace the General Fund augmentation. The Legislature also added Budget Act control language in Item 378 which provided that anticipated laboratory fee increases shall be used to reduce General Fund costs.

The department testified before the Assembly Agriculture Committee in November 1979 that it planned to include operation of the Turlock laboratory and \$140,000 from increased fees in its 1980-81 budget request. The budget includes \$149,667 from the General Fund for the Turlock laboratory, but does not include a fee increase.

Inadequate Fees. Fees charged for laboratory services at all five of the veterinary laboratories have remained essentially unchanged since 1972. A person sending carcasses or specimens for analysis is charged \$7.50 regardless of the number of carcasses or specimens, or the number and cost of the tests performed. Standard blood tests to screen for Salmonella and Mycoplasma infections are 10 cents each and Brucellosis tests are free. Actual fee collections for 1978-79 were \$160,228 for all five laboratories, about \$60,000 less than the \$220,000 which was budgeted to be collected. The department secured the missing \$60,000 in fees by diverting General Fund support from other animal health programs to finance the laboratories. Revenues for the first seven months of the current year are \$78,825. Consequently, the total fee revenue will remain at approximately \$160,000.

Fee Increases. We recommend that the department revise its fee schedules at all five of its laboratories to increase revenue by \$209,667. This will provide enough money to offset both the \$149,667 budgeted from the General Fund for the Turlock laboratory and \$60,000 from the General Fund to fill the expected shortfall in budgeted fee revenues. If fee revenues are increased by this amount, the total General Fund reduction in Item 416 would be \$209,667 and the increase in reimbursements in Item 416 would be \$149,667. The net reduction of \$60,000 (General Fund) will assure that the department does not continue the practice of budgeting General Fund money for other programs where it is not needed, and then using the money to offset shortfalls in fee revenue.

Future Service Improvements Require Funding Changes. Existing law (Sections 464 and 464.5 of the Food and Agricultural Code) does not allow the department to charge laboratory users for the full cost of diagnostic services provided at the veterinary laboratories. An amount equal to only the extra cost of maintaining several conveniently located laboratories rather than one central laboratory may now be charged for diagnostic services. However, the full cost may be charged for other services requested.

Representatives of the livestock and poultry industries have testified that they desire better service from the veterinary laboratories. Because the laboratory users directly benefit from the services provided by the laboratories, they should pay a significant share of the laboratory costs. Before additional laboratory staff or new services are provided in the future, the department should review existing law and propose changes to place industry and General Fund support on a more nearly equal basis.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Audits of Pesticide Mill Tax**

We recommend (1) eliminating four new positions to audit pesticide mill tax collections and (2) use of the \$100,189 of mill tax revenues saved thereby to reduce the General Fund cost of the pesticide regulatory program (Item 416).

Pesticide manufacturers pay a tax of eight mills (\$.008) per dollar of pesticide sales in California, which the department estimates will generate \$5.1 million in 1980-81. Under law, the counties receive five-eighths of this money for pesticide regulatory activities, and the department retains three-eighths of the money to help fund its pesticide program. The companies pay the tax quarterly with an accompanying form that shows only the total dollar figure of pesticides sold in California and the amount of the tax paid.

The companies are not required to show the amount of each pesticide sold. Such information, if secured by the department, would provide a partial basis for screening the forms to determine whether proper payment had been made and to secure data on the total sales of pesticides in California. More specifically, the department could compare a company's mill tax return with a list of pesticides registered by the company for sale in California in order to determine whether the return covers all taxable materials. The revised form could also be used to distinguish the revenue and sales of various economic poisons such as disinfectants and relatively innocuous materials from the sales of toxic pesticides. The department in the past has been unable to estimate mill tax revenues from specific types of materials when the Legislature requested it to do so.

Control Language in 1979 Budget Act. In recognition of the need for more detailed pesticide sales information, the Legislature added control language in Item 378 of the Budget Act of 1979. That language requires the Director of Food and Agriculture to adopt regulations for the "collection of funding and use-oriented information regarding economic poisons [pesticide] sales in the state."

The department filed regulations on December 24, 1979 which require pesticide registrants to (1) report annually the total pounds of each "active ingredient" contained in pesticides sold for use in California, and (2) report (until January 1, 1982) the percentage of each active ingredient sold for use in agriculture, homes and gardens, industry, institutions and for structural pest control. These requirements do not address the need for additional information about dollar sales of pesticides and therefore do not fully comply with the budget act control language.

Request for Additional Auditors. The department now devotes 1.7 personnel-years to mill-tax audits. The cost-effectiveness of the existing mill tax audits has varied. The net gain (additional taxes paid less refunds and audit costs) was \$25,000 in 1977-78 and \$106,000 in 1978-79. The 1980-81 budget requests an increase of \$100,189 to add four mill tax audit positions. The funds would be provided from mill tax revenues in the Agriculture Fund as appropriated by Item 417.

The auditors currently are unable to screen tax returns for possible

underpayments and to choose the best audit prospects. This results in high audit costs because the auditors must go to each company's office for information and more than one-half of the companies are located outside the state.

The department could improve its collection of pesticide taxes if it secured the information which the Legislature directed it to secure last year. Until this essential step has been taken and the results evaluated, we recommend elimination of the four new audit positions. If funding for the audit positions is denied, the \$100,189 in mill-tax revenues which is budgeted for them could be used to finance the department's administration of the pesticide program. This use of the mill-tax revenues would in turn permit a reduction in the General Fund cost of the pesticide regulatory program for a savings of \$100,189 in Item 416 from the General Fund.

Pesticide Regulatory Program

We withhold recommendation on \$8,438,177 in increased funding requested for the pesticide regulatory program because the department has not provided adequate justification for the amount requested.

Under existing state law and under a delegation of federal authority from the Environmental Protection Agency, the department has major responsibility for regulation of pesticides in California. All pesticides used in California must be registered by the department, and the department regulates the conditions of their use. The Division of Pest Management, Environmental Monitoring, and Worker Safety administers the program. County agricultural commissioners regulate pesticide applications at the local level subject to the department's regulations and supervision.

Compliance with CEQA. In 1976, the Attorney General issued an opinion that the California Environmental Quality Act (CEQA) requires the preparation of an environmental impact report (EIR) each time a county agricultural commissioner issues a permit for the application of a restricted pesticide. The Legislature enacted several statutes to temporarily exempt the pesticide regulatory program from the requirements of CEQA while the department sought to find a way to comply with CEQA without requiring complete individual EIRs for each of the many thousands of pesticide permits issued by the county commissioners.

The framework for a permanent solution to this problem was established by Chapter 308, Statutes of 1978, which extended the CEQA exemption until January 1, 1981 and authorized the use of the functional equivalent approach under CEQA for the pesticide regulatory program.

The department has revised its pesticide regulatory program to incorporate consideration of alternatives and mitigation measures in the decision-making process and to include greater public participation. The department submitted its revised program to the Secretary of Resources on November 1, 1979, as required by Chapter 308. The Secretary has now certified the department's program as meeting the requirements of the functional equivalent approach. Under Chapter 308, certification eliminates the requirement for the preparation of an EIR for each permit issued by a county commissioner.

Expanded Regulatory Program. The revised pesticide regulatory pro-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

gram affects both the department and the agricultural commissioners. Regulatory changes affecting the way the department evaluates pesticides and makes decisions concerning their registration and limitations on their use became effective in January 1980. Generally, these changes will require the department to make a more detailed and thorough analysis of applications to register pesticides, and will require regular reevaluation of those pesticides which are now registered. Pesticide registrants will be required to submit (1) more extensive data than in the past and (2) any information about the adverse effects of their pesticides. The department has also established procedures to notify the public of pesticide registration, renewal and reevaluation decisions. Additionally, the department will respond in writing to public comments on the pesticide program and will seek to work more closely with other agencies.

The department is proposing an increase of \$1,090,169 from the General Fund and \$2.6 million from the Agriculture Fund to support the expanded program at the state level in 1980-81. The department proposes to obtain the additional money from the Agriculture Fund through an increase in pesticide registration fees, which will require legislation.

New County Requirements. On July 1, 1980, the department intends to implement new regulatory requirements for the county agricultural commissioners. During 1980, all pesticide use permits must be issued for specific sites of application. In areas designated by the county commissioner as environmentally sensitive, permits must also specify the time when the pesticide will be applied. Applications for permits must also indicate how the need to apply pesticides will be determined. A permit will allow the purchase and possession of a restricted pesticide, but before each use of the pesticide a notice of intent must be filed with the county commissioner. The county commissioners will be required to determine whether there are feasible alternatives or mitigation measures to reduce adverse pesticide effects, and they will be required to monitor at least 5 percent of the treatment sites for compliance with regulations.

In 1981, the requirements will become more stringent. Every permit will specify both the site and the time of pesticide application. Permits will be issued only to growers or their agents, not to professional pesticide applicators. Applications for pesticide use permits will be required to discuss alternative methods of pest control that the applicant intends to use. Although the information required to issue a permit and the evaluation of that information by the county agricultural commissioners will become much more extensive and detailed, permits may remain in force for an entire season and may be subject to renewal in the years following. Each time a restricted pesticide is applied, however, a notice of intent must first be filed.

Section 28 Letter. The department is requesting an appropriation of \$4,880,461 from the General Fund to cover additional county expenses incurred because of the expanded pesticide regulatory program in 1980-81. Initially, the department intended to implement the permit portion of its new regulations, in January 1980, when the registration and evaluation portion of the program became effective. The Director of Finance noti-

fied the Legislature pursuant to Section 28 of the Budget Act of 1979 that she intended to authorize the expenditure of an additional \$1,379,212 in 1979-80 to fund additional county costs in implementing the new pesticide program. The additional funds would have been provided from \$1 million in surplus funds from the pesticide mill tax and from anticipated General Fund savings within the department.

The department's request did not include cost estimates to justify the specific amount of additional funds or any description of the criteria by which the money would be distributed among the counties. For this reason, and because the proposed change in the pesticide regulatory program constituted a major policy issue requiring legislative review and approval, the Chairman of the Joint Legislative Budget Committee requested that the Director of Finance not approve the additional funding pending a hearing by the committee. On January 2, 1980, the Department of Finance notified the committee that the Department of Food and Agriculture had withdrawn its request to spend the additional money in the current year and planned to defer implementation of the new regulations at the county level until July 1, 1980.

We cannot recommend approval of the department's requested increase for the pesticide regulatory program in 1980-81. The information provided by the department to justify the increase consists of a list of general responsibilities under the revised regulations and a statement of the number of additional positions and funds requested to carry out each one. In most cases, there is no evaluation of the basis for the level of funding and staff to carry out particular functions, nor has there been any discussion of the relative priorities of each part of the program or of alternative methods of carrying it out. Likewise the department has not provided a meaningful justification for the amount of money requested to cover county costs, and it has not stated how these funds would be distributed. We therefore withhold recommendation pending receipt of further justification from the department.

UNEMPLOYMENT INSURANCE AND BENEFITS FOR FAIRS

Item 423 from the Fair and Ex-
position Fund

Budget p. GG 58

| | |
|-----------------------------------|-----------|
| Requested 1980-81 | \$400,000 |
| Estimated 1979-80 | 400,000 |
| Actual 1978-79 | 225,000 |
| Requested increase None | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Section 19621.1 of the Business and Professions Code provides that the Director of Food and Agriculture shall annually submit to the Director of Finance an estimate of the cost of unemployment insurance and benefits

UNEMPLOYMENT INSURANCE AND BENEFITS FOR FAIRS—Continued

payable to the Unemployment Fund by all state-supported local fairs. The Director of Finance shall include that amount in the Budget Bill. For 1980-81, the budget proposes \$400,000 for unemployment insurance and benefits costs to state-supported local fairs (Cal-Expo is not included). The amount requested is a projection made by the Department of Food and Agriculture based on recent billings to the fairs by the Employment Development Department.

Chapter 2, Statutes of 1978, extended unemployment insurance coverage to fair employees (among others). Chapter 2 became effective on January 1, 1978, but the Budget Act of 1978 failed to include an appropriation for the unemployment costs of the fairs. Chapter 599, Statutes of 1979, appropriated \$225,000 for the purpose of paying the costs of unemployment insurance and benefits for the local fairs through June 30, 1979. The Budget Act of 1979 included an appropriation of \$800,000 in Item 440 (the price increase item for special funds) to fund unemployment costs of the fairs in 1978-79. Actual billings have not been as large as initially expected, and estimated expenditures have been revised downward to \$400,000. The 1980 Budget Bill contains Item 423 for the unemployment costs of the fairs.

Funds for the unemployment costs of local fairs are provided by a deduction from state horseracing revenues which reduces the amount of these revenues deposited in the General Fund. Thus, these costs are, in effect, paid by the General Fund.

DEPARTMENT OF INDUSTRIAL RELATIONS

Items 424-425 from the General
Fund

Budget p. GG 60

| | |
|--|---------------|
| Requested 1980-81 | \$104,091,866 |
| Estimated 1979-80..... | 97,839,244 |
| Actual 1978-79 | 87,739,862 |
| Requested increase (excluding amount for salary increases) \$6,252,622 (+6.4 percent) | |
| Total recommended reduction | \$580,130 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|-------|----------------------|----------------|---------------|
| 424 | Departmental Support | General | \$66,537,641 |
| — | Departmental Support | Reimbursements | 1,546,121 |
| — | Departmental Support | Federal | 13,866,167 |
| 425 | Local Mandates | General | 22,141,937 |
| Total | | | \$104,091,866 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

- | | | |
|--|---|------|
| 1. <i>Toxic Substance Coordinator. Reduce Item 424 by \$86,634.</i> | Recommend deletion of staffing proposed for the Toxic Substance Coordinating Council. | 1341 |
| 2. <i>Rehabilitation Services.</i> | Recommend department report on status of proposed legislation to make rehabilitation services self-supporting. | 1343 |
| 3. <i>Workers' Compensation Adjudication.</i> | Recommend enactment of a constitutional amendment to make workers' compensation adjudication program self-supporting. | 1343 |
| 4. <i>Uninsured Employers' Fund.</i> | Recommend legislation revising claims settlement practices to reduce litigation. | 1344 |
| 5. <i>Occupational Health. Reduce Item 424 by \$106,248, and federal funds by \$106,248.</i> | Recommend elimination of proposed technical development unit in the Division of Occupational Safety and Health to prevent duplication with the Occupational Health Research Section in the Department of Health Services. | 1346 |
| 6. <i>Mine Safety.</i> | Recommend legislation to eliminate duplication between the state and federal mine safety programs. | 1348 |
| 7. <i>Minimum Wage Reform.</i> | Recommend legislation to reform procedures for promulgating regulations affecting minimum wages and working conditions. | 1349 |
| 8. <i>Apprenticeship Standards. Reduce Item 424 by \$281,000.</i> | Recommend elimination of the new initiatives apprenticeship program. | 1351 |

GENERAL PROGRAM STATEMENT

The purpose of the Department of Industrial Relations is to "foster, promote and develop the welfare of the wage earners of California, improve their working conditions and advance their opportunities for profitable employment." To fulfill these broad objectives, the department provides services through the following eight programs:

1. *Administrative Supporting Services.* Includes the Office of the Director. Provides overall policy direction; legal; public information; management analysis; fiscal management; personnel; training; data processing services; and consultation services to employers regarding compliance with the California Occupational Safety and Health Act (Cal-OSHA).
2. *Self-Insurance Plans Unit.* Issues certificates of self-insurance to those enterprises and public agencies demonstrating financial capability to compensate their workers fully for industrial injuries, and monitors financial transactions involving such injuries.
3. *State Mediation and Conciliation Services.* Investigates and mediates labor disputes, and arranges for the selection of boards of arbitration.
4. *Division of Industrial Accidents and the Workers' Compensation Appeals Board.* Adjudicate disputed claims for compensating workers who suffer industrial injury in the course of their employment and

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

- approve rehabilitation plans for disabled workers.
5. *Division of Occupational Safety and Health.* Administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of workplaces (including mines and tunnels), and inspects elevators, escalators, aerial tramways, radiation equipment and pressure vessels.
 6. *Division of Labor Standards Enforcement.* Enforces a total of 15 wage orders promulgated by the Industrial Welfare Commission and more than 200 state laws relating to wages, hours and working conditions, child labor and the licensing of artists' managers and farm labor contractors.
 7. *Division of Apprenticeship Standards.* Promotes apprenticeship programs and other "on-the-job" training for apprentices and journeymen, promotes equal opportunity practices in these programs and inspects, approves and monitors such programs for veterans under a contract with the U.S. Veterans Administration.
 8. *Division of Labor Statistics and Research.* Gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illness as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.

Pursuant to the Governor's Reorganization Plan No. 1 of the 1979-80 legislative session, the former Division of Fair Employment Practices became the Department of Fair Employment and Housing.

Reimbursement of Mandated Local Costs

Under Section 2231(a) of the Revenue and Taxation Code, the state reimburses local governmental agencies for increased costs imposed by state legislation enacted after January 1, 1973. The Budget Bill (Item 425) contains funding for ten different measures which have been enacted since that time, all of which increase workers' compensation benefits and affect local entities as employers.

Uninsured Employers' Fund

The Uninsured Employers' Fund, which is administered by the department, provides workers' compensation benefits for those employees injured in the course of employment whose employers fail to provide compensation. No additional funding is proposed for this program in the budget year because sufficient resources are available from the 1978-79 appropriation.

ANALYSIS AND RECOMMENDATIONS

The budget proposes General Fund appropriations for the Department of Industrial Relations totaling \$88,679,578 in 1980-81, which is \$5,926,224 (7.2 percent) above estimated General Fund expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The 1980-81 request consists of \$66,537,641 (Item 424) for support of the department and \$22,141,937 (Item 425) for legislative mandates. Reimbursements and federal funds

result in a total expenditure program of \$104,091,866, which is \$6,252,622 (6.4 percent) above estimated current-year expenditures.

In total, the department is requesting 98 new positions which, after an adjustment for salary savings, results in a net addition of 94.2 personnel years. Table 1 shows funding sources and expenditures by program.

Table 1
Department of Industrial Relations
Budget Summary

| <i>Funding</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|--|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| General Fund | \$82,753,354 | \$88,679,578 | \$5,926,224 | 7.2% |
| Reimbursements | 1,051,404 | 1,546,121 | 494,717 | 47.1 |
| Federal funds | 14,034,486 | 13,866,167 | -168,319 | -1.2 |
| Totals | \$97,839,244 | \$104,091,866 | \$6,252,622 | 6.4% |
| <i>Program</i> | | | | |
| Administrative support, distributed to other programs | (\$4,091,497) | (\$5,138,191) | (\$1,046,694) | 25.6% |
| Administrative support, undistributed | 10,000 | 52,907 | 42,907 | 429.1 |
| Personnel-years | 140.6 | 150.5 | 9.9 | 7.0 |
| Regulation of workers' compensation self-insurance plans | 718,216 | 925,595 | 207,379 | 28.9 |
| Personnel-years | 20.3 | 27.2 | 6.9 | 34.0 |
| Conciliation of labor disputes | 1,160,043 | 1,217,558 | 57,515 | 5.0 |
| Personnel-years | 25.9 | 26.3 | 0.4 | 1.5 |
| Adjudication of workers' compensa- tion disputes | 23,745,290 | 26,859,595 | 3,114,305 | 13.1 |
| Personnel-years | 707.4 | 758.2 | 50.8 | 7.2 |
| Prevention of industrial injuries and deaths | 29,627,660 | 31,733,702 | 2,106,042 | 7.1 |
| Personnel-years | 661.4 | 682.4 | 21.0 | 3.2 |
| Enforcement of laws relating to wages, hours, and working condi- tions | 13,520,648 | 14,251,445 | 730,797 | 5.4 |
| Personnel-years | 417.4 | 426.0 | 8.6 | 2.1 |
| Apprenticeship and other on the job training | 4,866,082 | 4,654,143 | -211,939 | -4.4 |
| Personnel-years | 139.1 | 130.0 | -9.1 | -6.5 |
| Labor force research and data dis- semination | 2,049,368 | 2,254,984 | 205,616 | 10.3 |
| Personnel-years | 65.4 | 71.1 | 5.7 | 8.7 |
| Subtotals | \$75,697,307 | \$81,949,929 | \$6,252,622 | 8.3% |
| Personnel-years | 2,177.5 | 2,271.7 | 94.2 | 4.3 |
| Legislative mandates | 22,141,937 | 22,141,937 | — | — |
| Grand Totals | \$97,839,244 | \$104,091,866 | \$6,252,622 | 6.4% |

As shown in Table 2, the department's proposed budget-year increase of \$6,252,622 consists of three major components (1) \$1.3 million to meet rising workload in the various programs in the department, (2) \$3.8 million for merit salary adjustments, inflationary increases in operating expenses, and the restoration of 50.5 personnel-years which were deleted on a one-time basis in the current year pursuant to Control Section 27.2 of the

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Budget Act of 1979, and (3) \$1.2 million for proposed new programs.

Table 2
Department of Industrial Relations
Proposed 1980-81 Budget Changes
(in thousands)

| | <i>General Fund</i> | <i>Federal Funds</i> | <i>Reim- bursements</i> | <i>Total</i> |
|---|-------------------------|--------------------------|-----------------------------|--------------|
| 1979-80 Current-year Revised | \$82,753.4 | \$14,034.5 | \$1,051.4 | \$97,839.3 |
| 1. Workload Changes | | | | |
| Administration | 149.3 | — | — | 149.3 |
| Self-Insurance | 30.0 | — | 155.0 | 185.0 |
| Workers' Compensation Appeals Board | 617.3 | — | 367.6 | 984.9 |
| Apprenticeship Standards | — | -716.8 | -55.0 | -771.8 |
| Division of Labor Research and Statistics | 41.0 | — | — | 41.0 |
| Other | 677.5 | 36.1 | — | 713.6 |
| Subtotals | \$1,515.1 | -\$680.7 | \$467.6 | \$1,302.0 |
| 2. Cost Changes | | | | |
| Merit Adjustments | \$754.2 | \$60.0 | — | \$814.2 |
| Inflationary Factors | 1,605.2 | 31.3 | — | 1,636.5 |
| Restoration of Control Section 27.2 Positions | 1,305.5 | — | — | 1,305.5 |
| Subtotals | \$3,664.9 | \$91.3 | — | \$3,756.2 |
| 3. Program Changes | | | | |
| OSHA Health Technical and Research Development Unit | \$106.2 | \$106.2 | — | \$212.4 |
| Case Tracking System (WCAB) | 208.2 | — | — | 208.2 |
| Implementation of New Legislation | 30.3 | — | \$27.1 | 57.4 |
| Toxic Substances | 401.5 | 314.9 | — | 716.4 |
| Subtotals | \$746.2 | \$421.1 | \$27.1 | \$1,194.4 |
| Totals | \$88,679.6 | \$13,866.2 | \$1,546.1 | \$104,091.9 |

New Positions for Control of Toxic Substances. The Department of Industrial Relations is one of seven state agencies participating in the proposed program for controlling toxic substances to minimize damage to the environment and reduce the incidence of injuries and illnesses among California workers. To fulfill its part of the program, the department is requesting 19 new positions at a cost of \$716,487 in the budget year, consisting of \$401,561 from the General Fund and the remainder from federal funds. The department's participation in the program has three essential features.

First, the department proposes to establish a 24-hour information system to help identify toxic materials in cases involving chemical spills or other related accidents. The system will also have the capability of providing basic information on methods of handling chemicals safely during such crises to prevent injuries to persons involved in clean-up operations.

Second, the department proposes to add eleven additional industrial hygienists to make on-site visits in difficult chemical spill cases to identify the substances and prescribe methods for handling clean-up operations. These positions are also proposed to alleviate a growing backlog of work-site inspections under the Cal-OSHA program. The distribution of the

requested positions between these two functions is not identified in the budget.

Third, the department proposes to add three positions to eliminate a backlog in its existing program which gathers occupational injury and illness data regarding the use of hazardous substances. These data are useful for determining the effects of chemicals on the health and well being of workers.

Reimbursing Employers for Capricious OSHA Enforcement. Chapter 1077, Statutes of 1979 (AB 1300), authorizes the department's Occupational Safety and Health Appeals Board to award reasonable legal costs, not to exceed \$5,000, to employers who successfully defend citations alleging violation of an OSHA standard in certain cases. Employers qualify for such reimbursements only when they prevail in appealing the board's decision and the board determines that the citation was issued as a result of an arbitrary or capricious action by the Division of Occupational Safety and Health. Chapter 1077, which became effective January 1, 1980, appropriated \$253,000, consisting of \$126,500 from the General Fund and an equal amount from federal funds, to pay these costs. Because the funds are available for expenditure for up to three years, the Governor's Budget does not provide additional money for this measure in 1980-81. The board may submit an augmentation request prior to the enactment of the Budget Bill for additional funds if actual operating experience indicates that the Chapter 1077 appropriation will be exhausted before the end of the budget year.

Significant Changes in Reimbursements and Federal Funds

The 47.1 percent increase in reimbursements shown in Table 1 primarily results from a proposal by the administration to support 19 proposed positions (\$367,619) for the workers' compensation rehabilitation program in the Division of Industrial Accidents from reimbursements rather than from the General Fund. The rehabilitation program is estimated to cost \$2.2 million in the budget year for 75.6 personnel years. We understand that the administration's proposal would make the entire rehabilitation program self-supporting and requires legislation which, at the time this analysis was prepared, has not been introduced. The issue is discussed more fully later in this analysis. Federal funds decline primarily because of the termination in the current year of a U.S. Department of Labor grant to develop new apprenticeship opportunities for licensed psychiatric technicians and agricultural workers.

ADMINISTRATION

Toxic Substance Coordinating Council

We recommend deletion of a proposed staff counsel III and a related clerical position for the proposed Toxic Substances Coordinating Council, for General Fund savings of \$86,634 (Item 424).

The Governor's Budget expresses an intent to establish by Executive Order a Toxic Substance Coordinating Council consisting of the Directors of Health Services, Food and Agriculture, and Industrial Relations; the Chairpersons of the State Water Resources Control Board and Air Re-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

sources Boards; and the Secretaries for the Resources and Business and Transportation Agencies. We are advised that the chairpersonship of the council will rotate among the members on a periodic basis.

The council is expected to:

- Coordinate research relating to the development of (1) safer chemical substitutes for existing dangerous toxic substances, and (2) alternatives to the land fill disposal of such substances.
- Develop policy recommendations to minimize hazards in the use and disposal of toxic substances.
- Monitor and evaluate the state's efforts to protect the public from toxic materials.
- Encourage interagency cooperation and joint projects to minimize program duplication in this area.
- Promote consistency and reform in the state's efforts to regulate toxic substances.

To assist the council in fulfilling its responsibilities, the Department of Industrial Relations requests a staff counsel III and a clerical position, at a General Fund cost of \$86,634. We are advised that the positions are proposed to replace positions which have been loaned to the Governor's Office in the current year to develop the Governor's toxic substance control program.

Our analysis has identified several deficiencies in this proposal. First, the proposal fails to clarify the responsibilities of the Departments of Health Services and Industrial Relations, the Water Resources Control Board, and the Air Resources Board to prevent duplication in several areas regarding toxic substances. Areas of potential program overlap include: (1) inspecting hazardous waste disposal sites; (2) analyzing the effect on health of exposure to toxic materials at disposal sites and at industrial locations where such substances are used; (3) setting standards for toxins in water supplies, air or places of employment; (4) searching for illegal dumping; and (5) evaluating health standards. Under present law, many of these matters will be approached by each agency in the narrow context of its assigned responsibilities. This could not only produce duplication, but also result in some important areas being overlooked. Examples of such oversight are discussed in our analysis of the Solid Waste Management Board (Item 205) and the Office of Appropriate Technology (Item 42). Our analysis indicates that a coordinating council cannot deal with these problems effectively, and that legislation is needed instead to address these issues on a specific basis.

Second, the department has not provided justification to allow the Legislature to determine whether the council will generate sufficient workload to justify the positions. They were placed in the budget without the written justification normally required by the Department of Finance.

Finally, the department has not yet determined whether the positions will remain on loan to the Governor's Office or be returned to the Department of Industrial Relations. Either option poses serious problems. It is contrary to sound budgeting principles to budget positions to one agency and loan them to another on a permanent basis. If the positions are to work

in the Governor's Office, they should be budgeted there. If, on the other hand, they are to be housed in the Department of Industrial Relations, they cannot coordinate the activities of the council efficiently. The Department of Industrial Relations is located in San Francisco, while all other members of the council are located in Sacramento. This alternative would result in serious inefficiencies due to lost work time and excessive expenditures for travel and per diem.

In our judgment, funds for any staff to coordinate efforts among agencies involved with the control of toxic substances should be appropriated in legislation which specifically clarifies the responsibilities of each toxic substance control agency. Lacking such legislative clarification, it is unlikely that a coordinating entity—particularly one located within the department—can be effective. Therefore, we recommend deletion of the two positions for the council, for a General Fund savings of \$86,634 (Item 424).

DIVISION OF INDUSTRIAL ACCIDENTS

Fees for Rehabilitation Services—Legislation Needed

We recommend that the Department of Industrial Relations report during budget hearings on its progress in obtaining legislation to make workers' compensation rehabilitation services self-supporting.

The Rehabilitation Bureau in the Division of Industrial Accidents ensures that workers receive rehabilitation benefits to assist their reentry into the labor force following disabling industrial accidents. Rehabilitation benefits are provided by the worker's employer or the latter's workers' compensation insurance carrier. In carrying out its objectives, the bureau administers a reporting system on rehabilitation benefits, approves rehabilitation plans, and resolves disputes between workers and their employers concerning benefits.

The Governor's Budget proposes to add 19 new positions to the bureau at a cost of \$367,619. It is anticipated that these positions would be funded by reimbursements rather than from the General Fund. The department is currently seeking legislation authorizing it to charge a user's fee for these services in order to make the rehabilitation program fully self-supporting. Such legislation would provide a General Fund savings of \$2.2 million based on the existing staffing level. We support the concept of making this program self-supporting. However, if the department is unsuccessful in obtaining the legislation, the new positions should be financed by the General Fund, because they are needed to meet increasing workload in the bureau and to eliminate a growing backlog. Therefore, we recommend that the department report during budget hearings on its progress in obtaining the necessary legislation.

Entire Program Should be Self-Supporting

We recommend enactment of a constitutional amendment making the entire workers' compensation adjudication program self-supporting.

At least 28 states operate their workers' compensation adjudication programs on a self-supporting basis, including Arizona, Connecticut, Florida, Maryland, Montana, New York, Pennsylvania, Ohio, Oregon, and Wisconsin.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

sin. These states generally levy an annual assessment on insurance companies and a corresponding charge on self-insured employers. The 1973 National Commission on State Workmen's Compensation Laws recommended that all states adopt this method of financing their systems.

The cost to support the workers' compensation adjudicatory program would be less than 1.0 percent of the total estimated workers' compensation premiums paid by California employers in 1979. In 1980-81, this program is expected to cost slightly less than \$35 million, including the costs of the Division of Industrial Accidents, the Workers' Compensation Appeals Board, the Uninsured Employers' Fund, the Subsequent Injury Fund, and the Disaster Services Workers' Fund. Employers (public and private) paid an estimated \$2.6 billion in total premium costs in 1979. Moreover, private self-insured employers incurred an estimated equivalent premium cost of \$1.0 billion in 1979. The estimate excludes equivalent premium costs to self-insured, public employers because these workers' compensation costs are not known. Consistent with the recommendation of the national commission, we recommend a constitutional amendment to make the program self-supporting.

Uninsured Employers' Fund

We recommend that legislation be enacted to minimize litigation by revising claims settlement procedures of the Uninsured Employers' Fund to parallel those used by insurance companies.

As noted above, the Uninsured Employers' Fund (UEF), provides workers' compensation benefits in cases where employers fail to provide such benefits. The UEF, which is administered by the department, is partially self-supporting in that it receives revenue from recoveries, fines, and penalties paid by uninsured employers. The program also requires periodic support from the General Fund.

Under current law, benefits can be paid from the UEF only after a finding and award is made by the Workers' Compensation Appeals Board (WCAB). This has the effect of requiring litigation in almost all UEF cases. On the other hand, only about 25 percent of the cases in which insurance companies pay the benefits are heard by the WCAB. The remaining cases are settled informally with the injured workers without litigation. Our analysis indicates that legislation is needed to allow the department to administer the UEF in a manner similar to an insurance company. This legislation would result in the following benefits.

First, it would relieve workers of the cost of unnecessary litigation. Under the current system, it is usually necessary for workers to obtain legal assistance to present their cases before the WCAB. The legal fee is paid from the workers' compensation benefits, which are designed to cover medical and minimal living costs during the recovery period.

Second, the legislation would relieve the state of legal costs to defend cases before the board. Without such legislation, the state will probably need to increase its legal staff substantially. The Governor's Budget proposes two new attorney positions to defend the fund, bringing the total legal staff to five. However, it is estimated that even with this augmented

staffing level, the state will be unable to assign legal counsel to one-third of the WCAB hearings where findings and awards may be issued against the fund.

Third, the legislation would help alleviate the growing workload of the WCAB by eliminating unnecessary hearings. In recent years growth in the number of workers' compensation disputes has far outpaced the rate at which workers' compensation judges have been added, making it difficult for the board to handle its caseload.

Medical Bureau

Last year, the administration deleted nine existing medical examiners (physicians) from the budget of the Medical Bureau to: (1) redirect resources to alleviate a serious clerical shortage in the Division of Industrial Accidents and (2) comply with Control Section 27.2, Budget Act of 1978, which required a statewide reduction of \$54 million in personal services.

In the past, the medical examiners:

1. Gave advice (informal opinions) to the Workers' Compensation Appeals Board, the workers' compensation judges, and the Rehabilitation Bureau to assist in settling disputes regarding workers' compensation benefits; and
2. Conducted physical examinations of workers involved in such disputes.

As a result of the nine positions being deleted, most of the formal physical examinations have been shifted to private physicians at the litigants' expense. (In almost all cases, the examination costs are paid by employers or by insurance companies.)

As a result of this change four medical examiners remained on staff primarily to provide the informal opinions. In the Supplemental Language Report on the 1979 Budget Act the Legislature required the department to "... report to the Joint Legislative Budget Committee by December 1, 1979, regarding the impact on the workers' compensation adjudicatory system . . ." of the deletion of the medical positions. It further directed the Legislative Analyst to include an evaluation of the department's report in the *Analysis of the Budget Bill* for 1980-81.

The department submitted a three-page report dated November 28, 1979, in which it states that the loss of the nine medical examiners has not resulted in serious problems. However, it acknowledges that some private physicians have not returned medical reports in a timely manner. The department states that it is currently implementing new contractual procedures in an attempt to encourage the return of these reports on a more-timely basis. The department believes that it has not had sufficient time to test the new procedures but will probably have collected meaningful data prior to the budget hearings. We will monitor this activity and report further on this matter during the subcommittee hearings.

DIVISION OF OCCUPATIONAL HEALTH AND SAFETY

Health Technical Development Unit

We recommend deletion of five proposed positions for the establishment of a technical development unit within the Division of Occupational

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Safety and Health, for General Fund savings of \$106,248 (Item 424) and a corresponding savings in federal funds.

The department proposes to establish a new technical development unit within the Division of Occupational Safety and Health. The new unit would consist of five members (a pharmacology specialist, an epidemiologist, an industrial hygienist, a staff services manager, and a clerical position) at a total budget-year cost of \$212,496. The cost would be shared equally by the General Fund and federal funds.

According to the division, the objectives of the new unit are to:

- Maintain liaison with the occupational health centers in the University of California and the Hazardous Substance Alert System in the Department of Health Services.
- Develop criteria for, and perform long-term intensive research in, occupational health hazards.
- Assess and document health hazards as a means of developing proposed new health standards for the OSHA Standards Board.
- Maintain a technical information repository and archives within the division.
- Provide technical consultation to the division in occupational health and to the consultation unit. (The latter provides advice to employers and employees regarding compliance with the Cal-OSHA program.)
- Develop health hazard alerts for distribution to the public, employers, and employees.

The primary purpose of the Hazardous Substance Alert System, which was created by Chapter 1244, Statutes of 1978 (AB 3413), is to evaluate the health effects of chemicals and to issue alerts to employers and employees regarding substances which pose special health hazards. There is no need for the division to duplicate the efforts of this system.

Most of the remaining functions identified for the proposed new unit are currently being performed, or could be performed, by the Occupational Health Research and Development Section in the Department of Health Services. This section is staffed by a physician, an industrial hygienist, a biostatistician, a staff services analyst, and a clerical support position. It will cost \$220,000 (General Fund) in 1980-81.

Our analysis indicates that it would be preferable to transfer the Occupational Health Research Section to the Division of Occupational Health and Safety rather than to establish a new unit. This would require legislation, but it would result in additional General Fund savings of approximately \$110,000 annually because the section would qualify for federal funding of up to 50 percent under the Cal-OSHA program.

Health Standards Development. The technical development unit is proposed, in part, to assist with the development of health standards. This poses a special problem. First, the department decided last year to transfer all of the staff assigned to this function to the OSHA Standards Board,

which is actually responsible for standards development. Thus, the department's proposal to establish this unit conflicts with its prior decision to consolidate the standards development activity under the standards board.

Moreover, the federal Occupational Safety and Health Act requires state safety and health standards "to be at least as effective in providing safe and healthful employment . . ." as federal standards. Every standard which is promulgated by the state is reviewed by the federal government to ensure that it meets the "effective as" criteria. In recent years, the federal government has intensified its reviews. Under the new procedures, it now requires states to justify standards which are more strenuous than federal standards, whereas before it did not review such matters. At the same time, the review of all occupational health standards was transferred from the regional offices in the U.S. Department of Labor to the headquarters office in Washington. While the federal government has no formal written policy on the issue, it has been rather consistently interpreting the "effective as" provision of federal law to mean "the same as" with regard to health standards. For example, a January 9, 1979, letter from the U.S. Department of Labor to the state regarding one such standard stated: ". . . (Y)our asbestos exposure language will need to be identical to federal OSHA. Otherwise your standard will be considered less effective.

. . ." We understand that there are four state occupational health standards which the federal government will not approve until the state makes them "identical to" their federal counterparts. These include standards involving airborne lead, acrylonitrile, inorganic arsenic, and asbestos. The latter three are known carcinogens.

It serves of little benefit for the state to promulgate an occupational health standard only to have the federal government withhold approval until the proposed standard becomes identical to the federal standard. The division and the standards board devote considerable resources to developing standards and having them reviewed by advisory committees (consisting of representatives of labor and management), and finally promulgated by the board. Our review suggests that it would be advisable to withhold all additional funding for the promulgation of state health standards until the department obtains a clear written policy statement from the federal government which allows the state to promulgate health standards which may differ from the federal standards to meet specific California conditions. Otherwise, it would be more economical for the state simply to adopt the federal standards by reference.

This issue will be addressed more directly as the standards board implements Chapter 567, Statutes of 1979 (AB 1111), which (1) establishes more strenuous requirements for agencies to justify new standards, (2) authorizes a new Office of Administrative Law to review all regulations and to disapprove those not meeting specified requirements, and (3) requires agencies to review the need for all existing regulations within five years. Budget Bill Items 432-434 appropriate a total of \$3.5 million to the Department of Finance for distribution to the various departments and agencies to implement Chapter 567. For further information on this issue see our

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

discussion of these items in this Analysis.

Mine Safety

We recommend legislation to eliminate duplication between the state and federal mine safety and health programs.

The Tom Carrell Memorial Tunnel and Mine Safety Act of 1972 created an occupational safety and health inspection program for mining and tunneling operations in California. At that time, the U.S. Bureau of Mines in the Department of Interior had jurisdiction over mine safety but was not exercising it.

The state tunnel and mine safety program has a current staff of 13 safety engineers, including a principal engineer and two supervisors. The tunneling portion of the act is covered by federal OSHA funding, but the mine safety portion is not. In past years, the department has budgeted seven of these positions to the tunnel-safety program and six (5.5 personnel-years after salary savings) to mine safety.

Congress, by enacting the Federal Mine Safety and Health Act of 1977, established a mine safety program in the U.S. Department of Labor patterned after the federal Occupational Safety and Health Act (OSHA). The new federal program, which employs 28 mine inspectors (including two supervisors) in California, is duplicative of the state mine safety and health program. Unlike federal OSHA, the Federal Mine Safety and Health Act does not have a provision allowing the delegation of enforcement to the states.

Last year, after considerable negotiation with officials of the U.S. Department of Labor, the Department of Industrial Relations proposed legislation repealing the state mining program to eliminate duplication between the two jurisdictions. A total of 5.5 positions was deleted from the 1979-80 budget. At the department's request, AB 50 was introduced to implement the department's proposal. However, the measure failed passage; and the Legislature restored funding for the mine safety positions. This funding was vetoed by the Governor.

Despite the veto, the positions have been reestablished administratively in the current year, although this is not reported in the Governor's Budget. We understand that the 5.5 mining safety personnel-years have been replaced by Cal-OSHA positions. If this is the case, the action is improper because federal law does not allow OSHA funds to be used for mine safety. The Governor's Budget indicates that the mine safety program will cost \$369,019 in the current year and \$386,776 in the budget year for 2.8 personnel years. The department has no explanation for the discrepancy between the 2.8 personnel years shown in the budget and 5.5 personnel years traditionally budgeted to mine safety.

The problem of duplication could be addressed in four different ways:

1. The state program could be abolished, as would have been accomplished by AB 50 of last year.
2. A state program could be retained to provide consultation services to mine owners. A consultation program would probably qualify for partial federal funding, although the extent of federal participation is not known.

3. A state program could be retained to provide only those services which the federal program does not provide such as (a) the licensing of personnel who work with high explosives and (b) the certifying of personnel who test for the presence of dangerous gases in mines.

4. A combination of the latter two proposals also could be instituted.

Our analysis indicates that any of these options would eliminate the duplication features of the state and federal programs and reduce state costs. Therefore, we recommend that legislation be enacted to implement one of the four options mentioned above.

DIVISION OF LABOR STANDARDS ENFORCEMENT

Minimum Wage Reform Legislation Needed

We recommend legislation streamlining the procedures used by the Industrial Welfare Commission to regulate minimum wages, hours, and working conditions.

Existing Procedures. Under existing law, the five member, part-time Industrial Welfare Commission in the Division of Labor Standards Enforcement promulgates regulations called "wage orders" which govern the wages, hours, and working conditions for most California workers. There are currently 15 different wage orders, each affecting a different industrial segment (for example, agriculture, manufacturing, motion picture, and transportation). Each order contains a minimum wage which has the goal of providing compensation "adequate to supply the necessary costs of a proper living" for the workers and to maintain their health and welfare. The minimum wage cannot be lower than the federal minimum wage. Each of the 15 orders also contains approximately 60 substantive regulations governing hours and working conditions for the protection of health and welfare of workers. These involve such factors as overtime payments, rest periods, and allowances for uniforms, meals, and lodging.

Existing law also requires the commission to make a *full* review of the wage orders every other year. This process begins with the appointment of a wage board for each wage order. Altogether, approximately 250 persons serve on the 15 wage boards and receive a statutory per diem rate of \$15 per day of service. The wage boards are charged with making recommendations to the commission regarding a minimum wage, working hours and working conditions.

After the commission receives the recommendations of the wage boards, it develops proposed wage orders and holds public hearings in at least two cities in the state. The commission adopts its final wage orders at the conclusion of the hearings. Existing law also requires the commission to include in each order a statement as to the basis on which it was predicated. Prior to the 1980 wage orders, the commission omitted the basis statement from the orders themselves. However, the California Supreme Court ruled (*California Hotel and Motel Association vs. the Industrial Welfare Commission*) that the commission erred by not including an adequate basis statement in its 1976 wage orders.

High Publishing Costs. Existing law also requires the wage orders to be published together with the basis statements in newspapers in seven specified cities in the state. The 1976 orders covered eight pages and their

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

publication costs approximately \$156,000. The 1980 wage orders with the bases statements covered 12 pages and cost approximately \$300,000.

Any person aggrieved by a final order of the commission may apply for a rehearing within 20 days after the order has been published. The commission may grant the rehearing only on the grounds that the order was procured by fraud or that the commission exceeded its authority. Existing law also allows the superior and appellate courts to review the commission's orders.

Procedural Problems Negate Effectiveness. The primary problem facing the commission involves a high rate of court challenges to its wage orders on the grounds that they do not contain adequate bases statements. The 15 wage orders which were promulgated in 1976 generated 12 different law suits. At this writing, six of the 1976 wage orders are totally unenforceable and three are partially unenforceable because of continuing court litigation. The 1980 wage orders did not take effect before similar law suits were filed. Prior to January 1, 1980, three of these orders became totally unenforceable and four were partially unenforceable because of the litigation. (In 1978, after a full review of the orders, the commission merely increased the minimum wage. Consequently, there were no court challenges to these orders.)

It is doubtful that the wage orders require a full biennial review as demonstrated by the commission's findings in 1978. There is also a serious question as to whether the wage boards are required at all. Many of the members who serve on the boards report that the commission generally ignores their recommendations. The entire process is costly, cumbersome and of dubious benefit to workers generally.

Minimal Elements of Reform. At a minimum, our analysis indicates that legislation is needed to at least:

- Repeal the requirement for a full biennial review of the orders, allowing instead the commission or the Director of Industrial Relations, or both, to determine the frequency of such reviews.
- Make the use of wage boards optional rather than mandatory.
- Provide a clear definition of the basis statement to avoid extensive litigation.
- Repeal the requirement that the full text of the wage orders, as well as "bases statements", be published in newspapers, and instead require only that a summary of the orders and bases statements be published.
- Make the courts of appeal rather than the superior courts responsible for reviewing wage orders.

Significant Savings Possible. Confining the reviews to the courts of appeal would reduce court-related costs because, according to the department, only two of the 12 court cases involving the 1976 wage orders were settled at the superior court level. The rest have been appealed. Giving the courts of appeal responsibility for such reviews is consistent with recent legislation which gives them exclusive responsibility to review decisions of the Agricultural Labor Relations Board and the Public Employment Relations Board. The department estimates that this legislation

would result in General Fund savings of at least \$500,000 biennially.

Alternative Proposal. Alternatively, the Legislature may want to follow a trend established by other large industrial states and assume the responsibility for enacting the minimum wage. Legislatures in several states such as Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Texas, and Washington currently enact the minimum wage. Bodies in these states that are similar to California's Industrial Welfare Commission are used to prescribe hours and working conditions and to work out other details of the minimum wage. This alternative may be preferable in the event that the courts do not accept the commission's revisions of its bases statements in the current court challenges and if it appears that a satisfactory definition of such statements cannot be developed.

DIVISION OF APPRENTICESHIP STANDARDS

New Initiatives Program Faltering

We recommend elimination of the new initiatives program in the Division of Apprenticeship Standards, for General Fund savings of \$281,000 (Item 424).

In 1978, the Governor's Budget proposed an augmentation of \$1.0 million (Item 357, 1978 Budget Bill), to enable the Division of Apprenticeship Standards to extend the apprenticeship program to nontraditional occupational fields such as health care, government, electronics, manufacturing, and security services. The division's goal was to create 15,000 additional apprentices in 1978-79 and 100,000 on a long-term basis.

We recommended that this request be denied on the basis that the division had not developed a work plan for the use of the funds. It did not have a proposed budget or an organization or staffing proposal, nor could it demonstrate how the new apprenticeship positions would be created or how this training would relate to other training programs. Neither was it able to explain how it could overcome opposition from several occupational groups and licensing agencies, such as those related to nursing. Moreover, it had no plan for changing regulations of some of the occupational licensing and regulatory agencies to facilitate the implementation of the new initiatives program.

Based on the problems which we raised, the Legislature appropriated \$250,000 rather than the \$1.0 million which was proposed by the Governor. These funds were eventually used to add nine personnel years to the division's staff. Continuation of these positions will cost about \$278,000 in the current year and \$281,000 in the budget year. At approximately the same time, the division received a \$600,000 grant from the U.S. Department of Labor to develop new apprenticeship opportunities for licensed psychiatric technicians and agricultural workers.

If the division could realistically expect to establish 15,000 new apprentices in 1978-79 with \$1.0 million, it is not unreasonable to expect it to have established 5,000 new openings by January 1, 1980, based on the reduced level of funding. However, after 18 months of funding, the division reports the establishment of only 127 new apprentice positions in new nontraditional occupations through the General Fund program. Of this number,

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

100 are in culinary-related occupations. This is an expansion of an existing apprenticeship field and not a “nontraditional” occupation. Thus, it has cost the General Fund over \$3,000 for *each* new apprenticeship position, and over \$14,000 for *each* new apprenticeship in nontraditional occupations.

As shown in Table 3, the division plans to establish approximately 670 apprenticeship opportunities in 1980.

Table 3
Department of Industrial Relations
Division of Apprenticeship Standards
New Initiatives Program Goals

| <i>Occupation</i> | <i>Number New Apprenticeships</i> |
|---|---|
| Psychiatric technicians | 50 |
| Nursing occupations..... | 250 |
| Community health workers in rural areas..... | 20 |
| Unspecified occupations in the electronic industry..... | Unspecified |
| Culinary..... | 350 |
| Total..... | 670 ^a |

^a Plus an undefined number of apprenticeships in the electronics industry.

Because the number of apprenticeships created to date is so low, and the division has reduced its expectations so significantly, this program is not cost-effective. Therefore, we recommend that the new initiations program be deleted, for a General Fund savings of \$281,000 (Item 424).

**WORKERS' COMPENSATION BENEFITS FOR
SUBSEQUENT INJURIES**

Item 426 from the General
Fund

Budget p. GG 83

| | |
|--|-------------|
| Requested 1980-81 | \$2,790,000 |
| Estimated 1979-80..... | 2,320,000 |
| Actual 1978-79 | 2,235,247 |
| Requested increase \$470,000 (+20.3 percent) | |
| Total recommended reduction | None |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Major Program Revision. Recommend legislation:
 - a. Assigning administration of this program to the Department of Industrial Relations and revising claims settlement practices to reduce incidence of litigation.
 - b. Providing for the reimbursement of employers or their insurance carriers for subsequent injury benefits in lieu of direct payments to workers.

1355

- c. Eliminating the "waiting period" provision of existing law.

GENERAL PROGRAM STATEMENT

Existing law provides that when a worker with a preexisting permanent disability or impairment suffers a subsequent industrial injury resulting in a combined permanent disability of 70 percent or more, the employer is responsible only for that degree of permanent disability arising from the subsequent injury. The balance of the disability benefit obligation is assumed by the state. The purpose of this program is to provide an incentive for employers to hire persons who have a permanent (but partial) disability or impairment.

The cost of this program is paid by an annual budget appropriation and by revenue from Chapter 1334, Statutes of 1972 (as amended by Chapter 12, Statutes of 1973), which implemented a constitutional amendment enacted in 1972. This legislation requires an employer or his insurance carriers to pay to the state, in a lump sum, workers' compensation benefits whenever a worker dies leaving no surviving heirs. These payments are collected by the Department of Industrial Relations, placed in the General Fund and used to offset the cost of the subsequent injury program.

Applying for Benefits

When an employee who has a preexisting disability suffers a subsequent injury in the course of his work, he files a claim with his employer or the latter's insurance carrier for the disability arising out of the second injury only. If the employee and the employer or the insurance carrier cannot agree on a proper level of benefits, the issue is litigated before the Workers' Compensation Appeals Board (WCAB). In these cases, the employee almost always is represented by legal counsel.

The employee may also apply for benefits from the Subsequent Injury Fund at the same time he applies for benefits from his employer for the second injury, or he may wait until the claim against his employer is settled. The latter is the most common practice. In either case, he may apply for subsequent injury benefits only by filing a claim with the WCAB which is given sole authority to "fix and award the amounts" of subsequent injury benefits. A copy of the claim is given to the Attorney General who has sole authority to defend the fund. Undercover investigations are ordered in cases where an exaggerated claim is suspected. The claim is either fully litigated (the normal situation) or settled by a formal agreement between the worker and the state. All such agreements must be approved by the WCAB. The State Compensation Insurance Fund administers the payments to the recipients and is reimbursed for its services from the fund.

The Waiting Period and Attorney Fees

Under current law, the state-paid benefits from the Subsequent Injury Fund do not commence immediately. If injured workers have already received compensation for a disability from other sources (such as social security or insurance settlements), they must wait a specified period before they can receive subsequent injury benefits. The purpose of the

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

waiting period is to prevent the employee from receiving benefits from the Subsequent Injury Fund which would duplicate the benefits already received for the prior disability. This period is determined by dividing the total amount of any previous compensation by the weekly rate at which the injured employee is entitled to permanent disability payments. The weekly payment, which depends on the employee's average weekly wage at the time of the second injury, ranges from \$30 to \$70 per week for permanent partial disability and from \$49 to \$154 per week for permanent total disability.

Permanent *total* disability benefits are paid for life while permanent *partial* disability benefits are paid for a period ranging from 3 weeks to 12 years, depending on the extent of the disability. After termination of permanent *partial* disability benefits, persons entitled to subsequent injury benefits are also entitled to life pensions of up to \$64 per week, depending on the extent of their disability and the amount of their earnings at the time of the industrial injury.

The fee charged by the attorney who represents the employee constitutes the first lien on the benefits which are payable to the employee after the waiting period. After sufficient funds have accumulated, the State Compensation Insurance Fund mails a check to the attorney. Thus, the disabled worker receives no benefits whatsoever until the expiration of the waiting period and until after the attorney is paid.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$2,790,000 from the General Fund, which is an increase of \$470,000, or 20.3 percent over estimated current-year expenditures. The increase is due primarily to increases in workers' compensation benefits. Table 1 shows funding sources for the

Table 1
Workers' Compensation Benefits
for Subsequent Injuries
Budget Summary

| Funding | Actual 1978-79 | Estimated 1979-80 | Proposed 1980-81 | Change from Current Year | |
|--|-------------------|----------------------|---------------------|-----------------------------|---------|
| | | | | Amount | Percent |
| General Fund | | | | | |
| Appropriation (Item 426) | \$2,235,247 | \$2,320,000 | \$2,790,000 | \$470,000 | 20.3% |
| Chapter 1334, Statutes of 1972, (death payments) | 2,002,527 | 2,000,000 | 2,000,000 | 0 | — |
| Totals | \$4,237,774 | \$4,320,000 | \$4,790,000 | \$470,000 | 10.9% |
| Program | | | | | |
| Benefit payments | \$3,395,624 | \$3,400,000 | \$3,800,000 | \$400,000 | 11.8% |
| State Compensation Insurance Fund | | | | | |
| service charges | 160,280 | 170,000 | 190,000 | 20,000 | 11.8 |
| Attorney General | 681,870 | 750,000 | 800,000 | 50,000 | 6.7 |
| Totals | \$4,237,774 | \$4,320,000 | \$4,790,000 | \$470,000 | 10.9% |

program, as well as proposed expenditures for benefits and administrative and legal costs.

Table 1 shows that \$800,000 is budgeted for Attorney General services. This amount will support six claim examiners, five clerical personnel, five special agents and special expenses associated with law suits. In addition, funds for approximately 2.1 personnel-years of attorney time and clerical support related to the program (\$175,687) are included in the budget of the Attorney General because the Labor Code prohibits the Attorney General from charging the program for *legal* services. Thus, the costs to the Attorney General for this program during the budget year are estimated at \$975,687. These overhead expenses amount to 25.7 cents for each dollar spent for benefits. Adding Insurance Fund service charges brings total administrative and legal costs for the budget year to \$1,165,687. This represents an overhead cost of 30.7 cents for each dollar paid in benefits.

The increase in this program is consistent with increases in workers' compensation costs generally. These increases have been substantial in recent years. The proposed expenditures for the subsequent injury program are based on estimates prepared by the State Compensation Insurance Fund. Historically, these estimates have had a high degree of reliability.

Program Needs Major Revision

We recommend that legislation be enacted to:

1. *Assign administrative responsibility for the subsequent injury program to the Department of Industrial Relations and revise claims settlement procedures to parallel those used by insurance companies.*
2. *Provide for the reimbursement of employers or their insurance companies rather than direct payments to employees.*
3. *Eliminate the "waiting provision" for benefits in existing law.*

In recent years, our analyses of the subsequent injury program have indicated that major revisions in the program are needed to minimize administrative problems and reduce the amount of time an injured worker must wait before benefit payments actually commence. (For a more complete discussion of our findings see *Analysis of the Budget Bill of the State of California for the Fiscal Year 1979-80*, pages 1249-1258).

Simplifying Administration. Under existing law, the subsequent injury program requires an excessive amount of litigation. This litigation places an unnecessary financial burden on both the state and the recipients of benefits. The recipient, in fact, often has to pay the cost of hiring an attorney twice: first to represent his interests in disputes involving benefits from the employer for whom he worked when he sustained his second injury, and again to represent him before the board in his claim for workers' compensation benefits. Litigation also contributes to disruptions in the flow of benefits to disabled workers. Legal delays before the Workers' Compensation Appeals Board are growing longer and more complex.

Excessive litigation results from the fact that the Workers' Compensation Appeals Board has the sole authority to "fix and award the amounts"

**WORKERS' COMPENSATION BENEFITS FOR
SUBSEQUENT INJURIES—Continued**

of subsequent injury benefits.

The legal and administrative costs incurred by the Subsequent Injury Fund are excessive. As indicated earlier, the Attorney General will incur 25.7 cents in legal defense costs for each dollar spent for benefits. Adding State Compensation Insurance Fund administration costs increases overhead costs to 30.7 cents for each dollar paid in benefits. In contrast, the State Compensation Insurance Fund, the state's largest workers' compensation company, pays only 10.5 cents for administration of claims for each dollar paid in benefits.

Our analysis indicates that the program would be more cost-effective if it were (1) administered by the Director of Industrial Relations, following general practices and procedures of insurance companies, and (2) litigation were pursued only in those cases where a claim's validity is subject to reasonable doubt. The State Compensation Insurance Fund reports that only 25 percent of its cases require formal litigation. For this reason we recommend that the director be empowered to establish rules and regulations for awarding benefits under the program in as many cases as possible, so as to avoid litigation before the Workers' Compensation Appeals Board. Such a program could eliminate the need for litigation in approximately 75 percent of the cases.

Reimbursing Employers. Most of the subsequent injury programs adopted by other states in recent years have incorporated a provision recommended by the Council of State Governments. This provision requires insurance carriers or self-insured employers to make subsequent injury payments directly to recipients and then file for reimbursement from the state. This simplifies program administration and significantly reduces legal costs. The employee is required to file *only one* claim with his insurance company or employer. If the parties are unable to reach agreement as to proper level of benefits, the claim is litigated before the WCAB. The insurance company or self-insured employer assumes full responsibility for paying all workers' compensation payments, and recovers the subsequent injury fund portion (the portion now paid directly to workers) from the state on a quarterly basis. Disputes between the insurance carrier and the state over such claims are resolved by the WCAB.

This approach has several advantages:

- it shifts the burden of screening cases to the employer or his insurance company,
- it greatly reduces the employee's need to litigate for benefits,
- it relieves the state of its present responsibility for collecting fees for attorneys representing subsequent injury clients,
- it reduces the administrative costs of paying benefits. For example, the State Compensation Insurance Fund mailed 42,438 semi-monthly checks to 2,447 recipients in 1977-78. Under our recommendation, payments would be made quarterly to not more than the 200 insurance companies selling workers' compensation insurance plus a few self-insured employers,
- it would encourage employers to hire the handicapped by making

them more aware of the fact that their liability for workers' compensation costs would not be increased in the event a handicapped employee sustains a new injury. A great deal of doubt has been expressed over the years as to whether the present program achieves its primary goal of encouraging employers to hire the handicapped because of the lack of awareness on the part of employers regarding the program.

Elimination of the Waiting Period. A basic purpose of the workers' compensation permanent partial disability program is to replace a portion of the income lost due to the industrial injury until the worker is able to reenter the labor market and again generate his or her own income. Benefits are limited to the period during which the employee is reasonably expected to require supplemental income. These periods range from three weeks to almost 12 years, depending on the seriousness of the disability. Life pensions are provided only for those persons with the most serious disabilities as determined by the Workers' Compensation Appeals Board.

The statutory "waiting period provision" of the subsequent injury program violates the objective of the permanent partial disability program by disrupting the normal flow of benefits while a credit is built up for compensation which was received for the preexisting disability. The purpose of the "waiting provision" in existing law is to prevent employees from receiving subsequent injury benefits which would duplicate benefits received earlier from other sources for the preexisting injury. As far as we can determine, none of the other 49 states which have subsequent injury programs is concerned whether recipients may receive double compensation in some cases for the preexisting disability.

WORKERS' COMPENSATION FOR DISASTER SERVICE WORKERS

Item 427 from the General
Fund

Budget p. GG84

| | |
|--|-----------|
| Requested 1980-81 | \$205,875 |
| Estimated 1979-80 | 195,750 |
| Actual 1978-79 | 157,243 |
| Requested increase \$10,125 (+5.2 percent) | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides \$205,875 for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster services. This amount is \$10,125, or 5.2 percent, more than the estimated current year expenditure. The total amount of compensation paid fluctuates with the volume of both training exercises and actual emergencies such as fires, floods or earthquakes. Past experience indicates that cost estimates prepared by the State Compensation Insurance Fund, which administers the program, have been realistic.

COMMISSION ON CALIFORNIA STATE GOVERNMENT AND ECONOMY

Item 428 from the General
Fund

Budget p. CG 85

| | |
|---|-----------|
| Requested 1980-81 | \$190,653 |
| Estimated 1979-80..... | 184,646 |
| Actual 1978-79 | 238,385 |
| Requested (increase excluding amount for salary increase) \$6,007 (+3.3 percent) | |
| Total recommended reduction | None |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Workload Plans. We recommend the commission be directed to develop a workload plan for each budget request. 1358

GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy conducts studies to promote economy and efficiency in state government. Commission members are reimbursed for related expenses, but receive no salary. Of the 13 commissioners, nine are public members appointed by the Governor and Legislature, two are members of the Senate and two are members of the Assembly. The commission's permanent staff consists of an executive director, an assistant, a secretary, and a program analyst. Funds equivalent to one personnel-year are also available for temporary help.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$190,653 from the General Fund for 1980-81, which is \$6,007, or 3.3 percent, more than is estimated to be expended during the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Workload Planning

We recommend that the Legislature direct the Commission on California State Government and Economy to develop workload plans for each budget request.

In each of the past two fiscal years, 1977-78 and 1978-79, the commission has had a deficiency in its budget. In each case, it has been necessary for the Department of Finance to approve an augmentation to the budget. These augmentations were reported to the Legislature under Section 28 of the Budget Act. In approving the funds for 1978-79, the Department

of Finance made several recommendations intended to prevent another deficiency in the future. As of October 1979, one-quarter of the way through the current year, the commission had expended 71 percent of its total budget for the year. Thus, the commission will again need to request an augmentation for an anticipated deficiency or *limit* its activities.

The commission's funding problems appear to result from the fact that the budget request is not based on an evaluation of likely workload for the budget year. The 1980-81 budget request was prepared by the Department of General Services, and was not reviewed by the commission until after the deadline for submitting budget change proposals to the Department of Finance had passed. Although the nature of the commission's workload tends to make long-range planning difficult, the development of a budget based on a tentative workload plan would provide a basis for control of the commission's operating expenses. This change in budget procedures would enable the Department of Finance and the Legislature to understand and review current and proposed funding needs.

COMMISSION ON INTERSTATE COOPERATION

Item 429 from the General

| Fund | Budget p. GG86 |
|--|----------------|
| Requested 1980-81 | \$79,014 |
| Estimated 1979-80..... | 78,964 |
| Actual 1978-79 | 88,265 |
| Requested increase \$50 (+0.1 percent) | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The Commission on Interstate Cooperation provides for the state's participation as a member of the Council of State Governments. The commission consists of seven senators, seven assemblymen, five state officers appointed by the Governor and one ex-officio, nonvoting member from the Commission on Uniform State Laws. The Council of State Governments is a national association established to strengthen the role of the states in the federal system and to promote interaction among the states.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$79,014 as the state's membership fee in the national organization for 1980-81. The council's assessments are based on a population formula which provides for a pro rata distribution of the costs of the organization.

It is estimated that the assessments on California will total \$289,060 in 1980-81. In addition to the funding in this item, the budget proposes the following additional amounts for support of the council: \$46,750 for the National Governor's Conference (in the budget of the Governor's Office), \$5,870 for the National Association of Budget Officers (in the Department

COMMISSION ON INTERSTATE COOPERATION—Continued

of Finance's budget), \$2,876 for the Council of State Planning Agencies (in the Office of Planning and Research's budget), \$7,790 for services rendered by the National Association of Governors (in the budget of the Employment Development Department), and \$146,760 for the National Conference of State Legislators (in the budget of the Joint Rules Committee). The amount budgeted in this item represents an estimate of California's obligation. It will be adjusted when actual assessments are levied.

OFFICE OF ADMINISTRATIVE LAW

Items 430-431 from the General
Fund

Budget p. GG 86

| | |
|-----------------------------------|-----------|
| Requested 1980-81 | \$294,000 |
| Estimated 1979-80..... | 0 |
| Actual 1978-79 | 0 |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|---|---------|-------------|
| 430 | Support of Office of Administrative Law | General | 0 |
| 431 | Support of Office of Administrative Law. Loan to be transferred upon order of Director of Finance. | General | (\$187,000) |
| — | Reimbursements | — | 294,000 |
| | Total | | \$294,000 |

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL) is an independent state agency established by Chapter 567, Statutes of 1979 (AB 1111). The OAL is administered by a director who is appointed by the Governor and confirmed by the Senate. The purpose of the OAL is to provide executive branch review of all proposed and existing regulations promulgated by state agencies. The OAL is required to review all regulations submitted by state agencies and to approve or disapprove them on the basis of specified criteria. Certain regulatory functions, such as codifying, publishing, and integrating code section changes, which previously were the responsibility of the Office of Administrative Hearings within the Department of General Services, have been transferred to this office. In addition, OAL is required to develop procedures and timetables for the review of all existing regulations by the promulgating agency.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an office of 8 positions and operating expenses of \$294,000 to begin the implementation phase of the OAL in 1980-81. The administrative costs of OAL will be paid through reimbursements from agencies utilizing the OAL review services. Item 430 of the Budget Bill

proposes a zero appropriation from the General Fund in order to authorize the OAL to expend its reimbursements. Item 431 requests \$187,000 from the General Fund for a temporary loan to OAL upon order of the Director of Finance to provide working capital.

The proposed budget represents a preliminary estimate of the initial costs of implementing Chapter 567. The precise workload requirements of the new agency cannot be determined until a detailed staffing plan is prepared. Nevertheless, the budget request appears to be consistent with the requirements of the new law. In order to begin the implementation of the Office of Administrative Law, an initial expenditure for core staff is needed. Therefore, we recommend approval of the proposed eight positions and expenditures of \$294,000.

AUGMENTATION FOR IMPLEMENTATION OF THE OFFICE OF ADMINISTRATIVE LAW

Item 432 from the General

Fund and Items 433-434 from
various funds

Budget p. GG 89

| | |
|-----------------------------------|-------------|
| Requested 1980-81 | \$3,500,000 |
| Estimated 1979-80 | 0 |
| Actual 1978-79 | 0 |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|---|----------------------|--------------------|
| 432 | For support of various General Fund agencies | General | \$2,000,000 |
| 433 | For support of various special fund agencies | Special | 1,000,000 |
| 434 | For support of various nongovernmental cost fund agencies | Nongovernmental Cost | 500,000 |
| | Total | | <u>\$3,500,000</u> |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. 30-day Notice. Recommend control language to require 30-days notice to the Legislature before funds are expended from Items 432, 433, and 434. 1362

GENERAL PROGRAM STATEMENT

Chapter 567, Statutes of 1979 (AB 1111) established the Office of Administrative Law as an independent state agency to provide executive branch review of all proposed and existing regulations promulgated by other state agencies. In addition, Chapter 567 requires that state agencies review all of their current regulations. The statute requires that each of the 25 titles in the Administrative Code be reviewed by specified dates, ranging from June 30, 1981 to June 30, 1986. Finally, the law provides for

**AUGMENTATION FOR IMPLEMENTATION OF THE
OFFICE OF ADMINISTRATIVE LAW—Continued**

various departments to reimburse the OAL for review services when the office becomes operational July 1, 1980.

ANALYSIS AND RECOMMENDATIONS

We recommend that control language be added to require 30-days notice to the Legislature before funds are expended from Items 432, 433 and 434.

The Department of Finance is proposing \$3.5 million as an "augmentation for implementation of the OAL to be allocated by the Director of Finance, as necessary, for costs associated with the implementation of this act." The \$3.5 million proposal would be split between the General Fund (\$2 million), special funds (\$1 million), and nongovernmental cost funds (\$0.5 million) which broadly reflects the existing split of support for state agencies. These funds would be allocated by the Department of Finance to agencies for payment of (1) agency costs in reviewing regulations, and (2) OAL costs for reviewing agency regulations.

Need for Additional Funding

The total amount of increased agency costs resulting from the new statute is unknown because the agencies have not submitted implementation plans as required by the statutes. Because there is no fiscal data on which to base a request, the proposed \$3.5 million is an arbitrary amount.

Our analysis indicates that, although some additional funds may be needed, the \$3.5 million is probably too high because existing staff, rather than new staff, can and should be assigned primary responsibility within the agencies for carrying out the duties imposed by Chapter 567. Each agency which promulgates regulations has existing staff responsible for developing, reviewing and implementing regulation changes. Part of this responsibility requires an understanding of existing regulations and a working knowledge of their effectiveness. Chapter 567 requires that each of the 25 titles of the Administrative Code be reviewed by a certain date, which ranges from June 30, 1981 to June 30, 1986. The lengthy implementation schedule will allow agencies to incorporate this workload into the ongoing agency workload. Thus, we believe that existing staff resources will be capable of meeting the workload requirements of the new law.

To assure that the cost of implementing Chapter 567 is held to a minimum, we recommend that the Department of Finance allocate the funds based on the following criteria:

1. *Agencies should be required to meet the new workload requirements with existing resources.*
2. *Additional funds should be allocated only in those situations where existing staff is clearly not capable of meeting statutory deadlines.* If, on an agency-by-agency basis, the Director of Finance believes additional resources are required to meet short-term costs such as overtime or clerical assistance, then the funds from the proposed augmentation should be used.

Legislative Oversight

The Department of Finance recognized the arbitrary nature of the amount requested by including control language requiring legislative notification after the allocation of funds. We believe that after-the-fact notification is not sufficient for legislative oversight of this new program, particularly given the uncertainty and magnitude of the proposed amount. For this reason, we recommend the proposed reporting procedures be strengthened to include prior notification of the Legislature.

Specifically, we recommend that control language in Items 432, 433 and 434 be amended to require the Department of Finance to notify the Joint Legislative Budget Committee 30 days before the expenditure of funds.

CALIFORNIA ARTS COUNCIL

Item 435 from the General
Fund

Budget p. GG 90

| | |
|---|--------------|
| Requested 1980-81 | \$12,670,217 |
| Estimated 1979-80..... | 8,268,420 |
| Actual 1978-79 | 1,921,145 |
| Requested increase (excluding amount for salary increases) \$4,401,797 (+53.2 percent) | |
| Total recommended reduction | \$1,972,305 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|----------------|----------------|--------------|
| 435 | Support/Grants | General | \$11,550,951 |
| — | Support/Grants | Reimbursements | 174,266 |
| — | Support/Grants | Federal | 945,000 |
| | Total | | \$12,670,217 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Direct Support to Artists. Reduce \$200,000.* Recommend deletion of new grant program. 1370
2. *Minor Equipment. Reduce \$60,378.* Recommend deletion of unjustified equipment. 1370
3. *Staffing Increase. Reduce Item 435 by \$272,514 and reimbursements by \$59,413.* Recommend eliminating twelve proposed positions. 1371
4. *Maestro Apprentice Documentation. Reduce \$40,000.* Recommend deletion of film documentation. 1372
5. *Local Organization Grants. Reduce \$1,260,000.* Recommend grants for Local Organization Development be held at 1979-80 level. Further recommend council report to the Joint Legislative Budget Committee by November 1, 1980, on possible consolidation of Local Organization Development and State/Local Partnership programs. 1373

CALIFORNIA ARTS COUNCIL—Continued

6. *Alternative in Education Sites. Reduce \$80,000. Recom-* 1373
mend four sites be discontinued.

GENERAL PROGRAM STATEMENT

The California Arts Council, successor to the California Arts Commission, began operation in January 1976. The council's enabling legislation, Chapter 1192, Statutes of 1975, directs the agency to (a) encourage artistic awareness and expression, (b) assist local groups in the development of art programs, (c) promote the employment of artists in both the public and private sector, (d) provide for the exhibition of artworks in public buildings, and (e) ensure the fullest expression of artistic potential.

In carrying out this mandate, the Arts Council has focused its efforts on the development of a grants program to support artists in various disciplines. The program contains five categories: (1) Cultural Participation, (2) Organizational Grants, (3) Direct Support and Training for Artists, (4) Statewide Projects, and (5) Administration. Each of these categories and its components is discussed below.

CULTURAL PARTICIPATION**Artists in Schools and Communities**

This element is designed to integrate the artist, the community, and the school through the employment of resident artists in various arts disciplines.

Artists in Social Institutions

Designed to make art available in social institutions such as hospitals, prisons, and mental health facilities, this element employs resident artists and supports arts classes and workshops involving residents and patients of institutions.

Alternatives in Education

This element (1) tests innovative methods of teaching conventional subjects through the use of art and (2) investigates evaluation concepts for arts education programs.

ORGANIZATIONAL GRANTS**Local Organization Development**

This element, designed to strengthen programs of nonprofit arts organizations, provides grants to provide employment for management and artistic personnel and development of specific art programs for the community.

Expanding Public Participation

This element provides support to nonprofit arts organizations for activities such as publicity, "ticket vouchers" (subsidy of ticket prices), and audience evaluation, which seek to develop and expand public participation in the arts.

Touring Programs

This element assists local and regional nonprofit touring companies with travel and related expenses for presentations and performances throughout the state. Beneficiaries include tours and dance (partially funded by the National Endowment for the Arts), theater and musical groups.

Support to Prominent Arts Organizations

Designed to expand community service programs provided by prominent organizations, this element provides support for specific outreach proposals which benefit the general public. Individual grants may not exceed 10 percent of the recipient's budget.

Technical Assistance

This element provides technical assistance to arts organizations throughout the state in areas such as accounting, publicity, and program production.

DIRECT SUPPORT AND TRAINING FOR ARTISTS**State Performing Arts Center**

This element, a pilot project initiated in the current year, is a joint venture with the Department of Parks and Recreation to assess the feasibility of using a state-owned facility as a performing arts center.

Direct Support to Artists

This element, new in the budget year, will provide direct grants to artists based on merit and artistic excellence.

Maestro-Apprentice

Designed to have experienced master artists and craftsmen provide apprenticeship training for young artists, this element, which is proposed to be reinstated in the budget year, will provide living allowances for both the master and apprentice, and funds to record on film the development of the training relationship.

STATEWIDE PROJECTS**Grants Evaluation and Public Arts Documentation**

This element monitors the council's grant programs and assists the council in planning and project evaluation.

Information and Services Division and Grants

Designed to increase public awareness and utilization of local arts resources, this element functions as the information office for the administration program. It provides a monthly newsletter, a yearly directory of artists and arts organizations and general information about arts in California. It does not dispense grants.

Statewide Arts Service Organizations

This element supports such groups as statewide associations of symphony orchestras, theaters, and community arts agencies through grants for conferences, research, and information services.

CALIFORNIA ARTS COUNCIL—Continued**State/Local Partnership**

Designed to decentralize state grant programs for the arts, this element (new in the budget year) will provide a \$12,000 planning grant to each county and program grants based on population and local financial support of the arts.

Interagency Arts

This element (new in the budget year) will provide coordination in arts programs between the California Arts Council and other state departments.

ADMINISTRATION

This program provides staff support to the council through budgeting, personnel and accounting functions, evaluative studies, and administration of state and federal grant funds.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$11,550,951 from the General Fund for the California Arts Council in 1980-81, which is an increase of \$4,212,531, or 57.4 percent, over the estimated current year expenditures.

Table 1
California Arts Council
Budget Summary

| <i>Funding</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|--------------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| General Fund | \$7,338,420 | \$11,550,951 | \$4,212,531 | 57% |
| Federal funds | 930,000 | 945,000 | 15,000 | 2 |
| Reimbursements | — | 174,266 | 174,266 | — |
| Total | \$8,268,420 | \$12,670,217 | \$4,401,797 | 53% |
| <i>Program</i> | | | | |
| Cultural Participation | \$2,182,483 | \$2,393,622 | \$211,139 | 10% |
| Grant expenditures | (1,955,703) | (2,105,703) | (150,000) | (8) |
| Administrative costs | (266,780) | (287,919) | (61,139) | (27) |
| Personnel-years | 4.5 | 7.9 | 3.4 | 76 |
| Organizational grants | 4,813,966 | 5,978,256 | 1,164,290 | 24 |
| Grant expenditures | (4,600,000) | (5,675,000) | (1,075,000) | (23) |
| Administrative costs | (213,966) | (303,256) | (89,290) | (42) |
| Personnel-years | 2.9 | 6.6 | 3.7 | 128 |
| Direct support and training for artists | 54,221 | 402,549 | 348,328 | 642 |
| Grant expenditures | (50,000) | (330,000) | (280,000) | (560) |
| Administrative costs | (4,221) | (72,549) | (68,328) | (1,619) |
| Personnel-years | 0.1 | 1.5 | 1.4 | 1,400 |
| Statewide projects | 658,238 | 3,202,753 | 2,544,515 | 387 |
| Grant expenditures | (235,093) | (2,381,093) | (2,146,000) | (913) |
| Administrative costs | (423,145) | (821,660) | (398,515) | (94) |
| Personnel-years | 4.6 | 18.4 | 13.8 | 300 |
| Administration (undistributed) | 559,512 | 693,037 | 133,525 | 24 |
| Personnel-years | 11.0 | 18.2 | 7.2 | 66 |
| Totals (All Funds) | \$8,268,420 | \$12,670,217 | \$4,401,797 | 53% |
| Grant expenditures | (6,840,796) | (10,491,796) | (3,651,000) | 53 |
| Administrative costs | (1,427,624) | (2,178,421) | (750,797) | 53 |
| Personnel-years | 23.1 | 52.6 | 29.5 | 128 |

The council also anticipates receiving federal funds in the amount of \$945,000, which is \$15,000 or 1.6 percent above estimated federal support in the current year. In addition, two new program elements, Direct Support to Artists and the Interagency Arts programs, expect to receive reimbursements totaling \$174,266. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$12,670,217, an increase of \$4,401,797, or 53.2 percent over the estimated current year expenditures.

Major Increases for Administration and Grants

The General Fund increase consists of \$676,531 to augment the council's administration program and \$3,536,000 for its grant program. The increase in grant expenditures, as detailed in Table 2, amounts to 58.6 percent above the \$6,035,796 allocated for this purpose in 1979-80. The rise is attributable to (1) reinstatement of one program activity included in the council's 1977-78 budget but discontinued in the following two years (\$80,000), (2) addition of three new program elements (\$2,196,000), and (3) expansion of one current-year grant element (\$1,260,000). These proposals are discussed in more detail below.

Table 2
California Arts Council
General Fund Grants Program

| | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| 1. Cultural Participation | | | | |
| Artists in schools and communities | \$1,125,703 | \$1,125,703 | — | 0.0 % |
| Artists in social institutions | 400,000 | 400,000 | — | 0.0 |
| Alternatives in education | 200,000 | 200,000 | — | 0.0 |
| 2. Organizational Grants | | | | |
| Local organization development | 1,550,000 | 2,810,000 | \$1,260,000 | 81.3 |
| Expanding public participation | 300,000 | 300,000 | — | 0.0 |
| Touring programs | 550,000 | 550,000 | — | 0.0 |
| Support to prominent organizations | 1,350,000 | 1,350,000 | — | 0.0 |
| Technical assistance | 300,000 | 300,000 | — | 0.0 |
| 3. Direct Support and Training for Artists | | | | |
| State performing arts center | 25,000 | 25,000 | — | 0.0 |
| Direct support to artists ^b | — | 50,000 | 50,000 | N/A |
| Maestro-apprentice ^c | — | 80,000 | 80,000 | N/A |
| 4. Statewide Projects | | | | |
| Grants evaluation and public arts documentation | 169,600 | 169,600 | — | 0.0 |
| Statewide arts service organizations | 65,493 | 65,493 | — | 0.0 |
| State/local partnership ^b | — | 2,026,000 | 2,026,000 | N/A |
| Interagency arts ^b | — | 120,000 | 120,000 | N/A |
| Totals | \$6,035,796 ^a | \$9,571,796 ^a | \$3,536,000 | 58.6% |

^a Due to a mathematical error in the Governor's Budget, total grant program figures do not match those shown on page GG 96 of the budget document.

^b New activity proposed for 1980-81.

^c Reinstated program element previously funded in 1977-78.

Activity Reinstated

The budget includes one reinstated element, the Maestro-Apprentice program, which was funded by the council in 1977-78 under authority of Control Section 28, Budget Act of 1977. This pilot program, which was

CALIFORNIA ARTS COUNCIL—Continued

begun in May 1978 and terminated one year later for a follow-up evaluation, was supported by \$100,000 redirected from the Artists in Schools and Communities grant program. As proposed by the council, the reinstated element will retain its original objective which is to provide an environment in which persons skilled in ancient arts and crafts may transmit their knowledge to developing young artists, thereby insuring survival of old and rare art forms. Of the \$130,481 requested in the budget for this program, \$80,000 would provide stipends for eight maestros and eight apprentices for a six-month residency, \$40,000 is for film/video documentation of maestro-apprentice interaction, and \$10,481 is for administration. The need for further documentation of this program is discussed later in this analysis.

Proposed New Elements

For 1980-81, the council is requesting \$2,652,904 to fund three new elements: State/Local Partnership, Interagency Arts, and Direct support to Artists. These new activities are designed to improve the coordination of arts programming with local governments, other state departments, and the California arts foundation community.

State/Local Partnership. The budget proposes an expenditure of \$2,180,585 for support of the State/Local Partnership element. The purpose of this element is to (1) decentralize the decision-making process with respect to grants awarded to local entities and (2) provide matching grant funds for local governments to spend according to local arts priorities. In order to enhance local participation in making funding decisions, the council will provide an unmatched block planning grant of \$12,000 to every county to develop an expenditure plan for local arts programs and devise a review mechanism to make the local programs accountable to the council. Following council approval of the plan, the local entity will be eligible to receive a matched local priority grant from the council on a dollar for dollar matching basis. These funds will be allocated under a formula which considers local need (percent of state population in the locality) and local effort (per capita local spending on the arts).

Of the \$2,180,585 proposed for this element, \$696,000 is for block planning grants for the 58 counties, \$1,330,000 is for local priority matching grants (allocated 60 percent for need, 40 percent for effort), and \$154,585 for administration. The council proposes that the staff for this program be assigned to a new Los Angeles field office to provide more effective service to the residents of southern California.

The staffing and objectives of the State/Local Partnership element relative to other council programs will be discussed later in this analysis.

Interagency Arts. The budget includes \$198,053 from the General Fund and \$74,266 in reimbursements to coordinate various arts programs in other state departments with council policies and objectives. As proposed, five interagency liaison positions will provide consultation to other agencies in order to stimulate and develop the arts components of their programs. In addition, the council is requesting \$120,000 in seed money to fund those interagency programs. Participating agencies will

reimburse the council for one-half of the salaries and travel expenses of the liaison staff, for a total reimbursement of \$74,266. At the time this analysis was written, one interagency agreement for a liaison position (of the five proposed) has been signed with the Department of Corrections but no program description for allocation of the \$120,000 of program funds has been developed. The council indicates that letters of agreement from four other departments are forthcoming, and that development of a plan to allocate program funds will be completed in February 1980. These issues along with program staffing needs will be discussed later in this analysis.

Direct Support for Artists. Designed to enlist the support of the California private foundation community on behalf of individual artists, the council is requesting \$50,000 from the General Fund to provide grants to individual artists. For each dollar of General Fund support, the federal government will provide a dollar and private foundations will provide two dollars for a total of \$200,000. Individual grants, projected to range in size from \$5,000 to \$20,000, will be awarded on the basis of merit and artistic excellence. The selection criteria for grants are discussed later in this analysis.

The council advises that foundations may place restrictions on the use of their matching funds. For example, if the San Francisco foundation supplies 100 percent of the foundation share for this program, the council has indicated that the entire program may be confined to Marin County under the foundation's funding guidelines.

Program Expansion

Two of the council's existing program elements are proposed for expansion in the budget year. The council is proposing an increase of (1) \$150,000 in federal funds for Alternatives in Education grants, and (2) \$1,075,000 for Local Organization Development grants.

Alternatives in Education. Alternatives in Education (AIE) was authorized as a three-year pilot project in 1976. The purpose of this element is to research and demonstrate the relationship between the learning process in the arts and children's learning abilities, self-concept, school behavior, and attitude towards the arts. In addition, the program is intended to provide a program model for integrating the arts into the school curriculum.

Six school sites were selected for funding of \$20,000 each in 1977-78, and 10 sites were funded in 1978-79 and 1979-80. The council proposes to continue the 10 sites in 1980-81 in order to develop education and training materials to insure that the program is structured to achieve its goals. In addition, the budget includes \$150,000 in federal grants (\$135,000 redirected from federal support of the Local Organization Development element and \$15,000 of new federal support) to establish two additional project sites, at a cost of \$52,000 each to perform a \$46,000 evaluation of the relationship between the arts and learning. Continued use of the 10 sites will be discussed later in this analysis.

Local Organization Development. This element provides grants to local arts organizations throughout the state for support of projects, ad-

CALIFORNIA ARTS COUNCIL—Continued

ministration or staff development. For 1980–81, the council is requesting grants totaling \$2,875,000, which is \$1,075,000 (59.7 percent) over the current-year estimated expenditure. The council indicates that with the proposed increase, program funds could satisfy approximately 20 percent of the support requested by local groups under this program element.

The relationship of this element to the proposed State/Local Partnership program is discussed later in this analysis.

Selection Criteria Excludes Financial Need

We recommend that the Direct Support to Artists program element, be eliminated for a savings of \$200,000 (\$50,000 General Fund, \$50,000 federal funds, and \$100,000 reimbursements).

The council plans to award grants under the Direct Support to Artists program element solely on the basis of merit and artistic excellence. No consideration will be given to the financial need of the individual artist in making grant awards.

Supporting artists without financial need is a questionable utilization of state resources. Augmenting or simply replacing funds that are available from other sources to recognize a particular artist's work—work that would be done without council support—is incompatible with a fundamental council objective, which is to promote the employment of artists who are unable to garner financial support elsewhere. Therefore, we recommend deletion of the program. If, however, financial need were included as a criterion of selection for Direct Support to Artists grant awards, our analysis indicates that the program deficiency would be corrected.

Minor Equipment Unjustified

We recommend that the council's minor equipment request be deleted, for a savings of \$60,378.

The budget includes \$28,863 for equipment, primarily to provide necessary furniture and office machines for new personnel. In addition, the council has improperly budgeted \$60,378 for "minor" equipment under the general expense category of operating expenses. Table 3 details the latter request.

Table 3
California Arts Council
Minor Equipment Request
1980–81

| <i>Equipment</i> | <i>Number of Units</i> | <i>Cost</i> |
|------------------------|------------------------|-------------|
| Calculators | 20 | \$3,500 |
| Dictaphones | 20 | 3,400 |
| Tape recorders..... | 10 | 5,000 |
| Partitions..... | 40 | 20,000 |
| Library cabinets..... | 10 | 4,000 |
| Magazine racks | 10 | 4,500 |
| Newspaper racks | 10 | 4,500 |
| Conference tables..... | 10 | 6,000 |
| Conference chairs..... | 50 | 8,750 |
| Miscellaneous | — | 728 |
| Totals | 180 | \$60,378 |

In our *analysis* of both the 1978 and 1979 budgets, we noted that the council failed to provide detailed justification for its equipment requests. The same is true of its request for the items shown in Table 3. None of the justification material required by the State Administrative Manual is available for these items, nor is any information available explaining why these items are budgeted under "general expenses" rather than equipment. Therefore, we recommend a reduction of \$60,378 for unjustified minor equipment.

Increasing Staffing Not Justified

We recommend a deletion of \$331,927 for 12 unjustified positions consisting of \$272,514 from the General Fund and \$59,413 in reimbursements.

According to the Governor's Budget, current-year staffing for the council totals 23.1 personnel-years. Although the Legislature authorized 34 positions for the council in the 1979 Budget Act, the Department of Finance identified 10.8 personnel-years that were reduced pursuant to Control Section 27.2 of the 1979 Budget Act. (Salary savings of 0.1 personnel-years account for the remaining reduction in personal services.) Thus, the council will administer its 1979-80 programs with 23.1 personnel-years.

In the budget year, the council proposes to add 21 new positions and restore the 10.8 personnel-years deleted pursuant to Control Section 27.2. Thus, if the budget is approved, the council will have 128 percent *more* personnel years in the budget year (after salary savings) than it has for the current year. Of the 21 new positions requested for 1980-81, 16 would support the council's grant programs and the remaining five are for public information (3) and administration (2). Table 4 summarizes, by program, our recommended reductions to the council's request for new staff and related expenses. A discussion of each program request follows.

Table 4
California Arts Council
Staffing and Related Expense Reductions
Recommended by Legislative Analyst

| <i>Program</i> | <i>Positions</i> | <i>Amount</i> |
|---|------------------|---------------|
| Information and Services Division and Grants..... | 3 | \$60,687 |
| State/Local Partnership | 5 | 154,585 |
| Interagency Arts | 4 | 116,655 |
| Totals | 12 | \$331,927 |

Information and Services Division and Grants. The council proposes to expand staffing for its public information function by three positions—an assistant information officer, a graphic artist, and an office assistant II. Last year, the Legislature denied a similar council request for two positions for the public information staff. Again this year, workload data are not available to justify the increase. Therefore, we recommend deletion of the three positions, for a savings of \$60,687.

State/Local Partnership. At a cost of \$154,585, the council is proposing to establish a five-person field office in Los Angeles to administer the

CALIFORNIA ARTS COUNCIL—Continued

State/Local Partnership program. We have received no justification for special staffing to serve southern California. Our analysis indicates that the council's headquarters staff can provide the necessary administrative support for this program in southern California on the same basis that it plans to serve the rest of the state. Thus, it appears that the staffing request is not based on program workload, but only on the desire to open a Los Angeles office. Therefore, we recommend deletion of five positions and funds for the Los Angeles office, for a savings of \$154,585.

Interagency Arts. To coordinate arts programming in state departments with council objectives, the council proposes to add five associate governmental program analysts to provide coordination with other state agencies. Seed money totaling \$120,000 is provided for programs planned by the coordinators. In addition, the council is requesting a part-time office assistant II position to provide clerical support. Because no workload data were provided to justify the need for one full-time position for each participating department, we are unable to determine the staffing level required to provide liaison to the five departments. Therefore, we recommend that (1) one position be approved until overall staffing needs can be better assessed in this area and (2) four positions be deleted, for a \$116,665 savings (\$57,242 from the General Fund and \$59,413 from reimbursements).

Summary. Our recommended deletions will result in a council staff of 40.6 personnel-years for 1980–81. This is an increase of 6.7 personnel-years, (19.7 percent) over the staffing level authorized by the Legislature for the current year, and 17.5 personnel-years (75.8 percent) over the estimated current-year staffing level after adjusting for the reductions required by Control Section 27.2, Budget Act of 1979.

Maestro-Apprentice Documentation Unnecessary

We recommend deletion of \$40,000 for the film/video documentation of the Maestro-Apprentice program.

As discussed earlier, the council proposes to document the "interaction of maestros and apprentices" with a 40-minute film at a cost of \$40,000. The council indicates that it plans to show the film in museums.

Our analysis indicates that this documentation is unnecessary. The program was discontinued in the current year so that its results could be evaluated. As part of the evaluation, the council prepared photographic documentation of the interaction between maestros and apprentices. On the basis of that evaluation and documentation, the council proposes to reinstate the Maestro-Apprentice program in the budget year. Thus, if the documentation is proposed to serve the needs of program evaluation or education, their objectives can be met with the still photography, which was used to document the 1977–78 program. Therefore, we recommend deletion of \$40,000 for the film documentation of the Maestro-Apprentice program.

Eliminate Overlap in Local Organization Support

We recommend that grant funding for Local Organization Development be reduced to the current year General Fund grant level, for a savings of \$1,260,000.

We further recommend that the council explore the possibility of consolidating the Local Organization Development element with the State/Local Partnership program and report thereon to the Joint Legislative Budget Committee by November 1, 1980.

The budget proposes a General Fund grant expenditure of \$2,810,000 for Local Organization Development in 1980-81. This is an increase of \$1,260,000 (81.3 percent) over the 1979-80 grant level. The additional money would permit approximately 20 percent of the support requests made by local groups to be funded.

As noted earlier, the council also is proposing to establish a new program element, State/Local Partnership, whose purpose is to decentralize the council's grant program by recognizing local arts priorities in the process of awarding grants. Proposed grant expenditures for this new program amount to \$2,026,000. Under this new element, grants will be available to local groups for the same purposes that grants would be available under the Local Organization Development element. Thus, the objectives of State/Local Partnership and Local Organization Development overlap.

We have no way of determining whether the goal of supporting 20 percent of the amount requested is valid. However, our analysis indicates that the council's funding goal would be achieved even if the \$1,550,000 allocated to Local Organization Development in 1979-80 was not increased because the program grant component of the State/Local program serves the same clients.

Moreover, local organization grants provided through the State/Local program would be awarded according to local priorities while grants awarded under the Local Organization element reflect the state preference. Therefore, we recommend that additional grant funding under the Local Organization Development element be deleted, for a savings of \$1,260,000.

Because these elements overlap in purpose and the council indicates that the State/Local program would improve the coordination of arts programming and funding in the state and provide for a more equitable distribution of council grants within the state, we further recommend adoption of the following supplemental report language:

"The council shall (a) explore the possibility of phasing out the Local Organization Development program element and replacing it with the State/Local Partnership program and (b) report to the Joint Legislative Budget Committee by November 1, 1980, on the extent to which these programs can be consolidated."

New Sites Sufficient for AIE Research

We recommend that four pilot sites in the Alternatives in Education program be terminated for a savings of \$80,000.

As discussed earlier, the Alternatives in Education (AIE) program was begun in 1976 as a pilot project to research and demonstrate the relation-

CALIFORNIA ARTS COUNCIL—Continued

ship between the learning process in the arts and children's learning abilities. Six school sites were funded in 1977-78 and 10 sites were funded in 1978-79 and 1979-80.

The AIE project was evaluated by the California Learning Designs, Inc., during 1978-79. The evaluation was unable to conclude that any statistically significant relationship existed between the AIE project and student achievement. While, the study did find that teachers and students reported a significant increase in achievement, it could not define the process by which this occurred or demonstrate improved achievement on the basis of empirical evidence. The council states that the evaluation failed to demonstrate the relationship between the arts and children's learning abilities because (1) the scale of the sites was too small to provide sufficient data for the evaluation model and (2) the testing interval was too short to be valid.

As a result, the council is proposing the addition of two new large-scale school sites for 1980-81 in order to perform a more complete evaluation of the AIE project. The 1980-81 cost of this proposal is \$150,000, all of which is to be provided from federal grants. As noted earlier, \$135,000 of that total is redirected federal funding from the Local Organization Development element and the remaining \$15,000 is an anticipated increase in federal funds for the AIE project.

In addition to the new sites, the council is requesting \$200,000 from the General Fund to provide grants for the continuation of 10 school sites (the number funded in 1978-79 and 1979-80). The purpose of continuing these sites is to incorporate the findings of the California Learning Designs, Inc., evaluation at those sites and (1) develop educational materials that integrate arts activity into the curriculum, (2) develop training programs for artists and teachers to facilitate the use of arts activities as part of general school curricula, and (3) assess the factors that would better align program implementation with desired program goals.

Our analysis indicates that the activities proposed by the council at the 10 sites could be performed equally well at fewer sites. The council has not provided any information that would indicate a need for using all 10 sites in order to develop program models for integrating arts into the school curriculum. Although the council does not require 10 school sites to achieve AIE objectives, a minimum of six sites must be operated in order to maximize the federal matching funds available to the AIE program. Therefore, we recommend that the council use six sites for the AIE project, for a General Fund savings of \$80,000.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 436 from the General
Fund and Item 437 from the
California Public Broadcasting
Fund

Budget p. GG98

| | |
|--|-----------|
| Requested 1980-81 | \$819,867 |
| Estimated 1979-80 | 685,888 |
| Actual 1978-79 | 672,748 |
| Requested increase (excluding amount for salary increases) \$133,979 (+ 19.5 percent) | |
| Total recommended reduction | \$36,548 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|--|---------------------|-----------|
| 436 | California Public Broadcasting Commission (for transfer to Public Broadcasting Fund) | General | \$804,200 |
| — | Available Surplus Used | Public Broadcasting | 15,667 |
| 437 | California Public Broadcasting Commission, Support | Public Broadcasting | \$819,867 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Effectiveness and Financial Information. Recommend full evaluation of current management information system and effectiveness of grant program. 1377
2. *New Positions.* Reduce Item 436 by \$36,548. Recommend deletion of proposed telecommunications analyst. 1379

GENERAL PROGRAM STATEMENT

The California Public Broadcasting Commission (CPBC) was established, effective January 1, 1976, by Chapter 1227, Statutes of 1975, as an independent entity in state government. The purpose of the commission is to encourage the growth and development of public broadcasting. Specified duties and powers of the commission include (1) making grants to public broadcasting stations, (2) facilitating statewide distribution of public television and radio programs, (3) applying for, receiving and distributing funds, (4) conducting research and demonstration activities, (5) promulgating regulations, (6) supporting systems of interconnection between stations, and (7) reporting annually to the Governor and Legislature.

The 11-member commission is composed of (1) the Superintendent of Public Instruction, (2) the Director of the Postsecondary Education Commission, (3) two appointees of the Senate Rules Committee, (4) two appointees of the Speaker of the Assembly and (5) five appointees of the Governor.

Chapter 1068, Statutes of 1978, provides the commission greater flexibility in allocating broadcasting station grant money by establishing a new

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

discretionary account for 15 percent of the appropriated monies and reducing the previous levels for television to 70 percent and for radio to 15 percent of the available grant amounts. Authority for this new discretionary account will expire January 1, 1981.

As a result of Chapter 1086, Statutes of 1979 (AB 699), the commission is required to report to the Legislature prior to April 15, 1982, on the effects of deregulation on cable TV subscriber rates. It is also required to encourage local and state government and educational use of cable channels, and to report to the Legislature concerning such use by January 1, 1983.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an expenditure of \$819,867 for support of the Public Broadcasting Commission in 1980-81, consisting of \$804,200 from the General Fund and \$15,667 available from the prior year. The proposed expenditures are \$133,979, or 19.5 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 summarizes commission expenditures.

Commission support is provided by an appropriation from the General Fund (Item 436) which is transferred to a special fund, the California Public Broadcasting Fund. Appropriations from the special fund (Item 437) are made on a specific schedule basis. One purpose of the special fund is to allow the commission to carry forward and rebudget any grant funds that are not awarded or spent during a given fiscal year.

Table 1
California Public Broadcasting Commission
Budget Summary

| Program | Actual | Estimated | Proposed | Change | |
|---------------------------------------|-----------|-----------|-----------|-----------|---------|
| | 1978-79 | 1979-80 | 1980-81 | Amount | Percent |
| Personal services | \$102,595 | \$129,718 | \$203,039 | \$73,321 | 56.5% |
| Operating expense and equipment | 77,853 | 65,720 | 84,046 | 18,326 | 27.9 |
| Grants to broadcast stations | 492,300 | 490,450 | 532,782 | 42,332 | 8.6 |
| Totals | \$672,748 | \$685,888 | \$819,867 | \$133,979 | 19.5% |

Current Year Financial Problems

The commission's expenditures during the current year are likely to exceed the amounts shown in the 1980-81 Governor's Budget, due to four factors:

1. *Long-Range Plan.* The commission held six hearings throughout the state in October and November of 1979 as part of a long-range planning process. The process was begun in 1978, and the finished plan is to be completed by March 1980. No estimate of total costs was developed before the planning process began, and no funds were included in the commission's budget for this purpose. The commission has expended \$12,000 so far in 1979-80 for this process. This unbudgeted expenditure has required numerous changes in the commission's normal operation, including cancellation of a commission meeting.

2. *Temporary Help Blanket.* The commission's 1979-80 budget contained no provision for temporary help. In December 1979, the Department of Finance authorized the commission to establish a \$10,308 blanket for temporary help expenditures. Temporary clerical help had been employed for two months before the formal establishment of the blanket.

3. *Court Case.* The commission is being sued on the grounds that it illegally discriminates against the deaf by funding public television stations which do not subtitle all programming. The Attorney General's defense of the case is estimated to cost \$21,000 in 1979-80. No funds were budgeted for this purpose. We understand that the commission will request a deficiency transfer from the CPBC's special fund reserve to cover these costs. If the case is not settled in the current year, additional unbudgeted costs may be incurred in the budget year.

4. *New Executive Director Search.* With the resignation of the executive director effective June 30, 1980, the commission anticipates that it will incur an additional \$5,000 in unbudgeted expenses to conduct a search for a replacement. The deficiency request is expected to include this item as well.

The flexibility of the commission has been severely restricted by the financial problems caused by these unbudgeted expenditures. The transfer of the two deficiency amounts will deplete the current special fund reserve.

Program Effectiveness

The Supplemental Report of the 1978-79 Budget Act required that the commission's annual report include information evaluating the composition, size and growth of public broadcasting. The data presented by the commission in response to this directive is lacking in specifics.

The data presented by the commission in Table 2 shows that in 1976-77 California state government contributes a smaller share of total station income than the national average.

Table 2
Percent Breakdown
Sources of Income for Public Broadcasting
California and United States
1976-77

| Source | Television | | Radio | |
|------------------------|------------|--------|------------|--------|
| | California | U.S. | California | U.S. |
| Federal | 28.7% | 27.4% | 22.0% | 33.6% |
| State government..... | 0.9 | 23.0 | 2.0 | 7.9 |
| State colleges..... | 3.4 | 8.7 | 13.9 | 29.3 |
| Other colleges..... | — | 1.0 | 6.6 | 4.5 |
| Local government | 16.9 | 8.0 | 10.6 | 9.2 |
| Foundations | 6.1 | 5.2 | 0.3 | 1.2 |
| Business..... | 10.9 | 9.1 | 0.2 | 3.1 |
| Subscribers | 20.2 | 10.9 | 32.8 | 7.7 |
| Auction | 4.5 | 3.1 | 0.8 | 1.3 |
| All other | 8.4 | 3.6 | 10.8 | 2.2 |
| | 100.0% | 100.0% | 100.0% | 100.0% |

Source: California Public Broadcasting Commission and the Corporation for Public Broadcasting.

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

The data, however, fails to (1) evaluate the fiscal health of California public broadcasting stations, (2) show the extent to which the stations need state support to operate, or (3) establish that other funding sources are inadequate. Furthermore, the audience-related data, by itself, is not adequate to make a case that (1) the programming supported by state expenditures benefits the public more than the programming that would otherwise be available, (2) a public benefit would be lost if the grant budget were not approved, and (3) any level of grant expenditures would have an impact on the size or composition of public broadcasting audiences.

During its four years of operation, the commission has selectively implemented the duties assigned by the enabling legislation. It has emphasized grant-making over research, demonstration projects, interconnection of stations, or providing direct services. If a grant program of any kind is to be continued, more and better information should be made available to the Legislature.

The evaluation should examine current operations and identify feasible alternatives for the Legislature to consider. A management information system should provide data on income sources, potential and actual audiences, their demographic composition, and the popularity of programming. The data should be assembled nationally, statewide, and by station. Finally, the commission should develop sophisticated grants administration policies, including improved review procedures.

Budget Year Request

The budget proposes an increase of \$133,976, or 19.5 percent, in expenditures during 1980-81. Table 3 presents the proposed budget changes. The major increases are for new positions and inflation.

Table 3
California Public Broadcasting Commission
Proposed 1980-81 Budget Changes

| | <i>Cost</i> | <i>Total</i> |
|--|---------------|----------------------|
| 1979-80 Current Year Revised | | \$685,888 |
| 1. Workload changes | | |
| a. Salary adjustments | \$2,319 | 2,319 |
| 2. Cost Changes | | |
| a. General price increases | 1,161 | |
| b. Price increase for grants | <u>34,332</u> | |
| Subtotal, Cost Changes | | 35,493 |
| 3. Program Change Proposals | | |
| a. Captioning grant programming for deaf | 8,000 | |
| b. Telecommunication Analyst | 36,548 | |
| c. Associate Program Review Analyst | 39,887 | |
| d. Reduction in salary savings | 5,194 | |
| e. Restoration of Section 27.2 cuts | <u>7,538</u> | |
| Subtotal, Program Change Proposals | | <u>\$96,167</u> |
| Totals, Proposed Budget Changes | | (<u>\$133,979</u>) |
| 1980-81 Proposed Expenditures | | \$819,867 |

New Positions Proposed

We recommend the deletion of the telecommunication analyst position and associated expenses proposed in the Governor's Budget, for a savings of \$36,548.

The 1980-81 Governor's Budget proposes the addition of two new positions: an associate program review analyst to conduct an evaluation of the commission's activities and a telecommunications analyst to monitor cable deregulation. This represents a 56.5 percent increase in personal services.

Our analysis of the new workload caused by expanded evaluation procedures and cable deregulation indicates that only one new professional staff position is justified. We recommend the addition of a limited term program review analyst and the deletion of the telecommunication analyst.

1. *Evaluation Component.* The Governor's Budget has proposed the addition of an 18-month limited term associate program review analyst costing \$39,887 in salary, benefits, and expenses to conduct an evaluation of the commission's operations and effectiveness. The need for a complete evaluation partially justifies the addition of an analyst who could also work on cable deregulation.

2. *Cable Deregulation Component.* The passage of Chapter 1086, Statutes of 1979 (AB 699), expanded the regulatory role of the CPBC into the cable field. The commission is charged with monitoring changes in subscriber rates, encouraging governmental and public use of community access channels, and reporting to the Legislature on these matters. The statute made no appropriation to support the commission's added functions.

The commission initially requested an additional \$154,916 to carry-out this new function. The Governor's Budget proposes \$36,548 in salary, benefits, and expenses for a telecommunication analyst.

Before the passage of this statute, cable systems were subject to local government regulation of their rates and services. AB 699 exempts cable systems from this local regulation if they meet certain technical specifications including the ability to receive satellite transmissions. The California Public Broadcasting Commission will monitor only those systems that choose to deregulate by meeting these terms. Since few cable systems currently can meet these specifications, the workload in 1980-81 to monitor systems should be minor.

The statute also creates a foundation for community services channels to be administered by an association of cable operators. Much of the data required by the CPBC will be collected by the Foundation for Community Service Cable Television and the California Community Television Association. Moreover, once the long-range plan is completed, current staff time can be redirected to assist with this function. Consequently, our analysis of the statute does not support the need for the addition of a full position.

We therefore recommend that only the associate program review analyst be approved as an 18-month limited term position to meet the requirements of both cable deregulation and the general evaluation, for a savings of \$36,548.

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

Grant Increase

We recommend approval.

The grant portion of the budget has declined from a high of \$630,958 in 1977-78 to \$490,450 in 1979-80. The 1980-81 increase of \$42,332 consists of \$8,000 to begin subtitling for the deaf television programming funded by the commission and \$34,332 to offset inflationary costs in public broadcasting grants. With the exception of \$8,000 to provide television subtitling, the 1980-81 grant allocation policies have not been determined.

The 1979-80 grant allocations are displayed in Table 4. Significant increases in operating costs combined with the reductions in grant funding during the past two years resulted in the closure of the Sacramento Television News Bureau. As an alternative to those weekly programs, coverage of statewide public affairs is provided through four special programs produced by the Association of California Public Television Stations and funded by a \$200,000 commission grant. The \$50,000 allocation for joint projects results in a \$100,000 match from the California Humanities Council.

Table 4
1979-80 Grant Allocations

| | <i>Amount</i> | <i>Percent of Total</i> |
|--|---------------|-----------------------------|
| <i>Radio:</i> | | |
| Sacramento News Bureau | \$91,959 | |
| Basic aid grants (\$1,703 each to 18 stations) | 30,654 | |
| Subtotal | (\$122,613) | 25% |
| <i>Television:</i> | | |
| Statewide public affairs specials | \$200,000 | |
| Joint project with California Humanities Council | 50,000 | |
| Special projects | 25,878 | |
| Basic aid grants (\$7,633 each to 12 stations) | 91,959 | |
| Subtotal | (\$367,837) | 75% |
| Total | \$490,450 | 100% |

The basic aid grants are not based on funds available or on the financial need of particular stations. The share of a station's budget which is provided by the CPBC varies from a high of 12 percent to well below one percent. One alternative to pro rata grants would be grants based on the financial needs of the stations.

There is no rational basis for determining the appropriate level of grant funding. Any level is arbitrary. The proposed 7 percent price increase is consistent with Department of Finance's price letter.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 438 from the General
Fund

Budget p. GG 100

| | |
|---|-----------|
| Requested 1980-81 | \$303,305 |
| Estimated 1979-80 | 288,555 |
| Actual 1978-79 | 256,576 |
| Requested increase (excluding amount for salary increases) \$14,750 (+5.1 percent) | |
| Total recommended reduction | \$303,305 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Funding. Reduce \$303,305.* Recommend deletion of General Fund support for the commission. 1381

GENERAL PROGRAM STATEMENT

The Commission for Economic Development was established in 1972 to provide guidance on statewide economic development. It is composed of legislative and private sector members, and is chaired by the Lieutenant Governor. Its statutory responsibilities include considering and recommending economic development programs.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$303,305 from the General Fund for support of the commission in 1980-81 which is \$14,750, or 5.1 percent, more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The proposed increase is the result of minor staff adjustments and nominal growth in operating expenses.

Table 1 shows staffing and expenditures of the commission for the past, current and budget year.

Table 1
Budget Requirements of the Commission for Economic Development

| | <i>Personnel-Years</i> | | | <i>Expenditures</i> | | |
|--------------------------|---------------------------|------------------------------|-----------------------------|---------------------------|------------------------------|-----------------------------|
| | <i>Actual 1978-79</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Actual 1978-79</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> |
| Personal Services | 6.0 | 6.6 | 6.0 | \$145,375 | \$153,807 | \$163,044 |
| Operating Expenses | - | - | - | 111,201 | 134,748 | 140,261 |
| Total Costs | - | - | - | \$256,576 | \$288,555 | \$303,305 |

Commission Is Duplicative

We recommend deletion of the proposed \$303,305 General Fund support for the commission because it duplicates ongoing efforts to advise the Governor and the Legislature on economic development matters. We also recommend enactment of legislation to terminate the commission.

Chapter 345, Statutes of 1977 (SB 28), replaced the Department of Commerce with a new Department of Economic and Business Develop-

COMMISSION FOR ECONOMIC DEVELOPMENT —Continued

ment. Although the Commission for Economic Development had the statutory responsibility to advise the Department of Commerce, it does not have a similar responsibility with respect to the new department. Instead, responsibility for advising the department has been assigned to a 21-member advisory council, also established by Chapter 345, representing various sectors of the state's economy.

The commission's general statutory responsibilities to provide economic development guidance duplicate the responsibilities of the advisory council. Therefore, in the interest of efficiency and economy in state government, we recommend deletion of state fiscal support for the commission.

We have no analytical basis for establishing which of these two duplicative entities—the commission and the advisory council—are more effective in promoting the state's economic development interests. Our recommendation to discontinue funding for the commission is based on our analysis of the cost involved in maintaining each of the two entities, rather than on a comparison of the entities' relative effectiveness.

The advisory council receives staff support from the Department of Economic and Business Development at no additional state cost. As a result, continued funding of the advisory council will result in ongoing General Fund costs of about \$5,000 per year. In contrast, the level of funding proposed for the commission, with its separate staff, is \$303,305 in 1980–81, plus the amount of any salary or benefit increase approved by the Legislature.

Thus, if a state advisory body on economic development is deemed necessary, the department's advisory council can perform this role at about 2 percent of the direct cost of maintaining the commission.

If the Legislature wishes to continue both the commission and advisory council, we recommend that the commission's statutory responsibilities be changed to avoid duplication of effort. Potential alternative responsibilities for the commission might include (1) assessing specific regional or local economic development problems and making recommendations for solving these problems; (2) evaluating state economic and job development programs and making recommendations to improve their effectiveness and efficiency; and (3) providing a platform for ongoing dialogue on economic issues between state government and the private sector.

COMMISSION ON STATE FINANCE

Item 439 from the General
Fund

Budget p. CG 101

| | |
|--|-----------|
| Requested 1980-81 | \$576,364 |
| Estimated 1979-80..... | 224,343 |
| Requested increase (excluding amount for salary increases) \$352,021 (+156.9 percent) | |
| Total recommended reduction | \$27,800 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Operating Expenses and Equipment. Reduce by \$27,800.* 1384
Recommend reduction in general expenses and in-state travel.

GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979 (SB 165), established the Commission on State Finance. The commission has two primary responsibilities:

- (1) to provide forecasts of state revenues, current year expenditures and the surplus, and
- (2) to determine on June 10 of each year the amount of any reductions in local assistance payments to be required under provisions of Chapter 282, Statutes of 1979 (the AB 8 "deflator" provision).

The commission consists of the following seven members or their designees:

- (1) President pro Tempore of the Senate, (2) Speaker of the Assembly, (3) Senate Minority Leader, (4) Assembly Minority Leader, (5) Director of Finance, (6) State Controller, and (7) State Treasurer.

The commission is limited in duration to July 1, 1984, unless legislation extends or deletes that date.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$576,364 from the General Fund for support of the Commission on State Finance in 1980-81. This is an increase of \$352,021, or 156.9 percent, over estimated current-year expenditures. The increase, however, does not reflect any major increase in the commission's scope or activities. Rather, it reflects the fact that the commission will be in operation only for the latter third of the 1979-80 fiscal year.

Chapter 1162 designated the level of staffing for the commission. The measure provided for the transfer of eight positions from the Department of Finance, and for the establishment of an executive secretary position. Of these nine authorized personnel-years, the budget estimates that the commission will use only 2.8 in 1979-80 and 8.9 in 1980-81.

COMMISSION ON STATE FINANCE—Continued**Operating Expenses and Equipment Overbudgeted**

We recommend a reduction of \$27,800 in operating expenses and equipment (OE&E) for general expenses and in-state travel.

Table 1 summarizes by expenditure category the commission's proposed 1980-81 budget. The estimates for the OE&E components are based on the average expenditure of five other small state commissions. While the budgeted amounts for most of the components are reasonable, the requests for general expenses and in-state travel appear to be excessive.

Table 1
Commission on State Finance
1980-81 Proposed Budget

| | <i>Amount</i> | <i>Percent of Total</i> |
|--|---------------|-----------------------------|
| Personal Services: | | |
| Net salaries and wages | \$237,825 | 41.3% |
| Staff benefits | 69,579 | 12.1 |
| Subtotal, Personal Services | (\$307,404) | (53.4%) |
| Operating Expenses and Equipment: | | |
| General expenses | \$44,700 | 7.8% |
| Printing | 11,700 | 2.0 |
| Communications | 14,200 | 2.5 |
| Travel—in-state | 21,600 | 3.7 |
| Travel—out-of-state | 4,000 | 0.7 |
| Data Processing | 25,000 | 4.3 |
| Consultant and professional services | 124,000 | 21.5 |
| Facilities operations | 23,760 | 4.1 |
| Subtotal, Operating Expenses and Equipment | (\$268,960) | (46.6%) |
| Total Expenditures | \$576,364 | 100.0% |

The commission requests \$44,700 for general expenses, which is an average of about \$5,000 per position. Most small commissions spend far less than this amount per position. After eliminating both extremely high- and low-spending commissions, the average general expense cost is closer to \$3,500. We recommend that the \$3,500 figure be used in budgeting for the Commission on State Finance, permitting a reduction of \$13,200 from the General Fund.

The commission proposes a total of \$21,600 for in-state travel, an average of almost \$3,100 per professional position. In this case, the use of a small commission average for budgeting purposes would overstate the Commission on State Finance's travel needs, for two reasons. First, most commission travel budgets include expenses for the commission members. Since all of the commission members spend much of the year in Sacramento, however, it is possible to schedule meetings there, resulting in reduced travel costs. Second, the travel requirements of the professional staff are not the same as for some of the commissions used in determining the average need. For example, staff of the California Transportation Commission and the Seismic Safety Commission make field trips (to inspect projects or earthquake sites) as a routine part of their jobs. The commission has not provided any evidence that it has a similar, out-of-office travel

need. We therefore recommend that the commission be budgeted at the lower end of the range of small commission in-state travel expenditures. A more reasonable level is \$1,000 per professional, for a total of \$7,000. This permits a reduction of \$14,600 from the amount proposed in the Governor's Budget.

The commission proposes to spend almost one-half of its total OE&E budget, or \$124,000, on consultant services. The proposed expenditure is based on estimates of the need for and cost of these services which were made by Department of Finance staff. At this time, we have no way of evaluating whether the proposed amount is commensurate with the commission's tasks.

MILITARY DEPARTMENT

Item 440 from the General
Fund

Budget p. GG 102

| | |
|---|--------------|
| Requested 1980-81 | \$11,393,718 |
| Estimated 1979-80 | 13,209,770 |
| Actual 1978-79 | 9,817,910 |
| Requested decrease (excluding amount for salary increases) \$1,816,052 (-13.8 percent) | |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|-------------|---------------|--------------|
| 440 | Support | General | \$10,053,595 |
| — | Support | Reimbursement | 1,340,123 |
| | Total | | \$11,393,718 |

GENERAL PROGRAM STATEMENT

The purpose of the Military Department is 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.

Army National Guard

The troop strength of the Army National Guard is determined by the U.S. Department of the Army to meet the current contingency plans of the United States, as developed by the Joint Chiefs of Staff, with the concurrence of the Governor. The Army National Guard currently consists of 20,638 officers and enlisted personnel in 161 company-sized units plus a number of smaller units.

MILITARY DEPARTMENT—Continued**Air National Guard**

The Air National Guard consists of four flying bases providing tactical airlift, tactical air support, air rescue and recovery, and air defense capabilities, as well as communications units at six locations in the state. The U.S. Department of the Air Force allocates the units and the 5,223 authorized personnel throughout the state, with the concurrence of the Governor.

Office of the Commanding General

The Office of the Commanding General is composed of state active-duty personnel and state civil service employees. The office has two elements: (1) command management and (2) military support to civil authority. Command Management determines overall policies and exercises general supervision over those activities necessary to accomplish departmental objectives. The military support element collects data and prepares 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 (CSTI) at Camp San Luis Obispo, which provides training courses in civil emergency management, officer survival and internal security, school security and aspects of terrorism for civilian and military personnel.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$11,393,718 for departmental support (excluding military retirement and the California Cadet Corps) in 1980-81. Of this amount, \$10,053,595 is from the General Fund and \$1,340,123 is from reimbursements. This is \$1,816,052, or 13.8 percent, below estimated current year expenditures. This comparison is misleading, however, because current-year expenses include \$2.5 million which was appropriated on a one-time basis by Chapter 583, Statutes of 1979, to create a security account for revenue bonds used to finance the Farm and Home Purchase Loan Program for qualified national guardsmen. Partly offsetting this decrease are various increases which will be discussed in relation to the affected departmental programs.

Table 1 shows the General Fund support by program area.

Table 1
Military Department
Budget Summary

| Program | Estimated 1979-80 | Proposed 1980-81 | Change | |
|----------------------------------|----------------------|---------------------|--------------|---------|
| | | | Amount | Percent |
| Army National Guard | \$5,474,571 | \$6,083,762 | \$609,191 | 11.1% |
| Air National Guard | 794,717 | 820,862 | 26,145 | 3.3 |
| Commanding General | 2,616,107 | 3,148,971 | 532,864 | 20.4 |
| Farm and Home Loan Program | 2,500,000 | — | -2,500,000 | -100.0 |
| Reimbursements | 1,824,375 | 1,340,123 | -484,252 | -26.5 |
| Totals | \$13,209,770 | \$11,393,718 | \$-1,816,052 | -13.8% |
| Personnel-years | 640.3 | 651.3 | 11 | 1.7 |

The total proposed budget for the Military Department, including state and federal funds, is \$152,139,609. Of this amount, 92.5 percent is federally funded, 0.9 percent is from reimbursements and 6.6 percent is from the General Fund.

State-authorized positions in this department are funded either entirely by the state, entirely by federal reimbursements, or by a combination of state and federal funds. Positions which are financed directly by the federal government do not appear in the Governor's Budget.

ARMY NATIONAL GUARD

Table 1 shows total 1980-81 General Fund support of \$6,083,762 for the Army National Guard, an increase of \$609,191 (11.1 percent) over current-year estimated expenditures. The increase results from (a) the restoration of 10.3 personnel-years which were eliminated in the current year pursuant to Section 27.2, Budget Act of 1979; (b) \$150,000 for increased maintenance of armories; (c) merit salary adjustments; and (d) price and rental cost increases. We have reviewed these increases and find them to be in line with the needs of this department.

New Positions

The budget proposes continuation of nine positions for the Oakland guard recruitment program in 1980-81. These positions were among 13 positions administratively established in the current year. Four of these positions will not be continued. The Oakland recruitment program was federally supported in prior years, and is being funded by the City of Oakland during the current year and first quarter of the budget year. The program and the nine continuing positions are scheduled to end on September 30, 1980.

The budget also proposes: (a) continuation of 16 positions established during the current year for the Los Alamitos Armed Forces Reserve Center, based on a joint federal-state study of personnel requirements, and (b) 12 additional positions for Camp Roberts needed to support increased troop training at that facility. These 28 positions are fully funded by federal reimbursements.

AIR NATIONAL GUARD

General Fund expenditures for the Air National Guard in the budget year total \$820,862, an increase of \$26,145 or 3.3 percent over estimated current year expenditures. The General Fund increase results from merit salary adjustments and price increases, partly offset by a net reduction of 2.5 positions. The reduction results from a transfer of three positions to the Office of the Commanding General and the restoration of 0.5 position which was eliminated in the current year pursuant to Section 27.2, Budget Act of 1979.

Total federal and state funding for this program is proposed at \$47,346,806, an increase of \$2,812,380 (6.3 percent) above estimated current year expenditures.

MILITARY DEPARTMENT—Continued**OFFICE OF THE COMMANDING GENERAL**

The budget proposes General Fund expenditures of \$3,148,971 for the Office of the Commanding General in 1980-81, an increase of \$532,864, or 20.4 percent, over estimated current-year expenditures. A significant portion of the increase (\$284,081) represents costs to develop and implement an electronic data processing system for the department. The system will provide more current information on troop readiness, capabilities, and qualifications in order to increase responsiveness and effectiveness in the use of troops during emergencies and natural disasters. Subsequent applications will include fiscal and budgeting data. The program will interface with similar programs of federal defense agencies.

The increase also includes (a) the costs of restoring 2.2 personnel-years which were deleted from the current-year budget pursuant to Section 27.2, Budget Act of 1979, (b) the transfer of three positions from the Air National Guard, (c) merit salary adjustments and (d) price increases.

California Specialized Training Institute

The California Specialized Training Institute (CSTI) was established by executive order in 1971 as a result of the civil turbulence that occurred during the sixties and early seventies. Because the scope and intensity of various civil emergencies exceeded the control capability of any one agency, CSTI was created to provide a training program that would insure appropriate response to large scale civil disorders. The Military Department was chosen to administer the program because of its experience in responding to large scale emergencies and the availability of Camp San Luis Obispo where training could be provided under simulated emergency conditions.

The training program has not been authorized specifically by the Legislature, although it has approved state support for CSTI in the Budget Bill. The curriculum has been expanded from courses on civil emergency management to include courses on: (1) contingency planning for hazardous materials; (2) terrorism; (3) the investigation of violent crimes, robbery; and juvenile offenses; and (4) peace officer survival. The classes are attended by law enforcement and other local government, military and out-of-state personnel.

There were 9,951 persons trained in the various programs by the end of 1977. Over 80 percent of the trainees were law enforcement personnel. Approximately 4,284 trainees are anticipated for the current fiscal year, and there are waiting lists for some of the courses.

Originally, the program was funded entirely by grants from the Office of Criminal Justice Planning (OCJP). In recent years, funding has changed to approximately two-thirds from OCJP grants and one-third from the Peace Officer Training Fund. The Governor's Budget shows that federal funding is no longer available because the program has been supported for more than the usual three-year period. The budget proposes to continue the existing CSTI program at a cost of \$1,081,928 in 1980-81. Funding is to come from Peace Officer Training Fund local assistance funds (the amount is to be determined through negotiations with the

Commission on Peace Officer Standards and Training) and tuition charges. No General Fund support will be provided.

The imposition of tuition would be one means of determining how valuable local governments consider this training to be. However, there is no legislative authority for charging tuition nor are there any assurances at this time that tuition will be sufficient to sustain the program, given the constraints on local government finances.

Because of (1) the lack of specific legislative authority for this program, (2) the uncertainty as to whether adequate funding will be available, and (3) the possibility that this program duplicates training provided by other state and local agencies, we recommend in our analysis of Item 455 that the Commission on Peace Officer Standards and Training evaluate this program. Once the commission's report is available, the Legislature should have better information on which to base a decision regarding the future of CSTI.

FARM AND HOME LOAN PROGRAM

This program, authorized by the California National Guard Members' Farm and Home Purchase Act of 1978, became effective January 1, 1979. The program provides low interest loans for the purchase of farms and homes. Eligibility is restricted to guardsmen at or below the rank of captain who have served six years with the National Guard.

Chapter 583, Statutes of 1979, appropriated \$2,500,000 from the General Fund and created the Supplementary Bond Security Account as backing for the revenue bonds to be issued for support of this program. The General Fund is to be repaid the \$2,500,000 from proceeds of the revenue bonds. All administrative functions, except determination of eligibility, have been assigned to the Department of Veterans Affairs. Administrative costs will be paid from the revenue bond proceeds.

MILITARY RETIREMENT

Item 441 from the General
Fund

Budget p. GG 106

| | |
|--|-------------|
| Requested 1980-81 | \$1,122,314 |
| Estimated 1979-80..... | 1,052,312 |
| Actual 1978-79 | 906,512 |
| Requested increase \$70,002 (+6.7 percent) | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$1,122,314 from the General Fund for benefits to certain military retirees in 1980-81. This amount is \$70,002, or 6.7 percent, more than estimated current year expenditures.

This program applies only to military personnel who were ordered to state active duty prior to October 1, 1961, and served 20 or more years, at

MILITARY RETIREMENT—Continued

least 10 of which were on active duty status. The benefits provided by this program are similar to those provided by the federal military retirement system. Persons ordered to active duty subsequent to the specified date are members of the Public Employees' Retirement System.

It is anticipated that 49 retirees will be receiving benefits under the program in the budget year, leaving four individuals subject to retirement thereafter.

CALIFORNIA CADET CORPS

Item 442 from the General
Fund

Budget p. GG 106

| | |
|---|-----------|
| Requested 1980-81 | \$423,000 |
| Estimated 1979-80 | 404,590 |
| Actual 1978-79 | 363,653 |
| Requested increase (excluding amount for salary increases) \$18,410 (+4.6 percent) | |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|------------------------|----------------|-----------|
| 442 | California Cadet Corps | General | \$398,500 |
| | Support | Reimbursements | 24,500 |
| | Total | | \$423,000 |

GENERAL PROGRAM STATEMENT

The objective of the California Cadet Corps is to develop in youth the qualities of leadership, patriotism, and citizenship under conditions of military discipline. The program provides training in basic military subjects, first aid, survival and marksmanship, using credentialed instructors through the regular educational system. A portion of the instruction is conducted in a one-week training session at Camp San Luis Obispo, which is one of several military facilities operated by the state.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an expenditure of \$423,000 from the General Fund and reimbursements for support of the Corps in 1980-81, which is an increase of \$18,410, or 4.6 percent, over estimated current year expenditures. The overall increase results from merit salary and staff benefit adjustments of \$3,320 or (2.2 percent), plus an increase of \$15,090 or (6.0 percent) in operating expenses. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Approximately 80 junior and senior high schools will participate in the program with an estimated enrollment of 4,000 cadets. This represents a decline of seven schools but no decrease in total enrollment between the current and budget years.

PUBLIC UTILITIES COMMISSION

Item 443 from the General
Fund and Items 444-446 from
various funds

Budget p. GG 111

| | |
|--|--------------|
| Requested 1980-81 | \$33,044,347 |
| Estimated 1979-80..... | 30,667,108 |
| Actual 1978-79 | 26,793,241 |
| Requested increase (excluding amount for salary increases) \$2,377,239 (+7.8 percent) | |
| Total recommended reduction | \$866,364 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|---------------------------------------|---|--------------|
| 443 | Public Utilities Commission, Primary | General | \$17,235,408 |
| 444 | Energy Programs | Energy Resources Conserva- tion and Development Spe- cial Account | 2,110,154 |
| 445 | Transportation Regulation | Transportation Rate Fund | 10,800,755 |
| 446 | Transportation Energy Efficiency Plan | Energy and Resources Fund | 125,346 |
| — | Reimbursements | — | 2,259,355 |
| — | Federal funds | — | 413,329 |
| | Total | | \$33,044,347 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Recommend that 23 Liquified Natural Gas (LNG) Task Force positions be limited to June 30, 1981. Recommend 8 positions be held vacant pending outcome of federal court cases over LNG terminal site. 1395
2. *Transportation Energy Efficiency Plan. Reduce Item 446 by \$125,346.* Recommend reduction to eliminate duplicative energy efficiency planning for passenger transportation. 1397
3. *Proposed new positions. Reduce Item 445 by \$141,018.* Recommend that certain transportation energy efficiency plan positions not be established until the plan is adopted in December 1980. 1398
4. *Consulting Services. Reduce Item 444 by \$600,000. Recommend reduction in proposed increase for energy consultants.* 1402

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 electric, telephone, gas, warehouse, truck, bus, airline companies and pipeline corporations. For operating purposes, however, the PUC distinguishes

PUBLIC UTILITIES COMMISSION—Continued

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. It is also charged by state and federal statutes with promoting energy and resource conservation in its rate-making and other decisions.

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. The executive director serves as the administrative head of the commission.

The commission has approval authority 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.

The commission is headquartered in San Francisco with an area office in Los Angeles and some staff located in 14 transportation division field offices throughout the state.

ANALYSIS AND RECOMMENDATIONS

The budget proposes four appropriations totalling \$33,044,347 from various funds for support of the Public Utilities Commission in 1980-81, which is an increase of \$2,377,239, or 7.8 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The General Fund share of the commission's budget is \$17,239,408, which is a 4.3 percent increase over the 1979-80 level. Other resources come from energy funds, the Transportation Rate Fund, and federal funds, as detailed in Table 1.

Table 1
Public Utilities Commission
1980-81 Proposed Budget

| | <i>Actual</i> <i>1978-79</i> | <i>Estimated</i> <i>1979-80</i> | <i>Proposed</i> <i>1980-81</i> | <i>Change</i> | |
|------------------------------|---------------------------------|------------------------------------|-----------------------------------|---------------|----------------|
| | | | | <i>Amount</i> | <i>Percent</i> |
| Regulation of Utilities | | | | | |
| Rates | \$8,119,000 | \$9,219,373 | \$9,808,175 | \$588,802 | 6.4% |
| Service and Facilities | 2,625,900 | 2,903,644 | 3,553,360 | 649,716 | 22.4 |
| Certification | 2,139,000 | 2,878,318 | 2,355,276 | -523,042 | -18.2 |
| Safety | 1,144,200 | 1,280,882 | 1,361,765 | 80,883 | 6.3 |
| Subtotals | \$14,028,100 | \$16,282,217 | \$17,078,576 | \$796,359 | 4.9% |
| Regulation of Transportation | | | | | |
| Rates | \$6,963,790 | \$7,793,737 | \$8,581,375 | \$787,638 | 10.1% |
| Service and Facilities | 650,151 | 728,071 | 802,216 | 74,145 | 10.2 |
| Licensing | 3,692,700 | 4,130,003 | 4,571,132 | 441,129 | 10.7 |
| Safety | 1,458,500 | 1,733,080 | 2,011,048 | 277,968 | 16.0 |
| Subtotals | \$12,765,141 | \$14,384,891 | \$15,965,771 | \$1,580,880 | 11.0% |

| | | | | | |
|---|---------------|---------------|---------------|---------------|-------|
| Administration | | | | | |
| Utilities..... | (\$2,365,818) | (\$3,766,496) | (\$4,622,931) | (\$856,435) | 22.7% |
| Transportation | (2,292,272) | (2,679,360) | (2,846,584) | (167,224) | 6.2 |
| Subtotals | (\$4,658,090) | (\$6,445,856) | (\$7,469,515) | (\$1,023,659) | 15.9% |
| Totals | \$26,793,241 | \$30,667,108 | \$33,044,347 | \$2,377,239 | 7.8% |
| Reimbursements | -2,117,150 | -3,017,410 | -2,359,355 | 658,055 | -21.8 |
| Net Totals | \$24,676,091 | \$27,649,698 | \$30,684,992 | \$3,035,294 | 11.0% |
| General Fund..... | \$15,787,330 | \$16,521,007 | \$17,235,408 | \$714,401 | 4.3% |
| State Energy Resources Conservation and Development Special Account | — | 381,809 | 2,110,154 | 1,728,345 | 452.7 |
| Transportation Rate Fund | 8,770,259 | 10,319,371 | 10,800,755 | 481,384 | 4.7 |
| Energy and Resources Fund .. | — | — | 125,346 | 125,346 | N/A |
| Federal Funds | 118,502 | 427,511 | 413,329 | -14,182 | -3.3 |
| Personnel Years | 911.4 | 880.8 | 910.8 | 30.0 | 3.4 |

Table 1 shows that although the bulk of the energy program support is being added to the utilities regulation division, the proposed expenditures of the transportation regulation division show a larger percentage increase. Among the reasons for this are a decrease in utilities certification activities and the proposed establishment of fifteen positions to administer a transportation energy efficiency plan. Table 1 also shows that reimbursements are estimated to decrease from the current year level. This is due to the elimination of contract funds from the California Energy Commission (CEC) and an anticipated decrease in the preparation of reimbursable reports. Administrative costs allocated to the utilities program will increase by 22 percent because this item includes an increase of \$750,000 for energy consulting services.

Table 2 displays the workload, cost, and program changes from the 1979-80 budget. For energy-related programs, the budget proposes an increase of \$1,724,727 from the Energy Resources Conservation and Development Special Account (ERCDSA). Of the increase, \$420,610 will be used to continue current year programs previously reimbursed by the California Energy Commission (CEC) from federal fund sources. Other expenditure increases are primarily due to increased workload. An additional 9 personnel are budgeted to deal with drinking water safety, consumer complaints, regulatory lag, closer surveillance of communication utilities, and other matters. The commission also proposes to extend the Liquefied Natural Gas (LNG) facility Task Force through 1984. Its staff level would be reduced from 28 to 23 positions.

Seventy-four New Positions Proposed

The budget proposes 74 new positions for 1980-81, bringing the total number of positions to 979.5—an increase of 8.2 percent. Table 3 shows the program and funding distribution of the new positions. Total increased expenditures of \$3,241,727 are proposed for these positions and new program activities, of which \$242,193, or 7.5 percent, would be from the General Fund. Reimbursements would total \$1,523,425, or 47 percent, and the remaining \$1,476,109 would come from special funds.

The budget proposes that 65 of the requested positions be added for transportation energy efficiency planning, liquefied natural gas, and energy program activities, which are discussed separately below. Of the re-

PUBLIC UTILITIES COMMISSION—Continued

Table 2
Proposed 1980-81 Budget Changes

| | General Fund | ERCDA Special Account | Trans- portation Rate Fund | Energy and Resources Fund | Federal Funds | Reim- bursements | Total |
|--|-----------------|-----------------------------|----------------------------------|---------------------------------|------------------|---------------------|--------------|
| 1979-80 Current Year Revised | \$16,521,007 | \$381,809 | \$10,319,371 | \$— | \$427,511 | \$3,017,410 | \$30,667,108 |
| 1. Workload Changes | | | | | | | |
| a. Utilities regulation | 242,193 | — | — | — | -22,115 | — | 220,078 |
| b. Gas pipeline safety | — | — | — | — | 11,939 | — | 11,939 |
| c. Railroad standards | 37,594 | — | — | — | 37,594 | — | 75,188 |
| d. Agricultural load management | — | — | — | — | -41,600 | — | -41,600 |
| e. LNG task force | — | — | — | — | — | 405,783 | 405,783 |
| f. Reports to litigants | — | — | — | — | — | -129,201 | -129,201 |
| g. Environmental impact reports | — | — | — | — | — | -502,921 | -502,921 |
| 2. Cost changes | | | | | | | |
| a. Operating expenses | 162,018 | 3,076 | 129,018 | — | — | — | 294,112 |
| b. Personal services adjustments | -64,967 | 542 | 66,330 | — | — | — | 1,905 |
| c. Section 27.2 salary adjustment | 337,563 | — | — | — | — | — | 337,563 |
| d. Miscellaneous adjustments | — | — | — | — | — | -11,106 | -11,106 |
| 3. Program Change Proposals | | | | | | | |
| a. Energy programs | — | 974,727 | — | — | — | -420,610 | 554,117 |
| b. Energy consulting | — | 750,000 | — | — | — | — | 750,000 |
| c. Transportation energy efficiency planning | — | — | 286,036 | 125,346 | — | — | 411,382 |
| Totals, Proposed Budget Changes | \$714,401 | \$1,728,345 | \$481,384 | \$125,346 | \$-14,182 | \$-658,055 | \$2,377,239 |
| 1980-81 Proposed Expenditures | \$17,235,408 | \$2,110,154 | \$10,800,755 | \$125,346 | \$413,329 | \$2,359,355 | \$33,044,347 |

* Energy Resources Conservation and Development.

maining nine positions, five are proposed as follows to reduce regulatory lag in processing rate applications of utilities:

1. Two positions are proposed to meet water company regulatory lag limits set by the PUC in April 1979.
2. One position would perform energy clause adjustment audits for gas and electric utilities. Under this clause, rate adjustment applications for energy cost increases go through a simplified hearing process. This is one of several procedures adopted by the PUC to separate energy cost issues from general rate case proceedings.
3. Two positions are proposed in the communications utility division. They would be part of the surveillance branch which monitors operations of the three major California communication utilities. The monitoring provides continuous review of financial evidence submitted by the utilities in rate cases. In a recent Pacific Telephone case, the commission accepted \$110 million of the staff's recommended \$192 million reduction of expenses claimed by the utility.

The commission also proposes one position to help process loan applications of privately-owned water companies under the Safe Drinking Water Bond Act. Two positions would be added to the consumer affairs branch, which handles complaints about utility billing and service. The ninth position would assist the rapid transit safety unit in reviewing implementation of recommendations made to the Bay Area Rapid Transit District after a fire in the transbay tube in January 1979. We have reviewed the workload projected for the nine positions and recommend their approval.

Table 3
Public Utilities Commission
Proposed Position and Program Increases
1980-81

| | <i>Positions</i> | <i>Proposed Amount</i> | <i>Fund(s)</i> |
|---|------------------|----------------------------|---|
| Liquified Natural Gas Terminal Task Force | 23 | \$1,485,727 | Reimbursed |
| Safe Drinking Water | 1 | 31,376 | General |
| Communications Utilities | 2 | 65,203 | General |
| Consumer Complaints | 2 | 49,748 | General |
| Regulatory Lag | 2 | 65,183 | General |
| Energy Cost Adjustment..... | 1 | 30,683 | General |
| Rapid Transit Safety..... | 1 | 37,698 | Reimbursed |
| Transportation Energy Efficiency Plan..... | 15 | 501,382 | Transportation Rate Fund and Energy and Resources Fund |
| Energy Programs | 27 | 974,727 | Energy Resources Conservation and Development Fund |
| Totals | 74 | \$3,241,727 | |

LNG Task Force Positions

We recommend that 23 proposed Liquified Natural Gas (LNG) Task Force positions be limited to June 30, 1981 pending the outcome of court cases challenging the LNG terminal site. We further recommend that 8 of the positions not be filled until (1) the court allows construction to

PUBLIC UTILITIES COMMISSION—Continued

proceed, and (2) Western LNG submits design plans to the PUC.

The PUC was granted temporary help funds in the 1977-78 budget to assist it in evaluating applications and developing the conditional permit for Western LNG Terminal Associates to construct and operate an LNG facility at Point Conception in Santa Barbara County.

The 1979 Budget Act authorized a 28-position task force to develop a cost monitoring system and perform safety studies. The positions are limited to June 30, 1980. The commission proposes to continue 23 of the positions through December 31, 1984, which was the original estimate for completion of construction. The task force now considers 1985 to be a more accurate completion estimate. All positions and related expenses are reimbursed by Western LNG Associates.

The request to authorize 23 positions for the term of the project is premature for two reasons. First, existing workload does not support the full 23 positions. Of the 28 positions authorized in 1979-80, 13 are currently vacant due to lack of workload. The workload relating to the construction of the terminal has been delayed because of challenges in federal courts by landowners, the Sierra Club, and the Santa Barbara Indian Center. In the meantime, the 15 filled positions have been developing the cost monitoring system and doing studies on seismic safety, sea state conditions (the effect of wind and waves on docking safety), and potential impacts on marine life. The PUC expects that the results of the seismic safety study will influence the eventual court decision.

The task force states that 23 positions would be needed if Western LNG begins to submit design plans in the budget year. Because development of these plans depends, to a large degree, on the outcome of the seismic study, which is still in progress, it is not clear when these plans will be submitted.

Second, all of these positions may be unnecessary if the court rules against the terminal site and the project is shut down. Pending the court decision, the staff and related expenses should be held at the current level to minimize any unnecessary expenditure.

Consequently, we recommend that the 23 positions be authorized for a limited term (to June 30, 1981), and that they be rejustified for permanent status in the 1981-82 budget. In addition we recommend that 8 of the positions that are now vacant continue to be held vacant until construction can legally begin and design plans have been submitted.

TRANSPORTATION ENERGY EFFICIENCY PLAN**Fifteen New Positions Proposed**

Chapter 1195, Statutes of 1979 (SB 844), requires the PUC to develop and adopt a Transportation Energy Efficiency Plan for highway carriers on or before December 31, 1980. It further requires the commission to make a finding in every rule, order and decision that it "fully complies with the applicable guidelines established" in the plan. The commission currently has 3 positions (limited to June 30, 1980) working on the plan. They are funded by a \$90,000 special appropriation from the Transportation Rate Fund.

In 1980-81, the budget proposes \$501,382 to fund 15 one-year-only positions (3 existing and 12 additional positions). Of the \$501,382, \$376,036, or 75 percent, would come from the Transportation Rate Fund (TRF). TRF revenues come from fees paid by common carriers, and approximately 75 percent of transportation rules, orders, and decisions concern common carriers. The remaining \$125,346, or 25 percent of the total, would come from the proposed Energy and Resources Fund. This would fund research on policies to promote energy efficiency among non-TRF contributors such as buses and railroads.

When an early version of SB 844 was being considered by the Legislature, the PUC estimated that it would require 3 positions to develop *and administer* the plan, at an annual cost of \$90,000. That version of the bill would have required the PUC to make every rule, order, and decision "consistent" with the plan. The version that was enacted, however, requires the PUC to make a "finding" in each case that it complies with the plan guidelines. A finding must be drawn to withstand appellate review.

The PUC submitted material in support of the budget increase which states that the original form of SB 844 "only required the commission to develop a transportation energy efficiency plan." This material further states that audits, field investigations, and longer hearings would be required to make the mandated findings in each case. Specifically the commission proposes 10 transportation rate experts and 5 legal and hearing staff positions to administer the plan. The plan workload depends to some extent on the complexity of the plan guidelines, which in turn, depend on the commission's interpretation of legislative intent. The commission issues approximately 1200 rules, orders and decisions per year.

Without some experience, the PUC can not provide specific workload justification. For this reason the budget proposes these positions for one year only. This requires the positions to be rejustified in the 1981-82 budget when better workload estimates will be available. We recommend adoption of this policy for any positions authorized for this program. However, we recommend that the budget be reduced in accordance with our next two recommendations.

Duplicative Energy Research Proposed

We recommend the elimination of duplicative transportation energy efficiency planning, for a savings of \$125,346 in Item 446.

Chapter 1195, Statutes of 1979, requires a transportation energy efficiency plan for highway carriers only. The PUC has decided, at the behest of the California Energy Commission, to broaden the scope of the plan. The budget proposes \$125,346 and 3.8 positions to extend the plan, after additional research, to passenger carriers and private transportation.

We recommend that this proposal not be approved for the following reasons:

1. It exceeds the scope of the legislative mandate.
2. It would duplicate other transportation energy efficiency research now in progress at the state and federal levels. The state Department of Transportation, for instance, is developing a bus service plan which addresses the energy issue, and the Office of Appropriate Technol-

PUBLIC UTILITIES COMMISSION—Continued

ogy plans to fund pilot classes in energy-efficient driving habits.

3. The Department of Transportation is the more appropriate agency to undertake a private transportation plan.

This portion of the plan is funded from the proposed Energy and Resources Fund instead of the Transportation Rate Fund because it would apply to non-TRF contributors. This fund does not exist under current law.

For the reasons given above, we recommend that Item 446 not be approved, for a savings of \$125,346.

Full Year Funding Not Required

We recommend the reduction of full year staffing for the Transportation Energy Efficiency Plan, which will not be adopted until December 1980, for a savings of \$141,018 to the Transportation Rate Fund (Item 445).

The budget proposes \$376,036 and 11.2 positions for administering the new Transportation Energy Efficiency Plan for the entire budget year. The plan will not be drafted until June 1980, however, and public hearings will take place during the rest of the calendar year. The PUC staff does not expect the plan to be adopted more than a few weeks before the December 31, 1980 deadline.

The total Transportation Rate Fund amount budgeted for this purpose is \$376,036. The three positions developing the plan are the only positions required for the full fiscal year. Their salaries, benefits and operating expenses, adjusted for salary savings, are approximately \$94,000. Thus, half of the remaining \$282,036, or \$141,018, is budgeted for unnecessary staff from July through December of the budget year. We recommend that salary savings be increased by \$141,018 and Item 445 be reduced by that amount.

ENERGY POLICY

The PUC has the capacity to encourage resource and energy conservation through its authority to (1) approve the financial aspects of applications to construct thermal power plants and (2) influence market forces through its rate-making policy. The 1980-81 budget reflects a decision to make greater use of these powers. Many of the commission's proposed new activities are also required as part of the National Energy Act of 1978 (NEA). Total proposed expenditures of \$1,724,727 are \$1,304,117, or 310 percent, greater than current-year reimbursements for energy programs from the California Energy Commission.

Table 5 presents the projects and positions (1) currently funded from reimbursements, and (2) proposed for 1980-81 from ERCDSA funds. Of the 27 positions the commission plans to establish, seven would formulate policy and 20 would work on specific projects.

National Energy Act of 1978

The National Energy Act of 1978 (NEA) consists of the following five parts: (1) the Public Utility Regulatory Policies Act (PURPA), (2) the National Energy Conservation Policy Act, (3) the Powerplant and Industrial Fuel Use Act, (4) the Natural Gas Policy Act, and (5) the Energy Tax Act. Because these laws affect utility company expenses, the PUC has an

Table 5
Public Utilities Commission
Special Fund Energy Program Expenditures

| <i>Program</i> | <i>Positions</i> | | <i>Amount</i> | |
|---|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | <i>Authorized 1979-80</i> | <i>Proposed 1980-81</i> | <i>Reimbursed 1979-80</i> | <i>Proposed 1980-81</i> |
| Load Management | 3 | 3 | \$124,918 | \$129,606 |
| Residential Audits | 1 | — | 55,099 | — |
| Cogeneration | 1 | 3 | 44,970 | 115,086 |
| Commercial Energy Audits | 1 | 1 | 41,900 | 44,694 |
| Marginal Cost Pricing | 1 | — | 38,873 | — |
| Streetlight Efficiency | 1 | — | 38,575 | — |
| Voltage Reduction | 1 | 1 | 38,575 | 41,012 |
| Gas Pilot Turnoff and Relight | 1 | — | 37,700 | — |
| Energy Policy | — | 7 | — | 256,437 |
| Conservation Oriented Ratemaking | — | 5 | — | 132,007 |
| Residential Conservation | — | 4 | — | 125,193 |
| Hearings Workload | — | 2 | — | 90,005 |
| Conservation Branch Workload | — | 1 | — | 40,687 |
| Subtotals | 10 | 27 | \$420,610 | \$974,727 |
| Consulting | — | — | — | 750,000 |
| Totals | 10 | 27 | \$420,610 | \$1,724,727 |
| <i>Funding</i> | | | | |
| Reimbursements by state Energy Commission from federal fund sources | | | \$420,610 | — |
| Energy Resources Conservation and Development Special Account of the General Fund | | | — | \$1,724,727 |

interest in the development and implementation of energy policy at the national level, such as federal action on natural gas pricing. They also affect the PUC directly by requiring it to pursue certain regulatory policies or to undertake specified investigations.

The NEA requires the commission to:

- Develop and implement a residential conservation service plan for investor-owned utilities. This plan must conform to certain NEA guidelines and be approved by the Secretary of Energy.
- Develop regulations requiring utilities to buy and sell power at fair rates from small energy producers (cogenerators) who convert potentially wasted heat from industrial processes into electricity.
- Consider, by November 1980 specific electric utility rate reforms. These are time-of-day pricing, seasonal rates, interruptible service rates, prohibition of decreasing rates for larger blocks of electricity, and other load management techniques. Cost of service pricing, or requiring the rate charged each class of electricity consumers to reflect the cost of providing electricity to such a class, must be considered by November 1981. PURPA specifies guidelines for public hearings on these reforms. The PUC need not adopt the rate-making standards, but it must conduct the investigations.

The NEA provided certain sanctions and remedies, but no federal funds, to insure its enforcement. It states that anyone, including the U.S. Department of Energy, may bring an action against the state to enforce compli-

PUBLIC UTILITIES COMMISSION—Continued

ance with (1) the electric-rate standard hearings and (2) cogeneration policies promulgated by the Federal Energy Regulatory Commission. The NEA also provides that, if the state does not have a residential conservation plan approved by September 5, 1980, or does not enforce it, the federal government may impose its own plan.

In general, the cost of these investigations and programs must be met by the state. The Department of Energy, however, has provided federal funds to the California Energy Commission (CEC) for research on conservation-oriented ratemaking, and the CEC used \$420,610 of the federal funds in 1979-80 to contract with the PUC for studies connected with NEA requirements.

Proposed Energy Programs

The commission proposes the following 27 positions to carry out projects to increase energy conservation.

Policy. Seven staff members would analyze how the commission can promote energy conservation and the use of alternative resources while meeting its regulatory responsibilities. The budget proposes \$256,437 for this function. Two researchers in the Revenue Requirements Division would assess the financial impact on utility companies of various tax incentives and legal requirements designed to promote these objectives. Another position would develop a reporting plan for utility research and development expenditures. Four positions in the Policy Branch would provide analysis and recommendations on proposed energy legislation. They would also study current patterns of fuel usage. The PUC would then compare the existing pattern of fuel consumption with an optimal mixture (involving more synthetic fuels), and set rates to encourage shifting from one to the other. The PUC plans to place the emphasis in this unit on innovative long-range alternatives, as opposed to the immediate applications described below.

Electric rates. The commission proposes \$132,007 and 5 positions to carry out part of the research required on electric utility rate-making standards required by PURPA. This group would address cost-of-service pricing, customer service rules, and consumer representation. If any PURPA standards are adopted, the group would implement them in future rate cases for each of the six major electric utilities regulated by the PUC.

Load Management. The commission proposes \$129,606 and three positions to investigate the other PURPA standards on which the PUC must hold hearings. In particular, the commission must consider imposing time-of-day rates, appliance (mainly air conditioner) cycling, thermostat control, and interruptible/curtailable rates to minimize peak demand and therefore capacity needs. Appliance cycling automatically shuts off a device to keep power demand below a specified level. Interruptible and curtailable rates are lower prices charged to customers who allow the utility to cut their power in order to minimize peak demand. The PUC estimates that if load management efforts result in a 1 percent reduction of total capacity, annual savings to California ratepayers would be \$2.5 million.

Cogeneration. Cogeneration uses otherwise wasted heat from industrial processes to generate electricity. In a December 1979 decision relating to the Pacific Gas and Electric Company (PG and E), the commission made clear its decision that power companies have a responsibility to promote cogeneration. PURPA allows the Federal Energy Regulatory Commission to delegate to the PUC its responsibility to regulate and set rates for cogeneration agreements in California. These agreements take the form of voluntary, private contracts between PG and E and cogenerators. The commission estimates that it will review price guideline compliance for about 100 projects per year and provide general assistance to small power producers. It also estimates that in the 1980's cogenerators capable of generating 2500 megawatts of power will be on line. In comparison, the Rancho Seco plant has a 900 MW capacity. (The PG and E decision, however, does not require a promise by the contracting cogenerator to sell a fixed amount of energy or insure availability of capacity. This reduces the ability of the utility to rely on this capacity in lieu of its own.) The commission proposes 3 positions and expenditures of \$115,086 in this area.

Residential Conservation. Pursuant to the National Energy Conservation Policy Act, the California Energy Commission is to develop and implement a residential conservation plan. The PUC is responsible for aspects of the project which involve the investor-owned electric and gas utilities. The CEC reimbursed the development phase of the plan, but the commission's budget is to fund implementation. The plan encourages installation of (a) insulation, and (b) solar, wind and other alternative energy devices. The commission proposes four positions, and expenditures of \$125,193 in this area.

National Energy Act (NEA). The commission anticipates that the recent energy legislation will complicate rate cases by requiring consideration of additional standards and guidelines. In addition, federal funds are now available to interested parties (intervenors) who wish to present evidence in rate cases. State funds have never been allocated to intervenors. The commission proposes two positions to handle the projected hearing workload. Proposed expenditures are \$90,005.

Conservation. The commission proposes 3 positions and \$126,393 for various conservation projects. One position would supervise increased workload of the conservation branch, which prepares evidence for rate cases and undertakes special projects such as a voltage reduction program and energy audits. Each of these two special projects currently has a reimbursed position which the commission proposes to fund in its budget.

The voltage reduction project is gradually reducing customer service voltage from a 126 to a 120 volt maximum. The PUC staff estimates that the program will save 2.57 billion kilowatt hours of energy in 1980. A power plant would have to burn 3,894,000 barrels of oil to produce an equivalent amount of energy, and the additional cost to consumers for the oil and production process would be \$180 million.

The energy audits position will monitor the results of the utilities' commercial, industrial and agricultural energy audit program. These audits by

PUBLIC UTILITIES COMMISSION—Continued

the utilities result in energy conservation recommendations to customers, and follow-up visits are made to estimate actual energy savings.

It is impossible to estimate the total energy savings that will result from these efforts. We anticipate that they will be cost-effective, however, in addition to being required, in part, by law. One alternative to authorizing new positions would be to divert existing resources to the energy area. This would almost certainly increase regulatory lag in processing rate applications. The other alternative would be to do none of this work and accept federally imposed regulatory plans which might not be suited to the specific problems faced by California utilities and consumers. In addition, the PUC proposes to achieve more energy savings than are required by the NEA. We recommend the 27 energy positions be approved.

Increased Consulting on Energy Issues

We recommend a reduction of \$600,000 from the Energy Resources Conservation and Development Special Account (Item 444) proposed for consulting services on energy issues.

The 1979-80 budget includes \$114,500 from the General Fund in temporary help funds to pay energy consultants. The consultants provide expert testimony in rate cases and also do a limited amount of research. The commission proposes to augment the current level of funding by \$750,000 from the Energy Resources Conservation and Development Special Account (ERCDSA) for additional consulting services to support its 1980-81 energy program. The PUC plans to procure (1) more rate case testimony, (2) advice in setting up specific conservation and alternative resource programs, and (3) market research on the potential impact of conservation-oriented rates and policies.

Commission staff state that the current level of funding is inadequate to support these activities, but are unable to supply any data to support this claim. In the past year, \$100,000 was budgeted for energy consultants, but the commission only spent \$21,095. Further, the staff can provide no specific justification for the total amount of \$864,500. Therefore, we have no basis for recommending approval of the requested increase.

Some increase in consulting funds may be needed because of PUC's expanded role in energy programs. However, the proposed increase far exceeds the increase in the cost of positions proposed for energy programs.

The budget proposes \$974,727 in 1980-81 for energy positions, which is \$554,117 or 132 percent more than current-year reimbursements for similar positions. The increase in consultant funding, however, would be \$750,000 or 555 percent over 1979-80 General Fund support.

If the proposed increase is limited to the same percentage growth in other energy programs, only \$150,000 would be required. We recommend that the additional funds proposed be eliminated, for a savings of \$600,000 to the Energy Resources Conservation and Development Special Account.

COMMISSION ON THE STATUS OF WOMEN

Item 447 from the General
Fund

Budget p. GG 121

| | |
|---|-----------|
| Requested 1980-81 | \$303,805 |
| Estimated 1979-80 | 278,517 |
| Actual 1978-79 | 242,405 |
| Requested increase (excluding amount for salary increases) \$25,288 (+9.1 percent) | |
| Total recommended reduction | \$1,500 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Family Law Handbook. Reduce by \$1,500.* Recommend 1404
deletion of state subsidy and the recovery of total produc-
tion costs through sales of the handbook.

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 Labor Standards Enforcement), one public member and three members of the Assembly appointed by the Speaker, 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's program focuses on legislation, education, employment and counseling. It includes the following activities:

- (1) Examination of all bills in the Legislature which affect women's rights.
- (2) Maintenance of an information center on the current needs of women.
- (3) Consultation to organizations working to assist women.
- (4) Study of women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$303,805 from the General Fund for support of the commission in 1980-81, which is \$25,288, or 9.1 percent, more than the estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 presents the proposed budget changes including: (1) the elimination of the salary savings requirement, (2) salary adjustments, and (3) two one-time projects—a family law handbook and a needs assessment.

In the past the commission has administered a number of grant projects, including a study on California women agricultural workers, and a training project to increase the number of women in state civil service middle

COMMISSION ON THE STATUS OF WOMEN—Continued

management positions. The last grant project was terminated in 1978–79. No outside grant support is anticipated in the current or the budget year.

Table 1
Commission on Status of Women
Proposed 1980–81 General Fund Budget Changes

| | <i>Cost</i> | <i>Total</i> |
|---|-------------|--------------|
| 1979–80 Current Year Revised | | \$278,517 |
| 1. Workload Changes | | |
| a. Salary adjustments | \$5,446 | |
| b. Reclassifications | 3,334 | |
| Subtotal, Workload Changes | | 8,780 |
| 2. Cost Changes | | 7,864 |
| 3. Program Change Proposals | | |
| a. Needs assessment | 3,550 | |
| b. Family law publication | 1,500 | |
| c. Staff services analyst | 16,980 | |
| d. Elimination-fiscal and personnel service | -19,226 | |
| e. Elimination-salary savings requirement | 5,840 | |
| Subtotal, Program Change Proposals | | 8,644 |
| Total, Proposed Budget Changes | | (25,288) |
| 1980–81 Proposed Expenditures | | \$303,805 |

New Position*We recommend approval.*

The budget proposes the addition of one new position, a staff services analyst. If state employees are granted salary increases averaging nine percent, the cost of this position in the budget year would be \$18,516. This item includes \$16,980 of that amount. The new position would perform fiscal and personnel duties that are currently provided by the Department of General Services under contract. The cost of these services in 1980–81 is anticipated at \$19,226.

The change from contract services to in-house staff will result in minor savings. The commission contends that additional indirect cost savings will result because existing staff time is needed to coordinate work with General Services. If in-house staff is used to perform these functions, this coordination will not be necessary and existing staff can be released for other activities. Moreover, the requested staff will result in the completion of work in a more timely and effective manner.

We recommend that funding for the new position be approved.

Family Law Handbook

We recommend that the cost of producing the handbook be fully recovered through sales, for a General Fund savings of \$1,500.

The commission proposes to produce a family law handbook at a cost of \$4,500. The handbook will include information on California law concerning child custody, spousal and child support, and probate. A publication of this type for the general public does not exist. The Governor's Budget proposes a General Fund allocation of \$1,500 to subsidize consultant costs. The remaining \$3,000 is to be recovered through sales.

Our analysis indicates no need for a General Fund subsidy to this

project. Accordingly, we recommend that the commission recover all handbook expenses through sales to the public, permitting a reduction in Item 447 of \$1,500.

Needs Assessment

We recommend approval.

The commission conducted its last California women's needs assessment in 1974. The commission states that an updated survey will allow it to better articulate the needs of women in the 1980's as well as to provide an information resource for other state policy makers. We recommend approval of \$3,550 for printing, distribution and analysis of the questionnaire.

NATIVE AMERICAN HERITAGE COMMISSION

Item 448 from the General
Fund

Budget p. GG 123

| | |
|--|-----------|
| Requested 1980-81 | \$193,859 |
| Estimated 1979-80..... | 173,093 |
| Actual 1978-79 | 160,330 |
| Requested increase (excluding amount for salary increases) \$20,766 (+12 percent) | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission was established on January 1, 1977, by Chapter 1332, Statutes of 1976. Commission members are appointed by the Governor and serve without compensation but are reimbursed for actual and necessary expenses. The commission's responsibilities and powers are directed toward the identification, cataloging and preservation of places of special religious or social significance to Native Americans in order to ensure the free expression of Native American religion. Staff for the commission include an executive secretary, a resource coordinator, a two-year limited-term archaeological specialist (expires June 30, 1980), one clerical position and temporary help on a half-time basis.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$193,859 from the General Fund for support of the commission in 1980-81, which is an increase of \$20,776, or 12 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase reflects (1) rising operation expenses and (2) the cost of upgrading the Archaeologist I position which the commission proposes to extend for two years. The Archaeologist I would be upgraded to an Archaeological Specialist position. A review of the activities of the position and the anticipated workload indicate the

NATIVE AMERICAN HERITAGE COMMISSION—Continued

position is justified, therefore we recommend approval.

Related Native American Activities

The Supplemental Report of the 1979 Budget Act requires our office to review the activities of those state agencies offering exclusive service to the Native American community, and comment on organizational structure and possible duplication of service.

In addition to the Native American Heritage Commission, we have identified two programs in the Department of Parks and Recreation whose activities are exclusively related to the heritage of Native Americans and preservation of cultural sites. The programs and their respective 1980-81 proposed budgets are (1) the Native American Advisory Council (\$7,145), and (2) Office of the American Indian Coordinator within the Office of Historic Preservation (\$26,465).

Our analysis of these programs indicates that, although each works to preserve the heritage of Native Americans, their areas of responsibility differ. The commission works with local, state and federal agencies regarding the protection of (and access to) religious, ceremonial and sacred sites in California. The advisory council provides information to the Department of Parks and Recreation on issues of concern to Native Americans in the area of park acquisition and interpretation, and the employment of Native Americans at park facilities. The advisory council meets approximately six times per year and is provided no direct staff support. The coordinator is responsible for promoting Native American values in connection with the implementation of the federal National Historical Preservation Act and the California Environmental Quality Act. In addition, the coordinator interacts with private, local, state and federal agencies which are required to comply with the federal act as a condition for receiving federal funds.

Based on our review, we conclude that there is coordination among the three programs, no duplication of activities exists and the present arrangement is satisfactory.

MOTION PICTURE COUNCIL

Item 449 from Reimbursements

Budget p. GG 125

| | |
|---|-----------|
| Requested 1980-81 | \$255,480 |
| Estimated 1979-80 | 204,578 |
| Actual 1978-79 | 127,891 |
| Requested increase (excluding amount for salary increases) \$50,902 (+24.9 percent) | |
| Total recommended reduction | \$35,000 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|----------------|---------|-----------|
| 449 | Support | General | — |
| — | Reimbursements | — | \$255,480 |
| | Total | | \$255,480 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Data Processing. Reduce Reimbursements by \$35,000.*
Recommend deleting funds for data processing.

1408

GENERAL PROGRAM STATEMENT

The Motion Picture Council (MPC) was created by Chapter 1226, Statutes of 1974, to serve as an advisory body to the Division of Economic Development in the former Department of Commerce.

The council consists of 14 members, of which 10 are public members with specific qualifications and four are members of the Legislature, two appointed by the Senate Rules Committee and two appointed by the Speaker of the Assembly. The council's functions include: (1) preparing and distributing materials promoting the production of motion picture films within California, (2) assisting film companies secure locations and related permits, (3) establishing fees and granting permits for the use of state-owned property in making commercial motion pictures, (4) coordinating the activities of any city or county groups performing similar functions and (5) accepting federal funds, and other private or public funds for authorized activities.

A staff of 5.2 (2 professional, 2 clerical, and 1.2 temporary help) positions is presently budgeted for administering the council's functions.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes \$255,480 from reimbursements for support of the Motion Picture Council in 1980-81. This is \$50,902, or 24.9 percent, more than total estimated expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 compares estimated expenditures, funding sources and personnel-years for the current and budget years. The table shows that, beginning in the budget year, the council will be supported entirely by

MOTION PICTURE COUNCIL—Continued

reimbursements. The reimbursements are in the form of fees which film companies pay for making motion pictures on state-owned property.

The table also indicates a staff increase of 0.8 positions. This net increase consists of (1) one additional professional position requested for administrative support and (2) the proposed conversion of 1.2 temporary help positions to one permanent clerical position. Our analysis indicates that the proposed staff changes are warranted in order for the council's staff to carry out its administrative responsibilities.

Table 1
Motion Picture Council
Budget Summary

| Category | Estimated 1979-80 | Proposed 1980-81 | Change | |
|-----------------------------|-----------------------|---------------------|-----------|---------|
| | | | Amount | Percent |
| Personal services | \$103,913 | \$136,348 | \$32,435 | 31.2% |
| General expense | 65,291 | 53,327 | -11,964 | -18.3 |
| Printing | 4,960 | 2,560 | -2,400 | -48.4 |
| Communications | 12,051 | 11,091 | -960 | -8.0 |
| Travel (in-state) | 9,038 | 7,854 | -1,184 | -13.1 |
| Travel (out-of-state) | 600 | 600 | — | — |
| Facilities operations | 8,500 | 8,500 | — | — |
| Data processing | — | 35,000 | 35,000 | N/A |
| Equipment | 225 | 200 | -25 | -11.1 |
| Totals | \$204,578 | \$255,480 | \$50,902 | 24.9% |
| General Fund | \$40,015 ^a | — | \$-40,015 | -100.0 |
| Reimbursements (fees) | 164,563 | \$255,480 | 90,917 | 55.2 |
| Personnel-years | 5.2 | 6.0 | 0.8 | 15.4 |

^a Consists of (1) \$40,000 appropriated to the Department of Economic and Business Development budgeted for transfer to the council as a reimbursement and (2) \$15 remaining from a \$446,640 General Fund appropriation to the council by Chapter 315, Statutes of 1977 for support of the council's operations.

Data Processing Requirements Not Justified

We recommend deletion of \$35,000 requested for data processing (reduce reimbursements).

The budget contains \$35,000 for implementing a computer system to enable the council's staff to provide site location information to film companies in a more responsive manner. However, the council's staff was unable to:

1. Describe the specific information requirements the computer system is intended to satisfy.
2. Explain how the \$35,000 was derived or how it would be applied.

Funds should not be approved for this purpose until the council has (1) determined its specific information requirements and (2) considered alternative systems (including improved manual methods) in order to satisfy these requirements in the most cost-effective manner. On this basis, we recommend that reimbursements be reduced by \$35,000.

CALIFORNIA HORSE RACING BOARDItem 450 from the Fair and Ex-
position Fund

Budget p. GG 127

| | |
|---|-------------|
| Requested 1980-81 | \$1,100,316 |
| Estimated 1979-80..... | 1,048,128 |
| Actual 1978-79 | 834,725 |
| Requested increase (excluding amount for salary increases) \$52,188 (+5.0 percent) | |
| Total recommended reduction | \$35,150 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Operating Expenses and Equipment. Reduce by \$15,150.* 1410
Recommend a reduction in per diem, in-state travel and related administrative expenses.
2. *Salary Savings. Reduce by \$20,000.* Recommend salary sav- 1410
ings amount be included in budget.
3. *Official Veterinarians and Official Horse Identifiers.* Rec- 1411
ommend the Legislature direct the State Personnel Board to identify the civil service status of these positions.

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where pari-mutuel wagering is allowed. The board consists of five members appointed by the Governor. The board has a staff of 47.2 authorized personnel-years in the current year. The board is responsible for promoting horseracing, regulating wagering, and maximizing the horseracing revenues collected by the state. The board's activities consist of (1) licensing all participants in horseracing, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations and laws under which racing is conducted, and (4) collecting the state's horseracing revenues.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes an appropriation of \$1,100,316 from the Fair and Exposition Fund for support of the Horse Racing Board in 1980-81, an increase of \$52,188, or 5.0 percent, over the current year budget. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget provides for additional expenses resulting from the addition of 89 days of fair racing in the budget year. The budget proposes total program expenditures of \$2,650,316 which would be funded by \$1,100,316 from the Fair and Exposition Fund, \$770,000 in reimbursements for Steward's expenses and \$780,000 statutorially appropriated for the Standard Sires Stakes program. Table 1 summarizes the board's expenditures by program element.

CALIFORNIA HORSE RACING BOARD—Continued

Table 1
California Horse Racing Board
Summary of Program Expenditures

| | <i>Personnel-Years</i> | | | <i>Expenditures</i> | | |
|---------------------------------------|------------------------|----------------|----------------|---------------------|----------------|----------------|
| | <i>1978-79</i> | <i>1979-80</i> | <i>1980-81</i> | <i>1978-79</i> | <i>1979-80</i> | <i>1980-81</i> |
| Licensing..... | 9.5 | 11.2 | 11.2 | \$153,832 | \$215,925 | \$229,500 |
| Enforcement | 10 | 13 | 13 | 419,241 | 505,743 | 538,266 |
| State steward | 13 | 13 | 13 | 745,500 | 750,000 | 770,000 |
| Standardbred sires stakes | 1 | 1 | 1 | 295,049 | 641,603 | 780,000 |
| Administration..... | 6.3 | 9 | 9 | 261,652 | 326,460 | 332,550 |
| Subtotals | 39.8 | 47.2 | 47.2 | \$1,875,274 | \$2,439,731 | \$2,650,316 |
| Less: Reimbursements..... | — | — | — | —745,500 | —750,000 | —770,000 |
| Totals | 39.8 | 47.2 | 47.2 | \$1,129,774 | \$1,689,731 | \$1,880,316 |
| <i>California Standardbred Stakes</i> | | | | | | |
| <i>Fund Account—General</i> | | | | | | |
| <i>Fund.....</i> | — | — | — | \$295,049 | \$641,603 | \$780,000 |
| <i>Fair and Exposition Fund.....</i> | — | — | — | 834,725 | 1,048,128 | 1,100,316 |

Operating Expenses and Equipment

We recommend deletion of excess amounts budgeted for operating expenses and equipment, for a General Fund savings of \$15,150.

The budget proposes \$366,973 for operating expenses and equipment in 1980-81, which is \$52,150 or 16.6 percent, above the estimated current year expenditure. Of this amount, \$30,150 is proposed for increases in per diem, instate travel, equipment and related administrative expenses generated by a planned 89-day expansion of the fair racing circuit. The board's planning estimate, however, does not recognize that, due to the cancellation of a scheduled Sacramento meeting, there will also be a reduction of 62 days in quarter horse racing. Thus, as shown in Table 2, there will be a net increase of only 25 days in the budget year. Our analysis indicates that an increase of \$15,000, in operating expenses for the additional racing days is justified, and accordingly we recommend deletion of \$15,150 from the board's request.

Table 2
California Horse Racing Board
Workload and Output Indicators

| | <i>Actual</i> <i>1976-77</i> | <i>Actual</i> <i>1977-78</i> | <i>Actual</i> <i>1978-79</i> | <i>Estimated</i> <i>1979-80</i> | <i>Estimated</i> <i>1980-81</i> |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|
| Nights of racing..... | 420 | 411 | 477 | 455 | 455 |
| Days of racing | 513 | 524 | 526 | 553 | 578 |
| Totals | 933 | 935 | 1,003 | 1,008 | 1,033 |
| Meets (calendar-year basis) | 23 | 25 | 26 | 31 | 34 |
| Licenses issued | 19,563 | 22,073 | 23,909 | 25,200 | 10,680 |

Salary Savings Not Budgeted

We recommend that salary savings be included in the board's budget, for a reduction of \$20,000.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate, and that all positions will not be filled for a full 12 months. Experience shows that savings will accrue due to the

following factors: vacant position, leaves of absences, delays in filling new position, and the filling of positions at the minimum step of the salary range. Therefore, to prevent over-budgeting, an estimate of salary saving as a percentage reduction in the gross salary and wage amount is included in each budget.

Actual experience has shown that the board has realized some salary saving in recent years, for example, although the board estimated that there would be no salary savings in the 1978-79 fiscal year, it finished the year with an unexpended balance in its personnel services account of \$35,638. The board is predicting an estimated salary savings in the current year of approximately \$20,000, but has not reduced the personal services category in the budget to reflect those savings. Our analysis indicates that \$20,000 is a conservative estimate of the savings which should accrue for existing position, thus, we recommend a deletion in the personnel services account of this amount.

Official Veterinarians and Official Horse Identifiers

We recommend that the Legislature direct the State Personnel Board to identify the correct civil service status of the official veterinarians and the official horse identifiers. The official veterinarians and horse identifiers are appointed by the CHRB to perform prescribed duties for the board at the various race meetings. The positions are appointed by and directly responsible to a state agency, but are exempt from civil service requirements and are compensated by the various racing associations. According to Article VII, Section 1 of the State Constitution, civil service encompasses every officer and employee of the state not expressly exempted by the Constitution. Because neither of these two positions are clearly exempted by the Constitution, it would appear that their current exempt status may be unconstitutional.

To resolve this issue, we recommend that the Legislature direct the State Personnel Board to review the two positions, determine their correct civil service status and recommend any necessary changes to the Legislature.

BOARD OF OSTEOPATHIC EXAMINERS

Item 451 from the Contingent

Fund of the Board of

Osteopathic Examiners

Budget p. CG 130

| | |
|---|-----------|
| Requested 1980-81 | \$237,543 |
| Estimated 1979-80..... | 220,660 |
| Actual 1978-79 | 186,111 |
| Requested increase (excluding amount for salary increases) \$16,883 (+7.7 percent) | |
| Total recommended reduction | \$42,923 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Pro Rata Charges. Reduce Item 451 by \$33,688. Recommend reduction in Operating Expenses and Equipment due to overbudgeting of pro rata charges.* 1412
2. *Nonreimbursed Parking Fees. Increase reimbursements by \$240 to offset cost of parking stall.* 1413
3. *Word Processing Equipment. Reduce Item 451 by \$9,235. Recommend reduction because of a less costly alternative to purchasing word processing equipment (which is overbudgeted).* 1413

GENERAL PROGRAM STATEMENT

The five-member Board of Osteopathic Examiners was established by initiative in 1922 for the purpose of regulating the practice of osteopathy. The board licenses osteopaths through an examination process and takes appropriate disciplinary action for violations of laws, rules or regulations. The board's office is in Sacramento and is staffed by one executive secretary, two clerical positions, and a part-time legal counsel. Support services are provided by the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$237,543 from the Contingent Fund of the Board of Osteopathic Examiners for support of the board in 1980-81, which is an increase of \$16,883, or 7.7 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The proposed increase includes \$6,176 as the first year's payment toward the purchase of a word processor, and \$1,259 for increased charges for fiscal services from the Department of General Services. The remainder of the increase reflects rising operating expenses and pro rata charges.

Reduced Pro Rata Charge

We recommend a reduction of \$33,688 due to overbudgeting of pro rata charges.

The Governor's Budget proposes \$37,865 for pro rata charges. The Department of Finance, however, indicates that this amount has now been

adjusted to \$4,177. The adjustment reflects a decrease in the number of hours of service (from 198 to 85) provided by the Department of Finance to the board. Therefore, we recommend a reduction of \$33,688.

No Parking Fee Charged

We recommend eliminating support for employee parking, for an increase of \$240 in reimbursements to the Contingent Fund of the Board of Osteopathic Examiners.

The Osteopathic Board's rental lease includes one parking stall at \$20.00 per month (\$240 per year), for which no parking fee is charged to offset the cost. This stall is used by the executive secretary. The Government Code, however, provides that state officers and employees shall be charged for parking in state-owned or controlled property in such amounts as may be deemed appropriate. Therefore, we recommend that fees be collected from the executive secretary to offset parking costs, resulting in an increase of \$240 in reimbursements to the Contingent Fund of the Board of Osteopathic Examiners.

Word Processing Equipment Not Justified

We recommend a reduction of \$9,235 to eliminate funding for purchase of word processing equipment (which is overbudgeted).

The Osteopathic Board's data-processing service is currently provided under contract with the Department of Consumer Affairs, which maintains an automated file containing board licensee information. The annual cost of this service has been approximately \$2,000. The board, however, indicates that the present arrangement with Consumer Affairs is unsatisfactory, and that a substantial increase in annual operating costs is anticipated. On this basis, the board has requested \$6,176 for the down payment on the purchase of a word processing system. The Osteopathic Board proposes purchase of the system over a five-year time period, and indicates that the system would be in lieu of the current contractual arrangement for data processing service.

Our review of the material submitted in support of this request indicates that a less costly and equally satisfactory alternative exists. This alternative is to access the automated files maintained by Consumer Affairs through a video terminal. According to an August 1979 memorandum from Consumer Affairs to the board, this capability could be provided for \$2,601 per year, including equipment and data processing costs, and would resolve the processing problems cited by the board. This action would also be consistent with the approach taken by other boards and bureaus in the department.

The Governor's Budget includes a total of \$11,836 for word processing equipment. This is \$5,660 more than the \$6,176 requested by the board. Our review indicates that the proposed budget includes funding for the proposed word processor in both the (1) General Expense and (2) Equipment categories. We recommend that funds to purchase a word processing system be denied (\$6,176), and the excess funding request (\$5,660) be eliminated. We further recommend that the board implement the video terminal system at a cost of \$2,601. These adjustments result in a net recommended reduction of \$9,235.

BOARD OF CHIROPRACTIC EXAMINERS

Item 452 from the Board of
Chiropractic Examiners' Fund

Budget p. GG 132

| | |
|---|-----------|
| Requested 1980-81 | \$367,756 |
| Estimated 1979-80..... | 351,445 |
| Actual 1978-79 | 282,751 |
| Requested increase (excluding amount for salary increases) \$16,311 (+4.6 percent) | |
| Total recommended reduction | \$15,880 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Word Processing Equipment. Reduce Item 452 by \$14,880.* Recommend reduction because of a less costly alternative to purchasing word processing equipment. 1415
2. *Facilities Rent. Reduce Item 452 by \$1,000.* Recommend reduction due to overbudgeting of facility rental charges. 1415
3. *Nonreimbursed Parking Fees. Increase reimbursements by \$240 to offset cost of parking stall.* 1415

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners, established by initiative in 1922, is responsible for protecting the users of chiropractic services by assuring adequate training and minimum performance standards for chiropractors practicing in California. The board seeks to accomplish its goals through licensing, continuing education, and enforcement of the Chiropractic Act.

The board is an independent agency directly supervised by the Governor's Office. Its staff consists of one executive secretary, three clerical positions and part-time temporary help. Data processing and investigative services are provided by the Department of Consumer Affairs under contract. All other support services are provided by the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$367,756 from the Board of Chiropractic Examiners' Fund for support of the board in 1980-81, which is \$16,311, or 4.6 percent above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase of \$16,311 includes \$15,905 to purchase word processing equipment.

In the current year, the board is proposing to hire its own investigator and discontinue its contractual arrangement for investigative services provided by the Department of Consumer Affairs. This new arrangement would be continued into the budget year. The board estimates that savings of \$6,204 in the current year and \$12,408 in the budget year will be realized as a result of this change.

Word Processing Equipment Not Justified

We recommend a reduction of \$14,880 to eliminate funding for purchasing word processing equipment

The Chiropractic Board's data-processing service is currently provided under contract with the Department of Consumer Affairs, which maintains an automated file containing board licensee information. The annual cost of this service is approximately \$2,000. The board, however, indicates that the present arrangement with Consumer Affairs is unsatisfactory, and that a substantial increase in annual operating costs is anticipated. On this basis, the budget proposes \$15,905 for the Chiropractic Board to purchase a word processing system during the budget year. This system would be in lieu of the present contractual arrangement.

Our review of the material submitted in support of this request indicates that a less costly and equally satisfactory alternative exists. This alternative is to access the automated files maintained by Consumer Affairs through a video terminal. According to an August 1979 memorandum from Consumer Affairs to the board, this capability could be provided for \$3,521 per year, including equipment and data processing costs, and would resolve the processing problems cited by the board. This action would also be consistent with the approach taken by other boards and bureaus within the Department of Consumer Affairs.

In addition to \$15,905 for a word processor, the budget includes \$2,496 to maintain data processing services with the Department of Consumer Affairs. The board advised our office that the \$2,496 was maintained in the 1980-81 budget as "insurance" in the event that the requested word processor was not operative in time for the November 1, 1980 license renewal of chiropractors. Therefore, the budget includes a total of \$18,401 (\$15,905 and \$2,496) for data processing services during the budget year.

We recommend that the board implement the less costly and equally satisfactory video terminal solution, at a cost of \$3,521. This will result in a savings of \$14,880 for data processing services.

Overbudgeted Facility Rent

We recommend a reduction of \$1,000 to correct overbudgeting of facilities operation (rent).

The Board of Chiropractic Examiners occupies leased private office space. On July 1, 1979, the board negotiated a five-year lease for its office space at the rate of \$570 per month (\$6,840 per year). This monthly rate will remain fixed through June 30, 1984. The Governor's Budget, however, includes \$7,840 for the annual cost of rent, \$1,000 more than necessary. Therefore, we recommend a reduction of \$1,000.

No Parking Fee Charged

We recommend eliminating support for employee parking, for an increase of \$240 in reimbursements to the Board of Chiropractic Examiners' Fund.

The Chiropractic Board's lease includes one parking stall at \$20.00 per month (\$240 per year), for which no parking fee is charged to offset the cost. This stall is used by the executive secretary. The Government Code, however, provides that state officers and employees shall be charged for

BOARD OF CHIROPRACTIC EXAMINERS—Continued

parking in state-owned or controlled property in such amounts as may be deemed appropriate. Therefore, we recommend that fees be collected from the executive secretary to offset parking costs resulting in an increase of \$240 in reimbursements to the Board of Chiropractic Examiners' Fund.

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

Item 453 from the Board of
Pilot Commissioners' Special
Fund

Budget p. GG134

| | |
|--|----------|
| Requested 1980-81 | \$61,251 |
| Estimated 1979-80..... | 59,163 |
| Actual 1978-79 | 36,274 |
| Requested increase (excluding amount for salary increases) \$2,088 (+3.5 percent) | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for certifying the qualifications of pilots for vessels entering or leaving those bays. The three-member board is appointed by the Governor, and licenses, regulates and disciplines pilots through such activities as examinations and complaint handling. 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 Commissioners' Special Fund. Revenue for this fund is derived from a percentage assessment on pilot fees, which are collected directly by the pilots from the ships they serve. The law provides that a maximum assessment of 5 percent of pilotage fees be paid into the fund. The current assessment is 1 percent.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board proposes to expend \$61,251 in 1980-81, which is \$2,088, or 3.5 percent, above current year expenditure estimates. This increase results from anticipated rising operating expenses.

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE

Item 454 from the General
Fund

Budget p. GG 136

| | |
|--|----------|
| Requested 1980-81 | \$51,994 |
| Estimated 1979-80..... | 50,721 |
| Actual 1978-79 | 42,516 |
| Requested increase (excluding amount for salary increases) \$1,273 (+2.5 percent) | |
| Total recommended reduction | None |

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 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 budget proposes an appropriation of \$51,994 from the General Fund to support the committee's activities in 1980-81, which is an increase of \$1,273, or 2.5 percent over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The budget will provide for the continuation of one committee consultant and associated operating expenses.

During the current year, one committee hearing has been held to review data processing in the Health and Welfare Agency. The committee plans to receive testimony during the remainder of the year regarding several state electronic data processing activities, including Medi-Cal claims processing, data communications, and automation in the California State University and Colleges system.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Items 455-456 from the Peace
Officers' Training Fund

Budget p. CG 137

| | |
|--|--------------|
| Requested 1980-81 | \$15,612,821 |
| Estimated 1979-80..... | 14,764,189 |
| Actual 1978-79 | 13,282,254 |
| Requested increase (excluding amount for salary increases) \$848,632 (+5.8 percent) | |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|--|--------------------------|--------------|
| 455 | Commission on Peace Officer Standards and Training (support) | Peace Officers' Training | \$2,825,825 |
| 456 | Assistance to Cities and Counties for Peace Officer Training Support | Peace Officers' Training | 12,553,614 |
| | | Reimbursements | 233,382 |
| | Total | | \$15,612,821 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. California Specialized Training Institute. Recommend the Commission of Peace Officers' Standards and Training evaluate the Institute in relation to overall training needs of law enforcement. 1421

GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is a 10-member body appointed by the Governor with the Attorney General serving as an ex-officio member. The commission is responsible for raising the level of professional competence of city, county and special-district peace officers by establishing minimum recruitment and training standards and by providing management counseling services to local law enforcement agencies.

Through a local assistance program, the commission reimburses agencies for costs incurred as a consequence of participating in the training courses. Such reimbursements may include per diem expenses, travel, and extra salary costs for overtime or replacement personnel to fill in for employees attending courses.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of \$15,612,821 from the Peace Officers' Training Fund for support of the POST Commission in 1980-81, an increase of \$848,632, or 5.8 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

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 from 25 percent of the penalty assessment of \$5 for each \$20 (or fraction thereof) of *traffic* fines levied by municipal and justice courts. The remaining 75 percent of the penalty assessment on traffic fines is deposited in the Driver Training Penalty Assessment Fund. Table 1 shows commission revenues from all sources.

Table 1
Peace Officers' Training Fund Revenues

| | <i>Penalties on</i> | | <i>Other Income^a</i> | <i>Total</i> |
|---------------------------|---------------------------|---------------------------|-------------------------------------|--------------|
| | <i>Criminal Fines</i> | <i>Traffic- Fines</i> | | |
| 1976-77..... | \$3,780,521 | \$8,018,736 | \$308,058 | \$12,107,315 |
| 1977-78..... | 3,983,816 | 8,947,593 | 436,931 | 13,368,340 |
| 1978-79..... | 4,184,848 | 9,507,005 | 527,875 | 14,219,728 |
| 1979-80 (Estimated) | 4,120,189 | 9,360,093 | 519,718 | 14,000,000 |
| 1980-81 (Estimated) | 4,120,189 | 9,360,093 | 519,718 | 14,000,000 |

^a Earnings from Surplus Money Investment Fund and miscellaneous income.

The total funding requirements for the commission are shown in Table 2. Allocations to local governments are budgeted at \$12,553,614 in 1980-81, an increase of \$901,222 (7.7 percent). Staff and related costs are proposed to be \$3,059,207, including reimbursements, in 1980-81. This is \$52,590, or 1.7 percent, less than current-year expenditures. The decline is attributable to reduced reimbursements from a grant-funded program, as discussed below.

Table 2
Commission on Peace Officer Standards and Training
Budget Summary

| <i>Funding</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| Peace Officers' Training Fund | \$14,398,653 | \$15,379,439 | \$980,786 | 6.8% |
| Reimbursements | 365,536 | 233,382 | -132,154 | -36.2 |
| Totals | \$14,764,189 | \$15,612,821 | \$848,632 | 5.8% |
| <i>Programs</i> | | | | |
| Operations | \$1,289,645 | \$1,323,958 | \$34,313 | 2.7% |
| Administration | 1,822,152 | 1,735,249 | -86,903 | -4.8 |
| Assistance to Cities and Counties | 11,652,392 | 12,553,614 | 901,222 | 7.7 |
| Totals | \$14,764,189 | \$15,612,821 | \$848,632 | 5.8% |
| Personnel-years | 77.5 | 76.5 | -1.0 | -1.3 |

1. Operations Division

This program consists of the following elements:

- a. *Standards and Training.* This unit establishes the basic criteria for commission certification of police training courses at police academies, community colleges, state colleges, universities and other institutions. It gives advice and assistance to instructors in the preparation of courses and training programs, and conducts periodic field inspections to monitor instructional standards. Failure to meet established

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

standards can lead to course decertification, thereby making costs incurred by participating law enforcement agencies in connection with the course not eligible for reimbursement.

- b. *Management Services.* This program element provides, on a request basis, counseling to local law enforcement agencies relative to resolving specific administrative or operational problems. It also conducts inspections of local law enforcement agencies receiving POST reimbursements to ascertain their compliance with POST standards for the selection and training of personnel. Counseling services are provided to improve selection and training procedures.

Table 2 shows total expenditures of \$1,323,958 for this program in the budget year. This is an increase of \$34,313, or 2.7 percent, over current year estimated expenditures of \$1,289,645.

2. Administration

This program executes commission policies and assures the organization's compliance with state regulations through its two elements: Executive and Support Services (which provides overall administrative support) and the Center for Police Management (which provides research assistance to the commission and to local law enforcement).

The 1980-81 total expenditure authorization requested for this program is \$1,735,249, which is \$86,903 below current-year estimated expenditures (4.8 percent). The decrease reflects a reduction in federal grant funds of \$132,154, partly offset by merit salary and staff benefit adjustments and price increases.

Proposed Research and Evaluation Bureau

During 1978-79, the commission received a \$252,693 federal grant to develop job-related employee selection standards for police agencies. Nine positions were established administratively to carry out this function. Seven of the positions were again established administratively in 1979-80 to continue this project with a \$365,536 federal grant. For 1980-81, the commission proposes to continue six of these positions to establish permanently a Research and Evaluation Bureau. Budget-year costs will be funded by a \$233,382 grant.

The bureau will provide research assistance to local law enforcement relative to employee selection and testing in order to reduce the potential for court challenges to such procedures. In addition, the research program will provide a more scientific basis for evaluating training programs than current procedures, which are based on the subjective judgments of the evaluators.

Our analysis indicates that the bureau has the potential to reduce local governments' costs by reducing litigation expenses related to employee selection. It also suggests that training programs could be improved through more rigorous evaluations, allowing state and local funds to be used more effectively. For these reasons, we believe funding for the bureau is justified.

Need for Evaluation of the California Specialized Training Institute

We recommend that the Commission on Peace Officer Standards and Training (POST) evaluate the need to continue the California Specialized Training Institute and report thereon to the Joint Legislative Budget Committee by December 1, 1980.

As discussed in our analysis of the Military Department's budget item, the California Specialized Training Institute (CSTI) was established by executive order in 1971. Originally, the program was entirely funded by grants from the Office of Criminal Justice Planning. In recent years, these grants have provided approximately two-thirds of the CSTI's funding, and the remaining one-third has come from the Peace Officer Training Fund. In 1979-80, the commission will provide \$363,443 to CSTI.

For 1980-81, the Governor's Budget proposes a budget for CSTI of \$1,081,928. Support would come from (1) the Peace Officers' Training Fund and (2) tuition charges. There is no statutory authority for charging tuition, nor any assurances that tuition will be sufficient to sustain the program at the budgeted level.

Because CSTI lacks specific legislative authority, funding for the budget year is uncertain, and there is a possibility that CSTI is duplicating other training provided by state and local agencies, we recommend that POST evaluate CSTI in relation to overall law enforcement training needs and report thereon to the Joint Legislative Budget Committee by December 1, 1980.

3. Assistance to Cities and Counties

This program provides qualifying local governments with partial reimbursement of training costs from the Peace Officers' Training Fund. Total reimbursements for training costs are projected at \$12,553,614 in the budget year, an increase of \$901,222, or 7.7 percent, over estimated current-year reimbursements. The increase in reimbursements results from anticipated increases in salary, travel, and other training costs.

Peace Officers' Training Fund

The unused balance in the Peace Officers' Training Fund is expected to decline by 56.2 percent during the budget year. The fund, which supports the operations of the commission, will have an estimated balance of \$2,453,911 at the start of the budget year. Projected revenues of \$14,000,000 will be more than offset by anticipated expenditures of \$15,379,439, leaving a balance of \$1,074,472 on June 30, 1981. The \$14,000,000 revenue estimated for the budget year is the same amount that is estimated for the current year and \$219,728 less than was collected in 1978-79. Unless fund revenues increase at a higher rate than has been experienced in recent years, either expenditures from the fund will have to be curtailed possibly beginning in 1981-82, or new revenue sources for POST will have to be found.

OFFICE OF CRIMINAL JUSTICE PLANNING

Items 457-459 and 462 from the General Fund, Items 460 and 463 from the Indemnity Fund, and Items 461 and 464 from federal funds.

Budget p. GG 141

| | |
|--|-------------------------|
| Requested 1980-81 | \$46,919,061 |
| Estimated 1979-80 | 56,890,278 ^a |
| Actual 1978-79 | 52,567,996 |
| Requested decrease (excluding amount for salary increases) \$9,971,217 (-17.5 percent) | |
| Total recommended reduction | \$1,664,180 |
| ^a Includes prior year balances available for expenditure in 1979-80. | |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|--|-----------|--------------|
| 457 | Office of Criminal Justice Planning—Support | General | \$1,576,285 |
| — | Support | Federal | 1,280,600 |
| 458 | State Operations—Cash match | General | 50,000 |
| 459 | State Operations—Deobligated block grant match | General | 100,000 |
| 460 | State Operations—Support | Indemnity | 35,000 |
| 461 | State Operations—Federal share | Federal | 9,481,395 |
| 462 | Local Assistance—Various programs | General | 3,450,000 |
| 463 | Local Assistance—Victim witness centers | Indemnity | 3,000,000 |
| 464 | Local Assistance—Federal share | Federal | 27,945,781 |
| | Total | | \$46,919,061 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Increase Federal Participation. Reduce Item 462 by \$1,600,000.* Recommend reduction of \$1,600,000 for the Career Criminal Prosecution Program. Further recommend control language to make remaining state support available only if federal matching funds are provided. 1427
2. *Drug Abuse Positions. Reduce Item 457 by \$64,180.* Recommend deletion of \$64,180 for staff to the Advisory Council on Drug Abuse to comply with legislation requiring the program to be federally funded. 1428

GENERAL PROGRAM STATEMENT

The Office of Criminal Justice Planning (OCJP) was created by Chapter 1047, Statutes of 1973 as the staff arm of the California Council on Criminal Justice (CCCJ). It is administered by an executive director appointed by the Governor. The council, which acts as the supervisory board to OCJP, consists of 37 members: the Attorney General, the Administrative Direc-

tor of the Courts, 19 members appointed by the Governor and 16 members appointed by the Legislature.

The Office of Criminal Justice Planning is the state planning agency which administers federal grants from the Law Enforcement Assistance Administration. The office's statutory responsibilities are to (1) develop, with the advice and approval of the council, a comprehensive statewide plan for the improvement of criminal justice and delinquency prevention 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 comply 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 delinquency prevention; and (6) conduct evaluation studies of the programs.

Organization

OCJP is divided into five program areas:

1. *Planning and Operations.* This program, with a staff of 17 personnel-years, administers four main activities: (1) planning, which analyzes crime data and the criminal justice system and prepares the annual state comprehensive plan for submission to the federal Law Enforcement Assistance Administration; (2) evaluation, which analyzes grant programs and projects to determine whether a casual relationship exists between grant-funded activities and the reduction or control of crime; (3) monitoring, which seeks to insure that projects are being performed within the terms of the grant contract; and (4) technical assistance, which provides staff to assist grantee agencies in carrying out funded projects and encourage the use of proven crime control methods.

2. *Administration.* This program, which utilizes 31.5 authorized personnel-years, provides executive and management services for OCJP, including CCCJ liaison, personnel, accounting, business services and budgeting. It also provides technical guidance on legal, fiscal and affirmative action questions to grantees.

3. *Crime Resistance Task Force.* This program, through a staff of one, provides support for the Crime Resistance Task Force, which was created by executive order and then authorized by statute. The objective of the task force is to encourage citizen involvement with police in local crime prevention programs.

4. *State and Private Agency Awards.* This program provides for grants to state and private agencies to stimulate improvements within the criminal justice system.

5. *Local Project Awards.* This program provides grants for planning and action projects undertaken by local jurisdictions to improve law enforcement and the criminal justice system.

Federal Program Reauthorized

In past years, OCJP has administered funds provided to California by the Law Enforcement Assistance Administration (LEAA) under the Federal Omnibus Crime Control and Safe Streets Act of 1968, as amended in 1976.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

In December, 1979, a new federal law, the Justice System Improvement Act of 1979, reauthorized LEAA and changed the provisions under which criminal justice grants are awarded to state and local entities.

For the next several years, OCJP will be responsible for grants received under three different sets of federal regulations: (1) those of the expired Omnibus Crime Control and Safe Streets Act, (2) those established for a transition year (federal fiscal year 1980), and (3) those of the 1979 Justice System Improvement Act. This transition period will be prolonged because federal criminal justice funds are granted for a three-year period. Thus, the first year in which all of the funds administered by OCJP will be subject to the provisions of the new law will be 1982-83.

The Justice System Improvement Act of 1979 will make several significant changes in the federal criminal justice grant program. It will (1) provide an entitlement of grant funds to local governments according to a formula established by federal statute, (2) alter state and local cash match requirements for federal grants, (3) prohibit the use of federal funds for major new construction projects and phase out existing projects, (4) restrict the amount of federal funds that have no cash match requirements which can be used for planning, (5) increase reporting requirements with an emphasis on performance and impact assessment, and (6) require that all of the federal grant awards be spent to address problems which the federal statute designates as high priority.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure program for the Office of Criminal Justice Planning is \$46,919,061, consisting of \$5,176,285 from the General Fund, \$3,035,000 from the Indemnity Fund, and \$38,707,776 in federal funds.

Table 1 shows the proposed funding, by source, for each of OCJP's five programs.

Table 1
Office of Criminal Justice Planning
Program Expenditures
1980-81

| | <i>Federal funds</i> | <i>General Fund</i> | <i>Indemnity Fund</i> | <i>Total</i> |
|--|--------------------------|-------------------------|---------------------------|--------------|
| 1. Planning and operations..... | \$512,088 | \$713,499 | \$35,000 | \$1,260,587 |
| 2. Administration..... | 573,170 | 862,786 | — | 1,435,956 |
| 3. Crime resistance task force | 195,342 | — | — | 195,342 |
| 4. State and private agency awards | 9,481,395 | 150,000 | — | 9,631,395 |
| 5. Local project awards | 27,945,781 | 3,450,000 | 3,000,000 | 34,395,781 |
| Totals..... | \$38,707,776 | \$5,176,285 | \$3,035,000 | \$46,919,061 |

Table 2 summarizes total OCJP expenditure levels for the current and budget years, indicating sources of funding, expenditure levels for each program area, and proposed changes from the current year. While it appears from Table 2 that the grant program is declining by about one-fifth, no significant decrease in the program is anticipated. The large

apparent decrease is attributable to the method of accounting for funds available for expenditure in the current year.

This accounting method differs from that of many departments because OCJP receives federal grant funds which are available for three fiscal years. State matching funds are appropriated for the same period. In preparing the budget, all presently available state and federal grant monies, including prior-year balances still available for expenditure, are shown as current-year expenditures. Therefore, the current-year column includes more than one year's funding.

Table 2
Office of Criminal Justice Planning
Budget Summary

| <i>Funding</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| 1. General Fund | \$8,034,684 | \$5,176,285 | \$-2,858,399 | -35.6% |
| 2. Indemnity Fund | — | 3,035,000 | 3,035,000 | — |
| 3. Federal funds | 48,855,594 | 38,707,776 | -10,147,818 | -20.8 |
| Totals | \$56,890,278 | \$46,919,061 | \$-9,971,217 | -17.5% |
| <i>Program</i> | | | | |
| 1. Planning and Operations | \$1,186,164 | \$1,260,587 | \$74,423 | 6.3% |
| Personnel-years | 17 | 18 | 1 | 5.9 |
| 2. Administration | 1,344,610 | 1,435,956 | 91,346 | 6.8 |
| Personnel-years | 31.5 | 41.5 | 10 | 31.7 |
| 3. Crime resistance task force | 196,609 | 195,342 | -1,267 | -0.6 |
| Personnel-years | 1 | 1 | — | — |
| Subtotals | (\$2,727,383) | (\$2,891,885) | (\$164,502) | (6.0%) |
| Personnel-years | (49.5) | (60.5) | (11) | (22.0) |
| 4. State and private agency grants | \$13,022,800 | \$9,631,395 | \$-3,391,405 | -26.0% |
| 5. Local project allocations | 41,140,095 | 34,395,781 | -6,744,314 | -16.4 |
| Totals | \$56,890,278 | \$46,919,061 | \$-9,971,217 | -17.5% |
| Personnel-years | 49.5 | 60.5 | 11 | 22.2% |

Table 3 shows the fiscal year composition of the grant program. On an annual basis, the state and private agency grant program has decreased by \$289,646, or 2.9 percent. However, approximately \$3.1 million of prior year balances are available in 1979-80 and are shown as expenditures in the budget. This makes current year expenditures appear much larger than those proposed for 1980-81.

Similarly, the local grant program in 1979-80 includes about \$9.6 million of prior-year balances. This makes current year expenditures appear larger than those proposed for 1980-81 although, on an annual basis, 1980-81 expenditures are actually higher by \$2,806,479 or 8.9 percent.

In summary, expenditures by the Office of Criminal Justice Planning will, on an annual basis, increase by 6.1 percent in the budget year. Prior-year balances of approximately \$12.7 million inflate the current-year expenditure program as shown in the Governor's Budget. Because OCJP has traditionally had large prior year balances available for expenditure, it is likely that this same pattern will be repeated in future years.

Recent Legislation Expands OCJP's Responsibilities

Prior to the 1977-78 legislative session, OCJP's primary function was to administer federal Safe Streets Act funds. During that session, the Legisla-

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 3
Office of Criminal Justice Planning
Analysis of Current Year Grant Expenditures
in Comparison to Budget Year Grant Requests

| | <i>Estimated Expenditures 1979-80</i> | <i>Prior Year Carry Forward included in 1979-80 Expenditures</i> | <i>Current Portion of 1979-80 Expenditures</i> | <i>Requested 1980-81</i> | <i>Change from Current Portion of 1979-80 Expenditures</i> | |
|------------------------|---|--|--|------------------------------|--|----------------|
| | | | | | <i>Amount</i> | <i>Percent</i> |
| 1. State & Private | | | | | | |
| Agency Grants | | | | | | |
| a. General Fund..... | \$1,416,832 | \$977,186 | \$439,646 | \$150,000 | \$-289,646 | -65.9% |
| b. Federal Funds | 11,605,968 | 2,124,573 | 9,481,395 | 9,481,395 | — | — |
| Subtotals | \$13,022,800 | 3,101,759 | 9,921,041 | 9,631,395 | -289,646 | -2.9% |
| 2. Local Project | | | | | | |
| Allocations | | | | | | |
| a. General Fund..... | 5,222,444 | 1,578,923 | 3,643,521 | 3,450,000 | -193,521 | -5.3% |
| b. Federal Funds | 35,917,651 | 7,971,870 | 27,945,781 | 27,945,781 | — | — |
| c. Indemnity Fund..... | — | — | — | 3,000,000 | 3,000,000 | — |
| Subtotals | \$41,140,095 | \$9,550,793 | \$31,589,302 | \$34,395,781 | \$2,806,479 | 8.9% |
| TOTAL Grants | \$54,162,895 | \$12,652,552 | \$41,510,343 | \$44,027,176 | \$2,516,833 | 6.1% |

ture enacted five bills which place other functions with OCJP. Each of these is discussed below.

1. *Youth and Family Programs.* Chapter 1103, Statutes of 1977, established a program to reduce the administrative complexity confronting joint-funded, multi-service youth and family programs involving at least three federal grant sources and two or more state agencies. Under this legislation, OCJP coordinates the processing of grants for such activities. Current-year expenditures for this program are budgeted at \$65,497. The two positions established to administer this program have been deleted for 1980-81 because the workload did not develop as anticipated.

2. *Victim and Witness Assistance Centers.* Chapter 1256, Statutes of 1977, established a program within OCJP through which public or private nonprofit agencies can help crime victims and witnesses relate more effectively to the criminal justice system. It prescribes services to be provided and establishes a funding schedule which is intended to gradually reduce state support for the program by transferring increasing percentages of the costs to local governments over a period of years. The legislation appropriated \$1,000,000 from the General Fund for the two-year period 1977-78 through 1978-79, but this was vetoed by the Governor. The budget indicates that \$800,000 in grants will be expended for this program for the three year period 1978-79 through 1980-81.

Chapter 713, Statutes of 1979, increased penalty assessments for felonies and included assessments in bail deposits. The additional revenue will be deposited in the Indemnity Fund. Revenues received by the fund will be divided equally between OCJP (for allocation to centers aiding crime victims and witnesses) and the Indemnification of Private Citizens Program which provides direct assistance to crime victims and citizens who

sustain injuries while aiding crime victims.

OCJP proposes to spend \$3,035,000 from the Indemnity Fund in the budget year. Of this, \$3,000,000 will be allocated to established victim and witness assistance centers and \$35,000 will fund a position to administer the program.

3. *Career Criminal Apprehension Programs.* Chapter 1167, Statutes of 1978, established through OCJP a career criminal apprehension program. Participating local law enforcement agencies are required to concentrate enhanced management efforts and resources on career criminals. Such efforts include crime analysis and improved management of patrol investigative operations. The act states that this program is to be funded with federal monies made available to CCCJ. The budget indicates that \$1,750,594 of LEAA funds will be used to implement this measure. While the budget shows that this expenditure will occur in the current year, it is anticipated that the grants will support local programs through the budget year.

4. *Crime Resistance Task Force.* Chapter 578, Statutes of 1978, gave statutory status within OCJP to a California Crime Resistance Task Force originally created on August 5, 1977, by executive order. Its purpose is to assist the Governor and OCJP in furthering citizen involvement in local law enforcement and crime resistance efforts. This measure also established a California crime resistance grant program and encouraged CCCJ to make federal funds available to implement it. The budget indicates that \$195,342 of federal funds are proposed for 1980-81 support of the program.

5. *Career Criminal Prosecution Program.* Chapter 1151, Statutes of 1977, established a program to aid district attorneys' offices in prosecuting career criminals, (serious repeat offenders). The act appropriated \$1,500,000 to OCJP for distribution without regard to fiscal year. Part of this appropriation was expended in 1977-78, and the balance was used for program support in 1979-80. An additional \$2,867,570 was appropriated by the 1978 Budget Act. Because the initial grant awards funded by Chapter 1151 were delayed until March 1978 (three months), only nine months' funding (\$2,165,806) was appropriated in the 1979 Budget Act. Thus, this combination of funding permits the career criminal prosecution units to continue through June 1980.

OCJP proposes to fund this program with \$3,200,000 from the General Fund during the budget year. Counties will be required to provide a minimum of 10 percent cash match.

Increase Federal Participation in Career Criminal Prosecution Program

We recommend a reduction of \$1,600,000 (Item 462) and the addition of budget control language making the remaining state funds allocated for the Career Criminal Prosecution Program available only if federal matching funds are provided.

When the Legislature established the Career Criminal Prosecution program, as discussed above, it encouraged OCJP to coordinate state General Fund appropriations with any federal funds available for these purposes. However, the General Fund has supported this program since its inception.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

OCJP receives millions of dollars in LEAA grant funds each year which it awards for state, private, and local government projects that address problems which CCCJ has determined to be of high priority. In the budget year, \$9,481,395 of federal funds are expected to be distributed to state and private agencies and \$27,945,781 will be distributed to local governments for these projects.

According to OCJP, the Career Criminal Prosecution program addresses a problem which CCCJ considers to be of high priority. In addition, this program is consistent with priorities established by LEAA.

OCJP has requested \$3,200,000 of General Funds to support the program for 1980-81. Our analysis indicates that this program could be supported with federal grants, thereby making more General Fund money available to the Legislature to support high priority programs in the criminal justice or other areas. In order to encourage OCJP to use federal grant funds for programs which the Legislature has established, we recommend that (1) General Fund support be reduced by \$1,600,000 and (2) control language be added stating that the remaining appropriation of \$1,600,000 for the Career Criminal Prosecution program shall be available only if an equal amount of federal funds is provided for the program. Given the high priority placed on this program by CCCJ, we would expect that such funds would be provided so that no reduction in program activity occurs.

Drug Abuse Positions

We recommend deletion of \$64,180 (Item 457) proposed for support staff to the Advisory Council on Drug Abuse because legislation indicates this program should be federally funded.

The Advisory Council on Drug Abuse was created by the Governor on May 2, 1977, and authorized by the Legislature in Chapter 432, Statutes of 1978. The council was designated to expire on July 1, 1979, but was extended for two years by Chapter 865, Statutes of 1979.

The council is composed of representatives of law enforcement and drug treatment and prevention organizations. According to statute, the council (1) evaluates the effectiveness of state drug abuse policies, (2) encourages the development of coordinated state drug abuse policies, (3) reviews state agency priorities and resource allocation with respect to drug abuse, and (4) reports annually to the Legislature and Governor.

Since it was created in 1977, the council has had no authorized support staff. A request by the Department of Alcohol and Drug Abuse during 1978-79 budget hearings for an executive officer for the council was denied by the Legislature.

The recent legislation extending the program encouraged CCCJ to make federal funds available for council activities. In addition, the legislation stated that, contingent upon the availability of such funding, the council may appoint an executive officer.

In the 1980-81 Governor's Budget, OCJP is requesting two positions as support staff to the council, including an executive secretary and one clerical position, to be supported by the General Fund. Because Chapter 865 clearly indicates that staffing for the council is contingent upon the

availability of federal funds, we recommend a reduction of \$64,180 of General Fund support.

STATE PUBLIC DEFENDER

Item 465 from the General
Fund

Budget p. GG 147

| | |
|--|-------------|
| Requested 1980-81 | \$6,502,915 |
| Estimated 1979-80..... | 6,191,916 |
| Actual 1978-79 | 5,019,118 |
| Requested increase (excluding amount for salary increases) \$310,999 (+5.0 percent) | |
| Total recommended reduction | None |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Continuation of Appellate Defenders, Inc. caseload. Recommend that the Department of Finance advise the Legislature on the funding of costs related to cases assigned to, but not completed by, Appellate Defenders Inc. at the termination of its contract. 1431
2. Staffing Standards. Recommend office report to the Joint Legislative Budget Committee on productivity. 1432
3. State Public Defender/Appointed Counsel Representation. Recommend the State Public Defender, with assistance from the Judicial Council, continually evaluate the adequacy of representation of indigent criminal appellants. 1433

GENERAL PROGRAM STATEMENT

The office of State Public Defender was created by Chapter 1125, Statutes of 1975 (operative January 1, 1976), primarily to provide legal representation for indigents before the Supreme Court and courts of appeal, either upon appointment by the court or at the request of the person involved. Such services may also be provided by private attorneys appointed by the courts. The responsibilities of the office include the following, the first four of which take precedence over all others:

1. Handling appeals, petitions for hearing or rehearing before any appellate court, petitions for certiorari to the United States Supreme Court or petitions for executive clemency from a judgment relating to criminal or juvenile court proceedings.
2. Engaging in proceedings for extraordinary writs, injunctions or declaratory relief relating to final judgments of conviction or wardship or to the punishment or treatment imposed thereunder.
3. Handling appellate or other legal procedures after imposition of a death sentence.
4. Defending state prison inmates in court proceedings relative to alleged commission of crimes within state prison facilities whenever the county public defender refuses to represent the accused because of con-

STATE PUBLIC DEFENDER—Continued

flict of interest or other legal reason. This function was added by Chapter 1239, Statutes of 1976.

5. Providing representation in a proceeding of any nature where a person is entitled to representation at public expense.

6. Representing any person in cases in which the local public defender, because of conflict of interest or other reason, refuses to provide such services. This authorization is permissive, excludes prison conflict cases under No. 4 above, and provides for a contract of reimbursement between the county and the state for services rendered.

7. Providing representation at commitment extension hearings for inmates incarcerated in state hospitals as mentally disordered sex offenders or after being found not guilty by reason of insanity. These requirements were added by Chapters 164, Statutes of 1977, and Chapter 1114, Statutes of 1979.

The State Public Defender is appointed by the Governor to a term of four years, subject to Senate confirmation. He is authorized to employ staff and establish offices as necessary to perform his duties and to contract with county public defenders, private attorneys and nonprofit corporations to provide authorized legal services to eligible indigents. He may perform all of his responsibilities with state employees (that is, his own staff), contract with private attorneys, nonprofit corporations, or utilize a combination of these services.

Accordingly, the State Public Defender has established offices in Los Angeles, Sacramento and San Francisco to provide legal defense services to indigent criminal appellants in courts of appeal districts except for the San Diego division of the fourth district. The required services in that division currently are handled by contract with a private law group. The Governor's Budget proposes to discontinue funding this contract in 1980-81, and to transfer the workload to private legal counsel appointed by the Fourth District Court of Appeal.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$6,502,915, from the General Fund for support of the State Public Defender in 1980-81 which is an increase of \$310,999, or 5 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The net increase results from a \$617,967 increase in personal services partly offset by a reduction of \$306,968 in operating expenses and equipment. The increase in personal services is due to:

1. Merit salary adjustments and full-year costs of positions upgraded during the current year (\$140,564).

2. Proposed reclassifications (\$73,796).

3. Nine new positions, which are discussed below (\$166,584).

4. Restoration of 3.6 positions deleted pursuant to Section 27.2 of the 1979 Budget Act (\$135,084).

5. Increased staff benefits related to the new and restored positions (\$110,268), partly offset by an increase in salary savings (\$8,329). The net

reduction of \$306,968 in operating expenses and equipment results from a reduction of \$354,331 in consultant and professional services, primarily due to termination of a contract with Appellate Defenders Inc., partly offset by price increases and \$13,048 in equipment related to new positions.

New Positions

The office is requesting a net total of 8.6 personnel-years—nine new positions, partially offset by a 0.4 personnel-year increase in salary savings.

The new positions include four attorneys and two stenographers for workload related to new duties imposed by legislation and court decisions relative to sentence extension hearings for persons confined to state hospitals as mentally disordered sex offenders (Chapter 164, Statutes of 1977) or those found not guilty by reason of insanity (Chapter 1114, Statutes of 1979). Three positions (one per office) are requested to upgrade clerical services.

We recommend approval of the nine positions on a workload basis.

Appellate Defenders Inc.

We recommend that the office and the Department of Finance report to the fiscal committees on procedures for handling cases assigned to Appellate Defender's Inc., but not completed by June 30, 1980.

Since the inception of the State Public Defender's Office in 1976, criminal appellate defense for indigents in the Fourth District Court of Appeals (San Diego) which were assigned to the State Public Defender have been handled by contract with the Appellate Defenders Inc., a private law firm. This contract is being terminated at the end of the current year, resulting in a budget year reduction of \$334,099.

The budget does not provide for the State Public Defender to assume this workload, but states that the function will be transferred to the Judicial budget. Because no funds are included in the Judicial budget for the contract, the cases will be handled by appointed private counsel.

The abolition of the contractual arrangement is based on the refusal of the Department of General Services to renew the contract, because the State Personnel Board stated that the function should be provided by civil service employees and not by contract on a permanent basis.

Cases assigned in 1980-81 to private counsel by the Fourth District that would have gone to Appellate Defenders Inc., (approximately 220 writs and appeals) will require additional funding in the 1981-82 Judicial budget. Payments to appointed counsel generally are made one year after appointment.

No provision has been made in this or the Judicial budget to provide funding for cases assigned to Appellate Defenders Inc., in the current year that will not be completed before termination of the contract. We recommend that the office and the Department of Finance advise the fiscal committees on costs of procedures for handling these cases.

STATE PUBLIC DEFENDER—Continued**Workload Standards and Cost Efficiency**

We recommend that the office report to the Joint Legislative Budget Committee by December 15, 1980 on its output per attorney, and on any modifications to its work unit system.

In our *Analysis of the 1979 Budget Bill*, we pointed out that the average cost per appeal handled by the State Public Defender was approximately \$2,470, compared to an average of \$675 per appeal for private counsel appointed to represent an indigent criminal appellant. We reported that the office was handling approximately 21.2 appeals per attorney position, but was budgeting for 40 cases per attorney. This compared to 35 appeals per attorney in the Department of Justice. Based on this information, the Legislature directed the office to develop a plan to improve its cost-effectiveness, including any necessary adjustments in its workload standard, and report to the Joint Legislative Budget Committee by December 15, 1979.

The office's report acknowledges that its cost per case is substantially above the cost for private counsel appointed by the courts to represent indigent criminal appellants. It points out that the average fee paid appointed counsel approximates \$10 to \$20 per hour, which is significantly below the going rate for private attorneys. The report states that the State Public Defender's current cost per case of \$2,362 is comparable to the \$1,957 per case cost of the Attorney General, when all caseload factors are considered.

The report states that the Public Defender is using a work unit system that assigns different weights to various functions. For example, the filing of an opening brief is equal to one work unit, while a reply brief is worth .25 of a work unit. The office anticipates that each attorney will handle 32 appellate work units (approximately 24 assigned cases) per year. By using this system, the State Public Defender can measure the productivity of each attorney and each office.

Based on the actual experience of the office, the 40 cases per attorney standard on which initial staffing was allocated probably is too high. According to the Public Defender, the office's attorneys are averaging 15 to 20 hours of overtime per month to produce slightly less than the 24 cases per year.

In its April 1979 report on the California State Public Defender, the National Center for Defense Management, National Legal Aid and Defender Association, suggested a standard of 25 cases per year based on the 1973 recommendation of the National Advisory Commission on Criminal Justice Standards and Goals. The evaluation team pointed out that the recommended national standard of 25 cases per attorney year would probably be a high outside limit for California because the caseload consists of a higher percentage of lengthy appellate hearings and fewer minor appeals than in many other jurisdictions. The most recent officewide statistics (September 1, 1978 to August 31, 1979) reflect an average production of 32 work units per attorney in the Los Angeles office, 30 work units per attorney in Sacramento, and 33 work units per attorney in San Francisco.

As mentioned earlier, 32 work units is equivalent to about 24 cases per year.

The workload system proposed by the Public Defender will be useful for budgeting purposes. Because it has not been tested over time, the system may require modification of the weights assigned to various functions. In addition, the number of work units per attorney needs to be validated. Therefore, we recommend adoption of the following supplemental report language:

"The Office of the State Public Defender shall report to the Joint Legislative Budget Committee by December 15, 1980, on the number of work units accomplished per attorney, and on any modifications to the existing work unit weights required to more accurately reflect time devoted to each function."

Division of Workload with Appointed Counsel

We recommend that the Office of the State Public Defender, with assistance from the Judicial Council, continually evaluate the adequacy of representation of indigent criminal appellants.

In our *Analysis of the 1979 Budget Bill*, we stated that the State Public Defender was handling less than one-half of the indigent criminal appeals. Because the office was created to provide more adequate appellate defense than reportedly was being provided by court appointed private attorneys, it raised a question as to whether those indigent criminal appellants represented by the private bar were receiving equal treatment under the law. While this issue may not be an adequate reason to challenge the private bar appointments as a separate cause of appeal, it raises a question of fairness in the appellate services provided by the state to indigent appellants.

In its report, the State Public Defender cites a number of findings by the Legislature and the Judicial Council as to the inadequacy of representation by appointed counsel. Such inadequacy was the basis for the establishment of the State Public Defender.

The State Public Defender stated, however, that the office should handle approximately one-half of the indigent criminal appellate workload, for the following reasons:

1. The office will not grow into an overblown bureaucracy dampening the zeal and dedication with which the staff presently approaches its work.

2. This level insures that there is no state monopoly on such appellate work and that the private bar can bring their varied arguments, creativity, and individual approaches to bear on the area.

3. This level encourages the existence of expertise in the private bar to handle criminal appeals for nonindigent appellants.

While there is adequate representation available to those able to pay for such services, the question remains as to the adequacy of state-provided representation for the indigent criminal appellant. The State Public Defender contends on one hand that the office was created because of the inadequacy of representation afforded criminal appellants by the private bar, and on the other hand that the private bar has varied arguments, creativity, and individual approaches of value in such appellate proceedings.

STATE PUBLIC DEFENDER—Continued

In order to improve the representation of appointed counsel, the State Public Defender plans to:

1. Make available to appointed private counsel the office's extensive brief bank which is indexed to permit speedy retrieval of briefs on hundreds of commonly raised appellate issues. This brief bank is continually updated during the ongoing work of the office.

2. Provide advice to court appointed attorneys on strategy, recent case law, and available research.

3. Provide, at cost of duplication, the State Public Defender's Criminal Appellate Practices Manual, a comprehensive guideline on representation of indigent criminal appellants in California.

4. Conduct a training program for the private bar on criminal appellate practices at least once a year in each appellate court district.

While these procedures may increase the quality of representation provided indigent appellants by the private bar, the quality may still not be comparable to that provided by the State Public Defender. Therefore, we recommend that the Office of the State Public Defender in conjunction with the Judicial Council, monitor the quality of defense provided to indigent appellants. Should this review indicate that the disparity in the quality of representation is not being reduced, the office should determine if its goal of providing service to one-half of the indigent appellants is realistic.

Evaluation of Open/Promotional Testing Procedures for Nonentry Level Attorney Positions

Pursuant to its enabling legislation, the Office of the State Public Defender was to hold examinations for all attorney positions on an open basis. Such examinations permit all eligible candidates, with or without state civil service status, to take the test. Chapter 1102, Statutes of 1977, permitted the office to hold open or promotional examinations (that is, tests restricted to civil servants) for nonentry level positions as determined appropriate by the State Personnel Board in consultation with the State Public Defender. Chapter 1102 was limited to January 1, 1980, and required our office to evaluate its effect.

During 1978 and 1979, seven nonentry level examinations were held. One such examination was offered in 1978, and it was offered on a promotional basis. In 1979 four open examinations were held, with a total of 94 candidates, and two promotional tests were given to 22 candidates. Results of the 1979 tests are shown in Table 1.

Table 1
Office of State Public Defender
Results of 1979 Nonentry Level Tests

| | <i>Total Candidates</i> | <i>Civil Servants</i> | | | <i>Noncivil Servants</i> | | |
|------------------|-----------------------------|-----------------------|--------------------|------------------|--------------------------|--------------------|------------------|
| | | <i>Number</i> | <i>Passed/Rate</i> | <i>Appointed</i> | <i>Number</i> | <i>Passed/Rate</i> | <i>Appointed</i> |
| Promotional..... | 22 | 22 | 22/100% | 21 | — | — | — |
| Open..... | 94 | 43 | 33/76.7% | 16 | 51 | 27/52.9% | 1 |

According to the office, the one promotional examination given to all

classes concurrently in 1978 was less time consuming and thus less costly than separate open examinations by position classification, as was done in 1979. However, the 1978 examination drew 23 candidates in comparison to a total of 116 candidates for the six 1979 examinations.

Based on the limited data available, there does not appear to be any significant cost differential between open and promotional examinations. Because only one person without civil service status was hired, it appears that the distinction between open or promotional examinations had little impact on the source of persons hired by the office.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Items 466-467 from the General
Fund

Budget p. GG 149

| | |
|-----------------------------------|-------------|
| Requested 1980-81 | \$1,775,000 |
| Estimated 1979-80..... | 1,775,000 |
| Actual 1978-79 | 1,199,608 |
| Requested increase—None | |
| Total recommended reduction | None |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|----------------------------------|---------|-------------|
| 466 | Public Defender Assistance | General | \$775,000 |
| 467 | Capital Case Defense Preparation | General | 1,000,000 |
| | Total | | \$1,775,000 |

GENERAL PROGRAM STATEMENT

Under Section 987.6 of the Penal Code, the state reimburses counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in the trial courts or involuntarily detained under the Lanterman-Petris-Short Act. The reimbursements may not exceed 10 percent of a county's expenditures for such purposes.

Under Chapter 1048, Statutes of 1977, the state reimburses counties for costs of investigative services and expert witnesses necessary for the defense of indigents in capital cases.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes appropriations of \$1,775,000 from the General Fund for assistance to counties for defense of indigents in 1980-81. The requested amount is the same as estimated current-year expenditures.

Public Defender Assistance (Item 466)

The \$775,000 requested is the traditional level of state support for this program and represents approximately 1 percent of county costs. The state has never contributed the 10 percent maximum.

**ASSISTANCE TO COUNTIES FOR
DEFENSE OF INDIGENTS—Continued****Capital Case Defense (Item 467)**

The \$1,000,000 requested for this program is the same as estimated current year expenditures. Actual costs, as shown in the Governor's Budget, were \$424,608 in 1978-79. However, this represents actual payments to the counties as opposed to actual costs incurred by the counties. This is because the State Controller makes payments on the basis of claims for estimated costs which will be incurred during each fiscal year, after adjusting for prior year over or under payments.

For example, counties were overpaid a total of \$799,262 for fiscal year 1977-78 because their claims exceeded their actual costs by this amount. For 1978-79, the counties submitted claims totaling \$1,223,870. In acting on these claims, the State Controller disbursed the difference between the estimated claims and the prior year's overpayments (\$424,608). Although the Governor's Budget shows actual expenditures of \$424,608 for 1978-79, counties actually incurred costs of \$685,794 in that year. Adjustments will be made in 1979-80 to reflect the difference between the payments which were made on the basis of estimated claims and the costs actually incurred by the counties.

Until the state and the counties gain more experience with this program, there probably will be significant differences between the amounts disbursed by the State Controller (shown as actual expenditures in the Governor's Budget), and actual county costs. Consequently, we have no basis for recommending a change in the amount budgeted at this time.

**SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP
PROCEEDINGS**

Item 468 from the General
Fund

Budget p. GG 149

| | |
|-----------------------------------|-------------|
| Requested 1980-81 | \$1,835,989 |
| Estimated 1979-80..... | 1,835,989 |
| Actual 1978-79 | 1,138,222 |
| Requested increase—None | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

This item reimburses counties for increased costs mandated by Chapter 1357, Statutes of 1976. That legislation revised procedures, terminology and definitions relating to guardianship and conservatorship, and required additional local expenditures to (1) provide appointed counsel and court investigators to represent the interests of proposed wards or conservatees under specified circumstances and (2) provide court investigators to conduct periodic reviews of guardianships and conservatorships.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$1,835,989 from the General Fund for subvention to local governments for the Conservator and Guardianship Program in 1980-81, which is the same as estimated current-year expenditures. Actual costs, as shown in the Governor's Budget, were \$1,138,222 in 1978-79. This amount, however, represents actual payments to the counties (\$1,116,962) plus a pending claim (\$21,260), as opposed to actual costs incurred by the counties. This is because the State Controller makes payments on the basis of claims for estimated costs which will be incurred during the fiscal year, after adjusting for prior-year over or under payments.

For example, counties were overpaid a total of \$904,281 for 1977-78 because their claims exceeded their actual costs by this amount. For 1978-79, the counties submitted claims totaling \$2,021,243. In acting on these claims the State Controller disbursed the difference between the estimated claims and the prior year's overpayments (\$1,116,962). Although the Governor's Budget shows actual expenditures of \$1,138,222 (the disbursed plus the \$21,260 claim) for 1978-79, counties actually incurred costs of \$2,269,025 in that year. Adjustments will be made in 1979-80 to reflect the difference between actual county costs and the cumulative payments made by the State Controller.

Until the state and the counties gain more experience with this program, there probably will be significant variances between the amounts disbursed by the State Controller and actual county costs. At this time, we have no basis for recommending a change in the amount budgeted.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 469 from the General
Fund

Budget p. GG 150

| | |
|--|-----------|
| Requested 1980-81 | \$100,000 |
| Estimated 1979-80..... | 1,300,000 |
| Actual 1978-79 | 424,842 |
| Requested decrease \$1,200,000 (-92.3 percent) | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides \$100,000 to reimburse counties for costs resulting from homicide trials to the extent that such costs exceed the revenue derived from a five cent local property tax rate. Expenditures for this program since 1971-72 are shown in Table 1:

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued

Table 1
Reimbursement to Counties for Cost of Homicide Trials
1971-72 to 1980-81

| | <i>Expenses</i> |
|---------------------------|-----------------|
| 1971-72 | \$95,964 |
| 1972-73 | 370,105 |
| 1973-74 | 164,824 |
| 1974-75 | 55,000 |
| 1975-76 | 199,727 |
| 1976-77 | 1,182 |
| 1977-78 | - |
| 1978-79 | 424,842 |
| 1979-80 (estimated) | 1,300,000 |
| 1980-81 (proposed) | 100,000 |

The Governor's Budget shows estimated current year expenditures of \$1,300,000, consisting of \$100,000 appropriated in the Budget Act of 1979 and \$1,200,000 appropriated by Chapter 1003, Statutes of 1979. The latter appropriation was based on the estimated state contribution to the trial costs for cases in Siskiyou, Sutter and Yolo Counties.

There is no method of forecasting the number and dollar value of such claims, if any, to be filed. Consequently, we have no basis for recommending any change in the budgeted amount.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 470 from the General
Fund

Budget p. GG 150

| | |
|-----------------------------------|------------------------|
| Requested 1980-81 | \$500,000 ^a |
| Estimated 1979-80 | 500,000 ^a |
| Actual 1978-79 | 2,241,066 ^b |
| Requested increase—None | |
| Total recommended reduction | None |

^a Beginning with the 1979-80 Governor's Budget, only payments for claims under \$50,000 are appropriated in this item. All expenditures for staff services or insurance premiums are included in the department or agency budgets in which the costs are incurred.

^b Represents amounts appropriated for claims payments, plus legal and investigatory services for General Fund clients provided by the Department of Justice and transferred from this item to the department's support item.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Insurance Review. Recommend Department of Finance report during budget hearings on its efforts to reduce the number of discretionary liability insurance policies and its plans for minimizing the number of these policies in the future. 1441

GENERAL PROGRAM STATEMENT

Under existing law, the Board of Control is the primary agency responsible for management of tort claims against the state. The board processes

all such claims by referring them to the appropriate agency for comment, and subsequently conducting an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred by the board to that agency for investigation and litigation. The Attorney General investigates all other claims to determine their validity, provides legal services to the board for the program and, with the board's approval, directly settles claims up to \$15,000.

This item provides funds for payment of claims for all General Fund agencies except the University of California (claims against the University are funded under Item 360).

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$500,000 from the General Fund for payment of tort liability claims in 1980-81, which is the same as estimated current year expenditures.

Tort Item Restructured

Prior to the Budget Act of 1979, the tort liability item provided for the payment of claims against General Fund agencies, except the University of California, as well as for the cost of legal and investigatory services provided to General Fund agencies by the Department of Justice. Funds for legal and investigatory services were appropriated to the tort item and subsequently transferred to the department for expenditure.

Beginning with the 1979-80 Governor's Budget, the tort item contains only the appropriation for claims payments relating to General Fund agencies. It displays, for informational purposes, expenditures (including insurance premiums) incurred by all state agencies in administering this program. This is the second year in which statewide tort-related activity has been identifiable in the Governor's Budget.

Table 1 summarizes the range of statewide activity related to this item.

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity

| | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|--------------------------------------|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| 1. Staff Services | | | | |
| a. Department of Justice..... | \$2,774,311 | \$3,494,996 | \$720,685 | 26.0% |
| General Fund | (1,769,526) | (2,245,439) | (475,913) | (26.9) |
| Special fund..... | (1,004,785) | (1,249,557) | (244,772) | (24.4) |
| b. Department of Transportation..... | 4,374,000 | 4,768,000 | 394,000 | 9.0 |
| c. Board of Control..... | 50,663 | 56,800 | 6,137 | 12.1 |
| Subtotals..... | \$7,198,974 | \$8,319,796 | \$1,120,822 | 15.6% |
| 2. Claim Payments | | | | |
| a. Department of Justice..... | \$500,000 | \$500,000 | — | — |
| b. Department of Transportation..... | 6,600,000 | 6,600,000 | — | — |
| Subtotals..... | \$7,100,000 | \$7,100,000 | — | — |
| 3. Insurance Premiums | | | | |
| a. General Fund | \$155,790 | \$171,265 | \$15,475 | 9.9% |
| b. Special fund..... | 755,910 | 829,305 | 73,395 | 9.7 |
| Subtotals..... | \$911,700 | \$1,000,570 | \$88,870 | 9.7% |
| Totals | \$15,210,674 | \$16,420,366 | \$1,209,692 | 8.0% |

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS —Continued

Tort Claims Workload

Table 2 shows total tort claims workload (excluding Caltrans) from 1975-76 through 1978-79. While the number of claims and administrative costs have generally increased since 1975-76, the amount of claims payments has fluctuated significantly.

Table 2
Summary of Tort Claims Activity
(Excluding Department of Transportation)

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|--|-------------|-------------|-------------|-------------|
| 1. Tort Claims filed with Board of Control ^a .. | 1,256 | 1,327 | 1,424 | 1,536 |
| Change from prior year | 18% | 6% | 7% | 8% |
| 2. Total Claims payments | \$2,047,887 | \$722,038 | \$1,541,542 | \$1,951,779 |
| Change from prior year | -7% | -65% | 114% | 27% |
| 3. Administrative costs | \$1,185,737 | \$1,705,528 | \$2,657,577 | \$2,862,714 |
| Change from prior year | 22% | 44% | 56% | 8% |

^a This figure does not include automobile tort claims, which are processed by the Insurance Office, Department of General Services.

Tort Claims Payments

The \$500,000 identified for claims payments (Department of Justice) represents the anticipated level of claims of up to \$50,000 against General Fund agencies. The funds are administered by the Department of Justice, but approval of the Department of Finance must be obtained for the payment of any claim between \$15,000 and \$50,000. Claims above \$50,000 generally are introduced as separate bills requiring appropriation by the Legislature. Special fund agencies reimburse the General Fund for payments made under the program on their behalf. The Department of Transportation, which investigates, litigates, and pays its own claims, proposes budget-year claim payments totaling \$6,600,000. Thus, the state anticipates total claim payments of \$7.1 million next year. (This amount, however, does not include the cost of claims exceeding \$50,000.)

Two significant changes with regard to General Fund claim payments occurred in the current year. First, this appropriation is no longer transferred to the Department of Justice's budget for expenditure. Instead, the department is authorized to schedule claim payments directly against this item. This minimizes the complexity of claims administration. Second, payments are now charged to the fiscal year in which the warrant is issued by the State Controller. In the past, claim payments were recorded against the appropriation which was in effect at the time the claim was *filed* rather than when the claim was *paid*.

The Supplemental Report of the 1979 Budget Act requested the Department of Finance to develop procedures to be followed if a special fund sustains an adverse court judgment in excess of its available resources. The department's report states that existing policy is sufficient to deal with this potential problem, whether it is caused by adverse court judgments, claim payments, or settlements.

The department indicates that judgments, claims, and settlements may be paid with a special fund surplus. If the special fund surplus is inadequate to cover payment, funds may be provided through (1) the item of the Budget Act which establishes a reserve for contingencies or emergencies, (2) special legislative appropriation, (3) a temporary loan from the General Fund or (4) from subsequent fiscal year special fund revenues.

Tort Liability Insurance

In past years, this item provided insurance premiums to cover the state's tort liability for claims between \$5 million and \$50 million. This insurance coverage was terminated May 20, 1978, because the administration, with the concurrence of the Legislature, determined that it was no longer cost-beneficial for the state to buy this type of insurance at existing market rates.

Historically, the state also has purchased a number of small liability policies, some of which are required to fulfill equipment lease or revenue bonding requirements, and others which are discretionary. The state currently is paying \$911,700 for these policies, with the amount expected to increase by \$88,870 to \$1,000,570 in the budget year.

More Discretionary Policies Purchased in 1979-80

We recommend that the Department of Finance report during budget hearings on the department's efforts to reduce the number of discretionary liability insurance policies carried by the state and its plans for minimizing the number of these policies in the future.

In spite of the state's policy of self-insurance, a number of agencies continue to purchase liability policies on a discretionary basis when no contractual obligation to do so exists. For example, in 1980-81 the state expects to spend \$21,375 to provide insurance for state-owned aircraft.

Despite the Legislature's decision that the state should self-insure whenever possible, six new discretionary liability policies have been purchased by the state in the current year. The cost of these discretionary policies is expected to increase from \$309,614 in the current year to \$320,945 in the budget year. Some of these policies appear to be purchased on the basis of traditional practices rather than because of actual need.

In the Supplemental Report of the 1979 Budget Act, the Legislature requested the Department of Finance to evaluate the need for each discretionary liability insurance policy and include only those for which clear justification is demonstrated in the 1980-81 Governor's Budget. The department submitted a report pursuant to this request and stated that it is evaluating the need for each discretionary liability insurance policy. The report, however, did not indicate whether any discretionary policies had been terminated as a result of this review.

Therefore, we recommend that the Department of Finance report during budget hearings on the department's efforts to reduce the number of discretionary insurance policies carried by the state and its plan for minimizing the number of such policies in the future.

BOARD OF CONTROL

Item 471 from the General
Fund

Budget p. GG 152

| | |
|--|-------------|
| Requested 1980-81 | \$2,384,298 |
| Estimated 1979-80 | 3,042,873 |
| Actual 1978-79 | 1,264,028 |
| Requested decrease (excluding amount for salary increases) \$-658,575 (-21.6 percent) | |
| Total recommended reduction | \$89,249 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|-------------|----------------|-------------|
| 471 | Support | General | \$677,066 |
| - | Support | Reimbursements | 1,707,232 |
| | Total | | \$2,384,298 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Operating Expenses Overbudgeted. Reduce Item 471 by \$89,249.* Recommend reduction because the board over-budgeted for legal services. 1445
2. *Rent Schedule for State-Owned Housing.* Recommend the board report to the Legislature regarding revisions to the rental schedule for state-owned housing after its hearings on this subject. 1446

GENERAL PROGRAM STATEMENT

The Board of Control is a three-member body consisting of the Director of General Services, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management, through the following five programs.

Administration

The administrative function provides direction to the Board of Control staff in response to board policies, serves as liaison between the board and the Legislature, and performs personnel and budget services to all programs under the board's jurisdiction.

In addition, this program provides state administrative control by establishing rules and regulations regarding numerous fiscal transactions including discharge of accounts receivable by the state, refunds, credits and cancellation of taxes, sale and disposal of unclaimed property and transfer of funds between state agencies. It also determines the pro-rata share of statewide administrative costs payable by each state agency, per diem rates for state employees on travel status and rules on employee travel claims.

Merit Award Board

A five-member Merit Award Board administers the statewide suggestion system and acts in an advisory capacity to the Board of Control. Activities of this program include establishing merit standards and policies, reviewing suggestion evaluations and recommending certificate and monetary awards for state employees to the Board of Control.

Victims of Crime

This program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence (Victims of Violent Crimes element) or who sustain damage or injury while performing acts which benefit the public (Good Samaritan element). Eligibility for awards is determined by the board after the facts of a claim are verified by its staff.

Governmental Claims

This program administratively adjudicates all claims for money or damages against the state. All equity claims (those for which there is no legal obligation to award compensation) approved by the board are referred to the Legislature for payment in an omnibus claims bill. The board works with the Departments of Justice and Transportation in administering tort liability claims.

Local Mandated Costs

An expanded five-member board, which includes two additional members appointed by the Governor and representing local agencies, hears claims from local jurisdictions alleging increased local expense attributable to legislation or executive orders (SB 90). Claims approved for reimbursement of costs of state-mandated local programs are submitted to the Legislature twice a year for approval and funding.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes a total expenditure program of \$2,384,298 for the Board of Control in 1980-81, which is \$658,575, or 21.6 percent, less than estimated current year expenditures. The request consists of a General Fund appropriation of \$677,066 and reimbursements of \$1,707,232, primarily from the Indemnification of Private Citizens program.

The General Fund appropriation is \$883,559, or 56.6 percent, less than estimated current year expenditures. The decrease primarily reflects a one-time expenditure of \$1,025,000 in the current year under Chapter 1204, Statutes of 1979. This chapter appropriated funds for payment of local governments' claims for extraordinary costs of law enforcement services provided in 1978-79. The decrease is partially offset by increased costs due to the addition of four positions for the government claims program and increased expenditures for operating expenses and equipment for the administration program. If current year costs were adjusted to eliminate the one-time expenditure, the General Fund appropriation proposed in the budget would be \$141,441, or 26.4 percent, higher than estimated current year expenditures. The board's budget will increase by the amount of any salary or staff benefit increase approved for the budget year.

The board's administrative costs for processing claims of crime victims have increased by \$197,536 in the budget year (13.8 percent). These costs

BOARD OF CONTROL—Continued

are identified as reimbursements under this item. Direct support for the Victims of Violent Crimes and Good Samaritan elements is included in the budget for the Indemnification of Private Citizens program (for additional information, see our discussion of this program under Items 472–474 of the Analysis).

Table 1 illustrates the board's proposed funding and expenditures for the current and budget years.

Table 1
Board of Control
Budget Summary

| <i>Funding</i> | <i>Estimated 1979–80</i> | <i>Proposed 1980–81</i> | <i>Change</i> | |
|-------------------------------|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| 1. General Fund..... | \$1,560,625 | \$677,066 | \$ -883,559 | -56.6% |
| 2. Reimbursements | 1,482,248 | 1,707,232 | 224,984 | 15.2 |
| Totals | \$3,042,873 | \$2,384,298 | \$ -658,575 | -21.6% |
| <i>Programs</i> | | | | |
| 1. Administration | \$157,661 | \$208,272 | \$50,611 | 32.1% |
| Personnel-years | 5.3 | 5.3 | — | — |
| 2. Merit Award Board | 127,796 | 131,364 | 3,568 | 2.8 |
| Personnel-years | 5.0 | 5.0 | — | — |
| 3. Victims of Crime | 1,435,482 | 1,633,018 | 197,536 | 13.8 |
| Personnel-years | 58.9 | 64.7 | 5.8 | 9.8 |
| 4. Governmental Claims | 1,222,717 | 296,857 | -925,860 | -75.7 |
| Personnel-years | 9 | 11.9 | 2.9 | 32.2 |
| 5. Local Mandated Costs | 99,217 | 114,787 | 15,570 | 15.7 |
| Personnel-years | 4.1 | 4.6 | 0.5 | 12.2 |
| Totals | \$3,042,873 | \$2,384,298 | \$ -658,575 | -21.6% |
| Personnel-years | 82.3 | 91.5 | 9.2 | 11.2% |

Workload

The board's workload, particularly claims requiring processing, continues to grow steadily. The projected workload of the board, as measured by claims and suggestions received, is shown in Table 2

The Governor's Budget does not show activity under the Local Mandated Costs program. Although the board has provided us with estimates of current and past year activity for this program, it is unable to provide a workload estimate for the budget year. Based on the trend in claims activity to date, we anticipate that workload will increase over current-year estimates.

Table 2
Board of Control
Workload Indicators

| | <i>Actual 1978–79</i> | <i>Estimated 1979–80</i> | <i>Projected 1980–81</i> |
|--|---------------------------|------------------------------|------------------------------|
| 1. Suggestions..... | 2,467 | 3,020 | 3,503 |
| Change from prior year | — | 22.4% | 16.0% |
| 2. Victim and good samaritan claims..... | 7,028 | 7,380 | 7,749 |
| Change from prior year | — | 5.0% | 5.0% |
| 3. Government claims | 7,725 | 9,115 | 10,775 |
| Change from prior year | — | 18.0% | 18.2% |
| 4. Local mandated cost claims | 1,239 | 3,000 | — ^a |
| Change from prior year | — | 142.1% | — |

^a The board is unable to provide a workload estimate for the budget year. However, claims can be expected to increase over current-year estimates.

Merit Award Program Savings

In the 29 year history of the merit award program, the state has paid awards on the basis of identifiable first-year savings well in excess of \$17 million. These awards are financed by departmental savings. The board has advised us that benefits from suggestions often continue over a five-year period even though awards are based only on first-year savings.

The Board of Control adopted Rule 831 (i), effective March 25, 1977, in an attempt to capture such savings for inclusion in the budget process. The rule specifies that in the event of savings of at least \$10,000, no award will be made unless the affected agency identifies such savings as reduced expenditures or increased revenue and submits documentation to the board specifying how savings recovery will be accomplished. The Department of Finance and the Board of Control established the procedures to capture these savings on July 17, 1978.

In the Supplemental Report of the 1979 Budget Act, the Legislature requested that the Department of Finance take positive steps to ensure that identifiable savings resulting from the Merit Award program are reflected in each affected department's baseline budget estimate. Because first-year savings averaged over \$1 million in the last three fiscal years, proper budgeting practices require that savings be reflected as budgetary reductions wherever possible.

The Department of Finance reported that it instructed its analysts to ensure that first-year savings from any one suggestion which exceed \$10,000 are reflected in the 1980-81 Governor's Budget. The department notes that this policy resulted in a total reduction of \$14,509 from one department's budget in 1980-81.

Operating Expenses Overbudgeted

We recommend that funding for operating expenses be reduced by \$89,249 (Item 477) because of overbudgeting for legal services.

The State Administrative Manual requires departments to prepare a Schedule of Operating Expenses and Equipment, which details the justification for the department's proposed expenditures.

The Board of Control is requesting \$450,105 for operating expenses and equipment in the budget year. In January, we questioned the board regarding its schedule because it projected increased costs of 195 percent for legal services from 1978-79 to 1980-81. In response to our inquiries the board provided us with a second and later a third revised schedule in which total expenditures remained constant while legal service costs declined from \$147,729 to \$82,632. Various other categories were adjusted upward to absorb these reductions.

The Department of General Services provides legal services to the board. Department attorneys give advice to the board on victim of violent crime claims and act as counsel to the board at administrative hearings. The board expended \$50,010 for these legal services in 1978-79. Discussions with the Department of General Services revealed that the department had performed 503 hours of work for the board during the first six months of 1979-80. If legal service is provided at the same rate, the board will expend a total of \$41,246 during the current year.

BOARD OF CONTROL—Continued

The board indicates that workload changes, including increases in the number of victims claims and number of hearings, have increased the board's utilization of attorney services. However, the data that is available to date does not show this to be the case. In fact, utilization has declined from 1,360 hours in 1978-79 to a projected 1,006 hours in 1979-80.

The \$147,729 budgeted for legal services in the first schedule was the estimate used to determine total expenditures for operating expenses and equipment shown in the Governor's Budget. Because we have received no adequate explanation for the revised schedules, and because there is no evidence of an increased utilization of legal services, we recommend a reduction of \$89,249. This will allow the board to expend \$58,480 for 1,360 hours of legal services (the 1978-79 service level) at the 1980-81 Department of General Services billing rate.

State-Owned Housing Study

We recommend that the Board of Control report to the Legislature regarding revisions to the rental schedule for state-owned housing after its hearings on this subject.

The Board of Control is mandated by Section 13924 of the Government Code to determine the fair and reasonable monthly rental values of housing owned by the state and rented to its employees. Rules adopted by the board establishing these rental costs apply to all state housing (approximately 1040 units) except those units owned by the University of California.

In the Supplemental Report of the 1979 Budget Act, the Legislature requested that the Board of Control advise it on the alternatives available for restructuring rental schedules for state-owned housing in order to provide consistency with market values.

The Board of Control contracted with the Department of General Services for a study of alternative rent schedules. During the study, Department of Transportation appraisers prepared market value estimates for a sample of all state-owned residences. Results showed that management employees paid an average of 33.2 percent of market value for state-owned rental housing and all other employees paid an average of 42.8 percent of market value.

The November, 1979 report recommended two alternative rental schedules. First, the state could charge rent, as it currently does, on the basis of square footage, age of the unit, and location, and then make adjustments for possible deficiencies in the housing. A second alternative is to adopt a fair market rental value. The study suggested that if either method is used it should be updated based on the change in the Consumer Price Index, the recent appraisals or other indices.

The Board of Control indicated that it will soon hold hearings on the alternatives for determining rental charges for state-owned housing. Based on testimony at the hearings, the board will adopt rules to adjust the rent schedules, if necessary.

Because of the fiscal implications of a revised rental schedule, we recommend that the Board of Control report to the Legislature regarding revi-

sions to the rental schedule for state-owned housing after its hearings on this subject.

INDEMNIFICATION OF PRIVATE CITIZENS

Items 472 and 474 from the
General Fund and Item 473
from the Indemnity Fund

Budget p. GG 155

| | |
|--|-------------|
| Requested 1980-81 | \$8,335,263 |
| Estimated 1979-80 | 8,140,827 |
| Actual 1978-79 | 4,984,588 |
| Requested increase (excluding amount for salary increases) \$194,436 (+2.4 percent) | |
| Total recommended reduction | \$140,000 |

1980-81 FUNDING BY ITEM AND SOURCE

| Item | Description | Fund | Amount |
|------|-------------------------------------|-----------|-------------|
| 472 | Indemnification of Private Citizens | General | \$3,496,914 |
| 473 | Indemnification of Private Citizens | Indemnity | 4,598,349 |
| 474 | Legislative Mandate | General | 240,000 |
| | Total | | \$8,335,263 |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Local Mandated Costs. Reduce Item 474 by \$140,000.* 1450
Recommend reduction of \$140,000 to eliminate overbudgeting.
2. *Indemnity Fund Revenues. Reduce Item 472 by \$903,598 and augment Item 473 by \$903,598.* 1450
Recommend reduction of General Fund support and corresponding increase in Indemnity Fund support to avoid Indemnity Fund surplus.

GENERAL PROGRAM STATEMENT

This item provides funding for two programs, both of which are administered by the Board of Control. The first, Victims of Violent Crimes program, provides compensation to California residents who sustain serious financial hardship as victims of crimes of violence or are financially dependent upon a victim. The second, the Good Samaritan program, compensates California citizens who sustain injury or damage to property as a result of acts benefiting the public. Under the provisions of Chapter 1144, Statutes of 1973, awards for victim claims may not exceed \$23,500, including a maximum of (a) \$10,000 for lost wages, (b) \$10,000 for medical expenses, (c) \$3,000 for rehabilitation, and (d) \$500 for attorney fees. A maximum award of \$5,000 is available to cover losses incurred by citizens benefiting the public.

Consolidation of both of these programs under the Board of Control was accomplished January 1, 1978, by Chapter 636, Statutes of 1977. Previously, the Attorney General investigated all claims to determine their validity.

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

This verification process now is performed by Board of Control staff in three field offices located in Sacramento, San Francisco, and Los Angeles.

In past years, the General Fund was primarily responsible for the support of these programs. The annual appropriation, however, increasingly is being offset by fines levied on the perpetrators of violent crimes and penalty assessments levied on individuals convicted of any other felony or misdemeanor. Receipts from fines and penalty assessments, are deposited in the Indemnity Fund but transferred to the General Fund for support of the programs. The increased revenue accruing to the Indemnity Fund for the budget year has resulted in a sizeable decrease in General Fund support.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, an increase of \$194,436, or 2.4 percent, above estimated current-year expenditures is proposed for support of the indemnification program. The increased costs reflect 5.8 additional personnel-years and related operating expenses proposed by the Board of Control to help reduce the claims backlog. Claim payments are anticipated to be \$6,436,396 in 1980-81, the same amount estimated to be paid in the current year. Expenditures for Board of Control services, estimated at \$1,633,018, will increase by the amount of any salary or staff benefit increase approved for the budget year.

The board intends to close its San Francisco office because of low output and high costs per claim, and consolidate it with the Sacramento office during the budget year. The Board indicates that savings realized from closing the San Francisco office will support any relocation expenditures.

Table 1
Indemnification of Private Citizens
Budget Summary

| <i>Funding</i> | <i>Estimated 1979-80</i> | <i>Proposed 1980-81</i> | <i>Change</i> | |
|---|------------------------------|-----------------------------|---------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| 1. General Fund | \$5,550,858 | \$3,496,914 | \$-2,053,944 | -37.0% |
| 2. Indemnity Fund | 2,346,869 | 4,598,349 | 2,251,480 | 95.9 |
| 3. General Fund (Legislative Mandate) | 243,100 | 240,000 | -3,100 | -1.3 |
| Totals | \$8,140,827 | \$8,335,263 | \$194,436 | 2.4% |
| <i>Program</i> | | | | |
| 1. Claims—victims of crimes | \$6,436,396 | \$6,436,396 | — | — |
| 2. Claims—victims benefitting the public .. | 25,849 | 25,849 | — | — |
| 3. Board of Control services | 1,435,482 | 1,633,018 | 197,536 | 13.8 |
| 4. Legislative mandate ^a | 243,100 | 240,000 | -3,100 | -1.3 |
| Totals | \$8,140,827 | \$8,335,263 | \$194,436 | 2.4% |

^a Reimburses local governments for in-depth probation reports on violent crime offenders.

Backlog Problem Not Resolved

The supplemental language report of the 1979 Budget Act requested the Board of Control to report annually on its progress toward eliminating the Victims of Violent Crimes claims backlog until the backlog is reduced to a manageable level.

The board recently submitted its 1979 report which reveals that the backlog problem has worsened in the current year. The report indicates

that staffing problems, such as the inability to fill vacant positions and staff resignations, have seriously hampered its efforts to reduce the backlog. The report also notes that the number of applications for compensation continues to rise, although not as sharply as in prior years. Table 2 illustrates the actual historical workload experienced by the Victims of Violent Crimes program since 1975-76.

Table 2
Historical Workload Data^a
Victims of Crimes Program

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 | Percent Change 1977-78 to 1978-79 |
|----------------------------------|-------------|-------------|-------------|-------------|--|
| New Claims ^b | 4,932 | 5,526 | 6,525 | 7,028 | 7.7% |
| Denied | 2,452 | 2,665 | 3,380 | 2,884 | -14.7 |
| Allowed | 1,468 | 2,656 | 2,411 | 1,914 | -20.6 |
| Percent of Processed Claims | | | | | |
| Allowed | 37% | 49.9% | 41.6% | 41.1% | -1.2% |
| Amount Awarded | \$2,603,736 | \$5,110,524 | \$5,025,289 | \$4,252,648 | -15.4% |
| Average Award ^c | \$1,773 | \$1,924 | \$2,084 | \$2,222 | 6.6% |

^a The number of claims allowed and denied do not equal new claims because of processing backlogs.

^b New claims include only those claims which meet the program's criteria for possible award. Additional claims are received but cannot be accepted when, for example, the claimant is not a California resident.

^c Includes attorney fees.

The Legislature anticipated that ending the Attorney General's responsibility for investigating claims and consolidating the total program under the board, as was done on January 1, 1978, would have a positive impact on the backlog. However, no reductions have been realized. Table 3 illustrates the history of the backlog problem, which has grown steadily worse since the Board of Control has had responsibility for the program.

Table 3
Historical Backlog^a
Victims of Crime Program

| Fiscal Year | New ^b Claims | Processed Claims | Annual Backlog | Cumulative Backlog |
|-----------------------------------|----------------------------|---------------------|-------------------|-----------------------|
| 1967-68 | 169 | 60 | 109 | 109 |
| 1968-69 | 401 | 243 | 158 | 267 |
| 1969-70 | 369 | 415 | -46 | 221 |
| 1970-71 | 471 | 427 | 44 | 265 |
| 1971-72 | 698 | 533 | 165 | 430 |
| 1972-73 | 1,081 | 724 | 357 | 787 |
| 1973-74 | 1,313 | 1,262 | 51 | 838 |
| 1974-75 | 3,792 | 1,422 | 2,370 | 3,208 |
| 1975-76 | 4,932 | 3,920 | 1,012 | 4,220 |
| 1976-77 | 5,526 | 5,321 | 205 | 4,425 |
| 1977-78 ^c | 6,525 | 5,791 | 734 | 5,159 |
| 1978-79 | 7,028 | 4,651 | 2,377 | 7,536 |
| 1979-80 (est.) | 7,320 | 5,400 | 1,920 | 9,456 |
| 1980-81 (est.) ^d | 7,728 | 7,752 | -24 | 9,432 |

^a Backlog, as defined by the board, includes all claims which have not been resolved. The majority are awaiting field verification. Claims are also counted as part of the backlog if they are awaiting a hearing date.

^b Prior to 1973-74 new claims include total number of applications received by the board. Subsequent years include only those claims accepted by the board for processing.

^c Program consolidated under the board on January 1, 1978. Previously, the Department of Justice performed the claims verification function.

^d Assumes addition of 6 proposed positions.

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

The board is requesting six additional positions in the budget year to address the backlog, but even with these positions the board estimates that the cumulative backlog will reach 9,432 claims in 1980-81.

The board instituted accelerated processing procedures in October 1979, which it maintains are showing measureable results in processing applications faster. The board indicates it is continuing to improve the administration of the program with the objective of attaining a manageable backlog. However, the extent to which these actions will reduce the backlog is not known.

Local Mandate Costs Overbudgeted

We recommend a reduction of \$140,000 (Item 474) proposed to reimburse mandated local costs because the amount budgeted is equivalent to more than one year of local governments' costs.

Chapter 1123, Statutes of 1977, requires probation officers to include two determinations regarding possible probation conditions in their reports on violent offenders: First, could the person pay a fine without causing his dependents to rely on public welfare. Second, should the court require the defendant to pay restitution to the victim or to the Indemnity Fund. The officer is required to recommend the amount of any payment and the manner of its assessment in both instances.

Chapter 1123 appropriated \$60,000 to the State Controller to reimburse local governments for costs incurred in implementing its provisions. Of the original appropriation, a carryover balance of approximately \$14,000 was available for expenditure in 1978-79. An appropriation to reimburse local expenses incurred in 1978-79, which the Department of Finance estimated at approximately \$120,000, inadvertently was not included in that year's budget. This oversight was corrected in the 1979 Budget Act by an appropriation of \$240,000, which included \$106,000 to cover a deficit for 1978-79 and \$134,000 to pay for estimated local costs in 1979-80.

The Governor's Budget proposes an appropriation of \$240,000 to pay for local costs in 1980-81. However, based on claims filed to date, the Department of Finance now estimates that these local costs will be much less—probably around \$100,000. Therefore, we recommend a reduction of \$140,000 (Item 474).

Use All Indemnity Fund Revenues

We recommend a reduction of \$903,598 in General Fund support (Item 472) and a corresponding increase of \$903,598 in the Indemnity Fund appropriation (Item 473) to recognize additional Indemnity Fund revenues generated by Chapter 713, Statutes of 1979 and to avoid an Indemnity Fund surplus.

Chapter 713, Statutes of 1979, increased penalty assessments for felonies and requires the assessments to be included in bail deposits. Revenues from fines and penalty assessments are deposited in the Indemnity Fund. Chapter 713 requires one-half of the revenues collected to be used to pay victims claims under the indemnification program, and the remaining one-half to be allocated to the Office of Criminal Justice planning for support of victim and witness assistance centers.

In its Summary of Revised Revenues and Authorized Expenditures Including Financial Legislation, the Department of Finance estimated that Chapter 713, which went into effect on January 1, 1980, will generate \$2,000,000 in the current year and \$4,000,000 in the budget year. However, in January 1980 the Board of Control revised the revenue estimates to \$1,460,000 in the current year and \$2,920,000 in the budget year.

The Governor's Budget does not accurately reflect the impact of Chapter 713 on this fund. The budget *understates* the amount to be deposited in the Indemnity Fund in the current year by \$1,460,000 because it has not included the amount that the Board of Control estimates will be generated by the new law. Also, the budget includes \$4,000,000 of additional revenue in 1980-81, and thus *overestimates* by \$1,080,000 the amount to be generated by the statute in the budget year. Because of these inaccuracies, the fund balance available for expenditure in 1980-81 is understated by \$380,000.

The Governor's Budget proposes that program expenditures, totaling \$8,095,263 in the budget year, be supported by \$3,496,914 from the General Fund and \$4,598,349 from the Indemnity Fund. The budget indicates that this will leave a surplus of \$1,223,598 in the Indemnity Fund at the end of the year. However, after adjusting for the inaccuracies in the Chapter 713 revenue projections, the surplus should be \$1,603,598, of which \$903,598 is available to pay victims' claims.

It is unclear why any surplus designated for support of the indemnification program should be accumulated in the Indemnity Fund. Appropriations from this fund merely offset General Fund expenditures for the indemnification program. In the event that payment of unanticipated claims requires a supplemental appropriation, an appropriation from the General Fund could be made.

Because the budget understates the amount in the Indemnity Fund which is available for expenditure and because this fund should support the program to the fullest extent possible, we recommend a reduction of \$903,598 in General Fund support and a corresponding increase in Indemnity Fund support. This would leave a balance of \$700,000 in the Indemnity Fund which, under Chapter 713, would be available for appropriation to OCJP for support of victim and witness assistance centers.

STATE BAR OF CALIFORNIA

Item 475 from the General
Fund

Budget p. GG 156

| | |
|-----------------------------------|----------|
| Requested 1980-81 | \$25,000 |
| Estimated 1979-80..... | 25,000 |
| Actual 1978-79 | 19,750 |
| Requested increase—None | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The State Bar of California is a public corporation headed by a 22-member board of governors. The board consists of 16 attorneys—15 elected by the members of the State Bar and one appointed by the board of directors of the California Young Lawyers Association—and six nonattorney public members appointed by the Governor. Pursuant to Chapter 1041, Statutes of 1979, two of the public members will be appointed by the Legislature beginning in 1983. The term of office for members of the board is three years.

The board of governors administers those provisions of the Business and Professions Code relating to the practice of law. It is empowered to make investigations of all matters affecting or relating to:

- a. The State Bar or its affairs.
- b. The practice of the law.
- c. The discipline of the members of the State Bar.

The board, through its examining committee, determines the eligibility of and examines all applicants wishing to practice law. The board certifies to the Supreme Court those applicants found qualified under state law, and the court thereafter admits the certified applicants to practice. Two nonattorney public members are appointed to this committee by the nonattorney board members.

The board may also establish a disciplinary review board to determine disciplinary actions and undertake reinstatement proceedings as provided by rule. This board must have, in addition to attorney members, two nonattorney members appointed by the Governor to four-year terms.

The board is also empowered to aid in all matters pertaining to the advancement of the science of jurisprudence or to the improvement of the administration of justice, including all matters that may advance the professional interests of the members of the State Bar and such matters as concern the relations of the bar with the public.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 304, Statutes of 1977, authorized per diem payments from the state General Fund of \$50 per day but not to exceed \$500 per month for each of the public members. Expenses of the attorney members of the board of governors are paid from State Bar funds. This item provides \$25,000 to reimburse the State Bar for the public member per diems, which totaled \$19,750 in 1978-79. The amount budgeted appears reasonable.