

GOVERNOR'S OFFICE

Item 050 from the General
Fund

Budget p. LJE 19

Requested 1981-82	\$4,858,353
Estimated 1980-81	4,495,083
Actual 1979-80	3,430,794
Requested increase (excluding amount for salary increases) \$363,270 (+8.1 percent)	
Total recommended reduction	\$200,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Contracted Legal Services. Reduce Item 050-001-001 by \$200,000 (General Fund) and increase reimbursements by \$200,000. Recommend funding mix consistent with policy adopted by the Legislature in 1980, and as expressed in Department of Justice budget item (Item 082-001-001).* 24

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,858,353 from the General Fund for support of the Governor's Office in 1981-82. This is an increase of \$363,270, or 8.1 percent, over the estimated current-year expenditure. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

One additional position is requested for the budget year, bringing the proposed 1981-82 staffing level to 87.6 personnel-years.

Total operating expenses of the office are budgeted at \$1,171,556. This is an increase of \$96,971, or 9.0 percent, over current-year estimated expenditures.

Contracted Legal Services

The Budget Act of 1980 provides \$400,000 to the Governor's Office for contracted legal services in cases where the Attorney General declines to represent the Governor or any state agency in legal proceedings. This amount consisted of \$200,000 from the General Fund and \$200,000 in reimbursements. Because the Legislature did not wish to increase the amount budgeted for services to state agencies, it made a corresponding reduction of \$400,000 in the Department of Justice (Civil Law Division) item in enacting the 1980 Budget Act.

The Supplemental Report of the 1980 Budget Act, requested that our office report to the Legislature on the Governor's use of these funds. In addition, we were asked to report on how these expenditures affected the workload of the Civil Law Division. We discuss the impact of the Legislature's action on the Department of Justice in our analysis of the department's budget (Item 082-001-001).

The Governor's Legal Affairs Secretary indicates that in the current year he has entered into two contracts totaling \$240,000 for legal services. Once contract, for \$15,000, is for the preparation of an amicus curiae brief which will be filed on behalf of the Governor's Office, the California Coastal Commission, and the San Francisco Bay Conservation and Development Commission in the case of San Diego Gas and Electric Company v. City of San Diego. The second contract, totaling \$225,000, provides representation for the Governor before the Nuclear Regulatory Commission in proceedings involving the Diablo Canyon nuclear power plant. In both cases, the Attorney General authorized the Governor's Office to retain outside legal counsel to provide the requested services.

GOVERNOR'S OFFICE—Continued

The Governor's staff indicates that the \$200,000 General Fund appropriation in Item 26.1 of the 1980 Budget Act, and if necessary, an additional \$40,000 from the Governor's support budget will be utilized, to pay for the contracted legal services in the current year. The Governor's Legal Affairs Secretary indicates that no expenditures from the reimbursement portion of the appropriation are anticipated.

Revise Funding Mix for Contracted Legal Services

We recommend that the proposed expenditure for contracted legal services be adjusted to be consistent with the policy adopted by the Legislature in enacting the Budget Act of 1980. Specifically, we recommend a \$200,000 General Fund reduction and a \$200,000 increase in reimbursements (Item 050-001-001).

The budget proposes that \$400,000 be appropriated to the Governor's Office for contracted legal services in 1981-82. In contrast to what was done in the 1980 Budget Act, however, the full \$400,000 would come from the General Fund. The Governor's Budget proposes to continue the \$400,000 reduction in the Department of Justice's budget, comprised of \$200,000 from the General Fund and \$200,000 in reimbursements. Thus, the Governor's Budget for 1981-82 proposes to increase by \$200,000 the amount available from the General Fund for legal representation of state agencies, and reduce by \$200,000 the amount of reimbursements budgeted for legal services to special fund agencies.

We understand that, in enacting the 1980 Budget Act, it was the Legislature's intent to simply transfer funds from the Department of Justice to the Governor's Office to insure that needed legal services would be provided to state agencies, and that the Legislature did not wish to increase the amount expended on legal services from the General Fund, or to reduce the amount of legal services available to special fund agencies.

To reflect the policy adopted by the Legislature last year, and to avoid a reduction in the amount budgeted for the purchase of legal services by special fund agencies, we recommend that the proposed expenditures by the Governor's Office be adjusted to reflect the funding mix for contracted legal services approved in the 1980 Budget Act and reflected in the Department of Justice item (Item 082-001-001). Specifically, we recommend a \$200,000 General Fund reduction and a \$200,000 increase in reimbursements (Item 050-001-001).

Governor's Council on Wellness and Physical Fitness

The Governor's Council on Wellness and Physical Fitness was established by executive order in May 1980. It serves as an information sharing network between state agencies and the private sector on new approaches to health.

The council is staffed with 2.5 positions and is funded by a \$75,414 Title II Public Works Employment Act grant. The Governor's Budget indicates that \$54,302 of the grant will be expended in the current year. The balance of \$21,112 will provide for three month's support during the budget year.

Governor's Office
SECRETARY OF STATE AND CONSUMER SERVICES

Item 051 from the General
Fund

Budget p. LJE 20

Requested 1981-82	\$812,842
Estimated 1980-81	800,290
Actual 1979-80	420,537
Requested increase (excluding amount for salary increases) \$12,552 (+1.6 percent)	
Total recommended reduction	\$17,144

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. Technical Adjustments. Recommend changes be made to reflect cost of supporting disabled compliance program in budgets of contributing agencies. | 27 |
| 2. Additional Staff. Recommend Budget Act language to limit terms of 6.5 positions requested for the disabled compliance program to June 30, 1982. | 27 |
| 3. Consultant Services. Reduce reimbursements by \$60,000. Recommend reduction of reimbursements to eliminate double budgeting. | 27 |
| 4. <i>Consultant Services. Reduce Item 051-001-001 by \$17,144.</i> Recommend deleting funds for consultant services because agency staff indicates there are no specific plans for using the funds. | 28 |
| 5. Additional Staff. Reduce reimbursements by \$55,657. Recommend elimination of two positions requested to support Building Standards Commission. | 28 |

GENERAL PROGRAM STATEMENT

The Secretary of State and Consumer Services provides administrative and policy direction to the following state entities:

Department of Consumer Affairs
 Department of Veterans Affairs
 Department of General Services
 Office of the State Fire Marshal
 Franchise Tax Board
 State Personnel Board
 Public Employees' Retirement System
 State Teachers' Retirement System
 Museum of Science and Industry
 Public Broadcasting Commission
 Building Standards Commission
 Department of Fair Employment and Housing

The secretary also directly administers:

1. The Intergovernmental Personnel Act (IPA) grant program for improving personnel management in state and local government through education and training under the federal IPA.
2. The State Building Standards Commission.
3. The Statewide Disabled Compliance Program.

SECRETARY OF STATE AND CONSUMER SERVICES—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$812,842 from the General Fund for support of the State and Consumer Services Agency in 1981-82. This is \$12,552, or 1.6 percent, more than the estimated current-year expenditures. Total agency expenditures, including reimbursements, are budgeted at \$1,275,062, which is an increase of \$48,508, or 4 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.

Table 1 presents a summary of the agency's expenditures and personnel-years for the past, current and budget years. The table shows a \$38,395 (or 10.4 percent) increase in the Statewide Disabled Compliance Coordination program in 1981-82. This increase results primarily from annualizing the cost of 6.5 positions which were established administratively in the current year to initiate the program. The program and these positions are discussed below. The proposed change in General Fund expenditures is attributable to merit salary adjustments and miscellaneous minor adjustments.

Table 1
Secretary of State and Consumer Services

Program	Actual 1979-80	Estimated 1980-81	Proposed 1981-82	Change	
				Amount	Percent
Administration of State and Consumer Services Agency.....	\$470,685	\$628,805	\$641,677	\$12,872	2.0%
State Building Standards Commission..	104,749	229,581	226,822	-2,759	-1.2
Statewide Disabled Compliance Coordination	—	368,168	406,563	38,395	10.4
Totals	\$575,434	\$1,226,554	\$1,275,062	\$48,508	4.0
Reimbursements	-154,897	-426,264	-462,220	-35,956	8.4
Net General Fund Expenses	\$420,537	\$800,290	\$812,842	\$12,552	1.6
Personnel-years	11.5	27.3	27.3	—	—

Statewide Disabled Compliance Program

The Federal Rehabilitation Act of 1973 (sections 503-5) requires recipients of federal assistance to ensure that their personnel practices, programs and facilities are accessible to persons with disabilities, in accordance with specified guidelines. Although state agencies receiving federal financial assistance were supposed to have been in compliance with the act by June 2, 1980, it is our understanding that, for the most part, compliance with federal requirements has not been achieved by many agencies.

On June 12, 1980, the Governor issued Executive Order B-65-80, creating a central unit within the State and Consumer Services Agency to (1) direct, facilitate and monitor compliance by all state agencies with the Federal Rehabilitation Act of 1973 and (2) coordinate statewide efforts in this area with those of the Health and Welfare Agency regarding portions of the Government Code which concern disabled program recipients. Subsequently, the agency secretary established 6.5 positions (5.5 professional and 1 clerical) administratively to staff the new unit.

Current-year costs of the disabled compliance program are estimated at \$368,168, consisting of:

1. \$320,000 to support the 6.5 positions for 9 months during 1980-81. (These costs are to be funded from salary savings resulting from administration action to

freeze designated vacant positions in 8 state departments having program responsibilities in this area.)

2. \$43,168 from a federal grant to provide training to state employees on "how to implement the compliance requirements of the Rehabilitation Act of 1973."

The budget proposes continuation of (1) the 6.5 positions added administratively to operate the program and (2) the current-year funding arrangement whereby the unit's staff and related costs (estimated at \$406,563 in the budget year) are fully reimbursed by other state agencies.

Compliance Program Costs Should Be Reflected in Budgets of Contributing Agencies

We recommend that, prior to the budget hearings, the Department of Finance (1) identify which state agencies will provide funds to support the statewide disabled compliance unit and (2) make technical adjustments reflecting the cost of such support in the budgets of each contributing state agency.

At the time this analysis was prepared, the Department of Finance had not identified the source of funds for supporting the compliance unit's operations in the budget year. Consequently, the budgets of contributing state agencies are incomplete in that they do not indicate this cost. So that the Legislature can have a complete picture of how funds requested in the budget will be used, we recommend that the Department of Finance make the technical adjustments necessary to properly reflect this cost in the budgets of the appropriate state agencies.

Positions Should Be of Limited Duration

We recommend that the 6.5 positions requested to implement the Statewide Disabled Compliance Program be authorized for the budget year only.

The staff of the newly-created Statewide Disabled Compliance Program are in the process of developing plans and procedures for enabling the state to accommodate disabled individuals in accordance with federal regulations. Our analysis indicates that the 6.5 positions requested will be needed during the budget year.

It is uncertain at this time, however, how long the program will be required and the number and type of staff needed in future years. For these reasons, we believe staffing for this program beyond June 30, 1982, should be subject to specific review and approval by the Legislature.

Accordingly, we recommend that the following control language be added to Item 051-001-001:

"... provided that terms of the 6.5 positions budgeted for implementing the Statewide Disabled Compliance Program are to be limited to June 30, 1982."

Double Budgeting for Consultant Services

We recommend deletion of \$60,000 to eliminate double budgeting for consultant services for the disabled compliance program (reduce reimbursements by \$60,000).

According to the agency's budget support data, a one-time expenditure of \$60,000 is budgeted in the current year for the preparation of guidelines and a handbook by private consultants to be used in implementing the statewide disabled compliance program. The support data indicates that \$60,000 is budgeted for the same purpose in the budget year. Because the agency's workplans indicate that the guidelines and handbook will be published before April 1981, we recommend deletion of the amount proposed for this purpose in the budget year.

SECRETARY OF STATE AND CONSUMER SERVICES—Continued**Further Overbudgeting for Consultant Services**

We recommend deletion of \$17,144 budgeted for consultant services because agency staff indicates that there are no specific plans for using these funds (reduce Item 051-001-001 by \$17,144 from the General Fund).

An analysis of the agency's budget support data reveals that the consultant and professional services line item includes \$17,144 for no specified purpose. Agency staff indicated that they had no specific plans for using these funds. Therefore, in the absence of data justifying the need for these funds, we recommend that they be deleted.

Building Standards Commission

We recommend a reduction of \$55,657 and two positions requested for the Building Standards Commission (reduce reimbursements by \$55,657).

The budget requests the continuation of two additional positions (one professional and one clerical) added administratively in the current year to support the Building Standards Commission.

The State Building Standards Commission is the central state agency responsible for approving and publishing all building standards (except those relating to mobilehomes) proposed by state agencies. The purpose of the commission is to (1) codify all building standards into a central State Building Standards Code, (2) eliminate conflicts and duplication in the standards, (3) ensure consistency in the code and (4) hear appeals regarding the building standards. Ten commission members are appointed by the Governor in accordance with criteria specified in law. These appointees must be confirmed by the Senate. The Secretary of the State and Consumer Services Agency or her designee serves as ex officio chairman of the commission.

Chapter 1152, Statutes of 1979 (SB 331), revised and strengthened the powers of the commission. Chapter 1152 also authorized the secretary to hire an additional exempt assistant. The commission appointed an executive secretary and hired staff to carry out the intent of Chapter 1152. The executive secretary is also assisted by a coordinating council consisting of representatives from various specified state agencies.

The 1980 Budget Act authorized six positions (four professional and two clerical) to comply with the provisions of Chapter 1152. Included in the six positions was the additional exempt assistant secretary authorized by Chapter 1152.

During the current year, the agency administratively established two additional positions for the commission. The budget proposes to continue these positions, using reimbursements received from the various state agencies responsible for adopting building standards.

The agency has indicated that it is unable to provide workload standards for justifying the two positions. Moreover, our analysis indicates that two of the six positions (the new exempt assistant secretary and a clerical position) which the Legislature authorized in the 1980 Budget Act to carry out the requirements of Chapter 1152 have not been used for this purpose.

Given the absence of data justifying the need for the two positions and the fact that two positions provided last year are being used for purposes other than what the Legislature intended, we recommend deletion of the requested positions.

Governor's Office

SECRETARY OF BUSINESS, TRANSPORTATION AND HOUSING

Item 052 from the General

Fund and special funds

Budget p. LJE 22

Requested 1981-82	\$1,021,422
Estimated 1980-81	1,191,259
Actual 1979-80	684,717
Requested decrease (excluding amount for salary increases) \$169,837 (- 14.3 percent)	
Total recommended reduction	\$296,128

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
052-001-001—Support		General	\$422,141
052-001-019—Support		State Energy Resources Con- servation and Development	91,000
		Special Account, General	
052-001-044—Support		Motor Vehicle Account, State Transportation	508,281
Total			\$1,021,422

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Alternative Fuels Research. Recommend Budget Bill language requiring that annual progress report on fuels research program be submitted by December 1 of each year. Also recommend that agency secretary be prepared to discuss fuels program progress and explain failure to submit 1980 progress report. 31
2. *SolarCal Council. Reduce by \$206,678.* Recommend deletion of funding and termination of council on June 30, 1981. 32
3. *Private Legal Services. Reduce by \$35,000.* Recommend reduction in expenditures for private legal assistance. 34
4. Agency Staffing. Recommend legislation to reorganize agency personnel structure. Also recommend supplemental language requesting that agency secretary report on required staffing levels. 34
5. *Clerical Support. Reduce by \$54,450.* Recommend deletion of three proposed clerical positions. 36

GENERAL PROGRAM STATEMENT

The Secretary of Business, Transportation and Housing is one of five agency secretaries in the Governor's Cabinet, and administers the Office of the Business, Transportation and Housing Agency. Prior to September 29, 1980, the agency was designated as the Business and Transportation Agency. It was renamed the Business, Transportation and Housing Agency by Chapter 1153, Statutes of 1980 (AB 2780).

The departments and administrative entities under the agency's jurisdiction can be divided into four general groupings: (1) those related to business and regulatory functions, (2) those oriented towards transportation services, (3) those related to housing activities, and (4) one oriented toward solar energy activities. The agency consists of the following:

SECRETARY OF BUSINESS, TRANSPORTATION AND HOUSING—Continued*Business and Regulatory*

Department of Alcoholic Beverage Control
 Alcoholic Beverage Control Appeals Board
 Department of Banking
 Department of Corporations
 Department of Economic and Business Development
 Department of Insurance
 Department of Real Estate
 Department of Savings and Loan
 Stephen P. Teale Consolidated Data Center

Transportation

California Highway Patrol
 Department of Motor Vehicles
 Department of Transportation
 Office of Traffic Safety

Housing

Department of Housing and Community Development
 California Housing Finance Agency

Solar

SolarCal Council

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$1,021,422 from the General Fund and the State Transportation Fund for support of the office of the secretary in 1981-82. This amount is \$169,837, or 14.3 percent, less than the estimated current year expenditures. In addition, the agency expects to receive \$518,267 in reimbursements during 1981-82, for a total expenditure program of \$1,539,689. This amount is \$300,572, or 16.3 percent, less than the comparable figure for 1980-81. The \$300,572 reduction in proposed expenditures results primarily from (1) the termination of the Solar Business Office, (2) a reduction in support for the SolarCal Council, and (3) expenditures funded from special legislation during the current year which are not carried forward into the budget year. These reductions more than offset increases in the agency's general expenses and staffing levels which are proposed in the budget. The final expenditure amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The funding sources supporting the agency's proposed budget are displayed in Table 1 along with the changes from the current year. Table 2 shows these changes by major activity group.

Table 1
Secretary of Business, Transportation and Housing
Summary of Proposed Funding Source Changes^a
1980-81 to 1981-82

<i>Funding Source</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change from Current Year</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Fund	\$211,944	\$422,141	\$210,197	99.2%
2. Motor Vehicle Account, State Transportation Fund	576,463	508,281	-68,182	-11.8
3. Transportation Planning and Development Account, State Transportation Fund	180,000	—	-180,000	-110.0
4. State Energy Resources and Development Special Account, General Fund	222,852	91,000	-131,852	-59.2
5. Reimbursements	649,182	518,267	-130,915	-20.2
Totals	\$1,840,441	\$1,539,689	-\$300,752	-16.3%

^a Does not reflect an additional \$79,586,452 appropriated to the secretary in Items 264-001-046 and 264-101-046 and Chapter 161, Statutes of 1979 (SB 620) for special transportation programs and local subventions.

Table 2
Secretary of Business, Transportation and Housing
Changes in Activities and Funding Levels
1980-81 to 1981-82

Activity	Estimated 1980-81	Proposed 1981-82	Change from Current Year	
			Amount	Percent
1. Administrative costs	\$1,131,316	\$1,333,011	\$201,695	17.8%
2. SolarCal Council.....	251,675	206,678	-44,997	-17.9
3. Solar Business Office.....	127,450	—	-127,450	-100.0
4. Social services study ^a	180,000	—	-180,000	-100.0
5. Child seat restraint study ^b	150,000	—	-150,000	-100.0
Totals	\$1,840,441	\$1,539,689	-\$300,752	-16.3%

^a Established by Chapter 1120, Statutes of 1979 (AB 120).

^b Established by Chapter 1170, Statutes of 1980 (AB 1198).

Alternative Fuels Research

We recommend adoption of Budget Bill language in Item 052-001-001 requiring that the Business, Transportation and Housing Agency's annual progress report on the alternative fuels research program be submitted to the Legislature by December 1 of each year. We also recommend that such reports include a thorough discussion of the agency's administration and evaluation of the program in addition to information pertaining to specific fuels research projects.

Chapter 161, Statutes of 1979 (SB 620), appropriated \$10 million to the agency secretary to fund an alternative fuels research program. The agency reports that approximately \$4.0 million of this amount was either made available as loans or expended in 1979-80. The remaining \$6.0 million is planned for allocation during the current year. Although no additional funds have been requested for 1981-82, funds accruing from the repayment of prior loans will be available on a revolving fund basis to finance additional loans in the budget year.

Program Status. Under the fuels program, the agency has sought to direct expenditures toward commercial development of new fuels rather than toward long-term or open-ended research activities. The present expenditure plan consists of the following:

- \$200,000 to the Department of General Services for its gasohol testing program.
- \$2,150,000 to the California Energy Commission for comparative testing of alcohol fuels in state vehicles.
- \$3,750,000 to the Energy Commission for venture capital loans to private firms seeking to build medium or large scale ethanol production plants.
- \$2,310,000 to the Department of Food and Agriculture for loans to farmers to build small scale distillation facilities and provide community college training grants.
- \$1,500,000 to the Department of Transportation and others to conduct research on an electric bus propelled by inductive coupling.
- \$45,000 to the Office of Appropriate Technology to hire an alcohol fuels expert.

The remaining \$45,000 has not been allocated to a specific project.

SECRETARY OF BUSINESS, TRANSPORTATION AND HOUSING—Continued

Report to the Legislature Overdue. Chapter 161 required the agency secretary to submit an annual report to the Legislature on the progress of the fuels program. The Budget Act of 1980 added the requirement that the progress report be submitted by December 1 of each year. The first report was to have been submitted by December 1, 1980. As of the preparation of this analysis, the agency had not submitted the required report.

As a result, the Legislature does not have an adequate basis for reviewing the program's progress since its inception over 18 months ago.

Accordingly, we recommend that the agency secretary be prepared during budget hearings to discuss the progress and administration of the fuels program to date, and explain why the Legislature's reporting deadline was not met.

Given legislative interest in the alternative fuels program, we believe the agency should submit progress reports on an annual basis, as it was required to do in the 1980 Budget Act. Accordingly, we recommend that the Legislature adopt Budget Bill language in Item 052-001-001 as follows:

"Provided, that the annual alternative fuels program progress report required by Section 65 of Chapter 161, Statutes of 1979, shall be submitted to the Legislature by December 1 of each year. The report shall include, but not be limited to, a thorough discussion of (1) the agency's administration and evaluation of the program, (2) information pertaining to specific research projects, (3) a detailed schedule of program expenditures, and (4) any efforts to obtain fuel research grants from nonstate sources."

SOLAR PROGRAMS

The Governor, by Executive Order, established the SolarCal Council and the Solar Business Office, in May 1978, as a single administrative entity within the agency. During the 1979-80 fiscal year, however, the council and office were separated, and the two entities were operated independently of each other. This arrangement was approved by the Legislature in acting on the Governor's 1980-81 Budget.

Solar Business Office Eliminated

In last year's Analysis of the Budget Bill, we recommended that funding for the Solar Business Office be terminated. We made this recommendation because the activities proposed by the office duplicated responsibilities already assigned to the agency. During last year's hearings, the fiscal subcommittees approved continued support for the office in 1980-81 but stated that funding should cease at the end of the current year.

No funds are included in the budget to support Solar Business Office activities in 1981-82. Instead, the budget indicates that the office will cease to operate after the current year. Agency staff report that a decision has been made to eliminate the office and absorb its functions into the ongoing programs of the Department of Economic and Business Development. The department will use its existing resources to perform these solar business activities.

SolarCal Council Extended

We recommend that the \$206,678 proposed for support of the SolarCal Council in Items 052-001-019 and 052-001-044 be deleted and the council's operations be terminated on June 30, 1981.

The agency's budget proposes \$206,678 in expenditures for the SolarCal Council in 1981-82. This expenditure total is supported by a General Fund appropriation

of \$91,000 and reimbursements of \$115,678 from the State Transportation Fund. This amount is proposed to support a small council staff as well as the operational expenses of the council's 30-member state commission and local governmental commission. Proposed expenditures represent a decrease of \$44,997, or 17.9 percent, from estimated current year expenditures.

Agency staff have not been able to provide us with any details regarding the council's proposed activities and expenditures in the budget year. Limited data, however, was obtained from the council. These data indicate that the council's activities will not differ appreciably from those activities conducted in the current year. These activities include:

1. Operating a "solar hot line" (telephone information service) for the Energy Commission;
2. Providing solar policy advice to the Energy Commission;
3. Managing an energy extension service to assist local agencies in developing solar energy applications; and
4. Promoting public information programs on solar energy, and continuing to advise the administration on solar energy matters.

Duplication of Effort. Our analysis of the council's program indicates that it duplicates the operations of the Energy Commission. The commission was assigned basic responsibility for solar policy and technical development by Chapter 276, Statutes of 1974, as amended. Commission functions which the council duplicates include the following:

1. **Local Government Assistance.** The Energy Commission has published a *Solar Handbook for Local Government Officials* in cooperation with the League of California Cities. This book serves as a seminar and workshop resource document, and provides a basic "how-to" approach for local officials developing solar applications. The council's extension services duplicate these activities.

2. **Information Dissemination.** The commission has collected and disseminated solar information guides and directories. These publications include compilations of information services, consumer tips, procedures for obtaining government grants, and basic solar design and construction principles. The council's information and extension programs overlap these commission operations and the ongoing business and local government information services provided by the Office of Appropriate Technology.

3. **Governmental Advisory Role.** The Energy Commission's full-time solar staff of 14.7 personnel-years and its proposed budget of \$3.2 million for solar programs (an increase of \$1.8 million over the current year) constitute a significant state resource for solar policy formation and program advice. The commission is in a position to act as advisors on a full range of solar programs and issues. The council's advisory role to the commission and the Business, Transportation and Housing Agency Secretary appears to be simply an unnecessary appendage to existing commission resources and expertise.

4. **Solar Hot Line.** This information service is a commission program which is subcontracted to the council. The program actually operates within the commission's offices. There is no reason why the hot line cannot be operated by the commission itself.

Termination Recommended. The council's solar energy program represents a small-scale parallel operation of existing Energy Commission activities. It is difficult to find significant differences between the two operations that would justify the continuation of both. Our analysis indicates that the existence of a second solar agency may actually confuse state efforts to efficiently manage solar development and disseminate materials on solar energy.

Originally, the council was intended to act as a facilitator in the early stages of solar activities and then turn over ongoing responsibilities to other state agencies.

SECRETARY OF BUSINESS, TRANSPORTATION AND HOUSING—Continued

It has repeatedly stated its intention to disband and terminate its activities. Last year, the agency secretary agreed, during the fiscal subcommittee hearings, to disband the council by June 30, 1981 if funding was provided for the 1980–81 fiscal year. By requesting support for the council in 1981–82, it appears that the administration intends to continue the council.

Given the duplication between the council's programs and the Energy Commission's programs in the solar energy areas, we can find no justification for continuing to fund the council. Accordingly, we recommend that the Legislature delete funding for the SolarCal Council in 1981–82, for total savings of \$206,678 from the General and State Transportation Funds.

Private Legal Services

We recommend a reduction of \$35,000 in proposed expenditures for private legal services, for a savings to the General Fund (Item 052-001-001).

The proposed budget requests \$85,000 for outside legal services. The agency reports that this amount is required to secure expert legal services which the Attorney General is unable to provide.

In 1976 the agency decided to initiate litigation challenging the federal government's pre-emption of state consumer protection laws. The agency felt that the three cases involved would set important legal precedents in state and federal consumer law. Therefore, the Department of Justice enlisted the aid of private legal experts to assist in the agency's litigation. Subsequent staffing difficulties and turnover in the department resulted in an expanded role for the private legal consultants. This expanded role has continued for several years as the cases have been tried and appealed to the higher courts.

In the 1980 Budget Act, the Legislature provided \$50,000 for these legal services. Thus, the \$85,000 request represents a significant increase in the amount budgeted for outside legal services.

Increase Unnecessary. Our analysis of the agency's request indicates that less, rather than more, outside legal services will be required in 1981–82. Specifically:

- The major research, evidentiary and legal proceedings in connection with the state's cases have been concluded, and one of the cases already has been resolved.
- Approximately \$10,000 in Department of Justice legal services will be provided to the agency in 1981–82. (The agency also can turn to its own staff counsel if additional legal resources are required.)

Moreover, billings for private legal services through the first four months of the current year were only \$6,000, which amounts to \$18,000 on an annual basis (versus \$50,000 in the budget for this purpose).

Based on our analysis, we recommend that the agency's request for private legal services be reduced to \$50,000. Our analysis indicates that the reduced amount will (1) provide sufficient resources for continued private assistance, (2) continue this expenditure at the currently authorized level, and (3) result in savings to the General Fund (Item 052-991-001) of \$35,000.

Staffing Reorganization

We recommend that staffing for the Business, Transportation and Housing Agency consist of those positions expressly authorized by the Legislature. Further, we recommend the enactment of legislation which would delete those positions which have been permanently loaned to the agency from departments within the agency.

We also recommend that the agency secretary report during forthcoming budget hearings on the agency's staffing and program activities.

The secretary's budget proposes five new permanent positions in 1981–82. Ac-

cording to agency staff, these positions were established administratively in the current year in response to (1) legislation which placed an increased emphasis on housing programs, and (2) increased workload in its clerical operations. The proposed new positions consist of one deputy secretary and one assistant secretary for housing, and three clerical positions.

The Governor's Budget indicates that 21.9 positions are currently authorized in the agency. Thus, addition of five staff would raise the authorized total to 26.9 positions—an increase of 23 percent.

Staffing Analysis. Our review indicates that the Governor's Budget does not provide an accurate accounting of agency staffing. Although the budget reports that 21.9 positions currently are authorized, only 16.9 of these positions have been established, and the budget shows the five vacant positions as salary savings.

In addition to the 16.9 positions authorized and established, six professional positions have been borrowed from departments within the agency. The source and number of these borrowed positions are as follows:

- Department of Housing and Community Development (2)
- Department of Transportation (1)
- Department of Real Estate (1)
- Office of Traffic Safety (1)
- Traffic Adjudication Board (1)

The agency budget does not display these borrowed staff as positions. Instead, funding for these positions is shown in the interdepartmental consultant and professional services category. Therefore, support for these six positions is shown in the agency's budget as an operating expense instead of a personnel expense.

Agency staff report that this practice of borrowing staff, which began in 1975, enables the agency to obtain positions with personnel classifications higher than the positions which have been authorized by the Legislature. Thus, the agency's actual staff profile is more heavily weighted toward upper level personnel classifications than the profile of the agency's authorized positions.

A comparison of staffing patterns in all five agency secretaries offices reveals that the Business, Transportation and Housing Agency:

- Has approximately twice as many exempt positions as the other agencies, including the Health and Welfare Agency, which is twice as large as the Business, Transportation and Housing Agency.
- Has significantly more borrowed positions than most of the other agencies.
- Has *five deputy-level* secretary positions, as compared to one or two deputy positions in most of the other agencies. The expansion in the number of deputy secretary positions is a recent development and was approved by the Department of Finance in October 1980, although one deputy position was authorized by Chapter 1153, Statutes of 1980. *The agency contained only one deputy position prior to that time.*

Our review indicates that staffing in the Business, Transportation and Housing Agency appears to be unnecessarily top-heavy in relation to staffing in the other four agencies. Furthermore, the agency's substitution of borrowed positions for those provided by the Legislature has resulted in an inordinately complex and confusing staffing structure. Even the agency budgeting and personnel staff have difficulty in explaining the existing personnel structure.

We recognize the need for maintaining a reasonable level of flexibility in the agency's staffing. The exercise of this prerogative by the agency, however, has resulted in a staffing pattern far different from that reported in the Governor's Budget. This approach has also subjected the agency's personnel structure to less scrutiny than the other agencies which constitute the Governor's Cabinet.

Recommended Action. Our analysis indicates that a comprehensive review of the agency's staffing procedures and organization is warranted. Specifically, we

SECRETARY OF BUSINESS, TRANSPORTATION AND HOUSING—Continued

believe the Legislature should take the following actions. First, it should require that the agency present a staffing plan for agency activities. This plan should justify the need to engage in these activities and provide a basis for staffing those activities.

Secondly, the Legislature should require an offsetting reduction for any new positions permanently established in the agency. This could be done through legislation by deleting from donor departments those positions currently on loan to the agency. Without this offset, it would be difficult to justify increases in the agency's authorized staffing level. Moreover, the donor departments which have loaned positions to the agency for a period of several years should not be adversely affected by the permanent loss of those positions.

Therefore, we recommend the enactment of legislation in 1981 to (1) permanently establish in the Business, Transportation and Housing Agency those positions and personnel classifications necessary to carry out the agency's approved operations and (2) delete the agency's borrowed positions from the departments which currently are loaning the agency positions. To assist the Legislature in developing a permanent staffing structure for the agency, we recommend that the secretary submit a report during the upcoming budget hearings on the agency's authorized program activities and the staffing necessary to perform those activities.

Unjustified Positions

We recommend the deletion of \$54,450 budgeted in Item 052-001-044 for the support of three additional clerical positions.

As noted above, the budget proposes to permanently establish three additional clerical positions. The agency secretary administratively established the three positions in the current year on the basis of workload increases.

To date, the agency has been able to offer a general discussion of its clerical needs, but no workload data to support its request. Consequently, we are not able to confirm for the Legislature that the agency's clerical workload has increased or existing clerical staff is unable to absorb such increase. Moreover, it is unclear whether any increase in workload stems from the addition of positions borrowed from other departments within the agency or from an expansion of the agency's general administrative responsibilities.

Given the lack of workload and staffing data, we have no analytical basis on which to recommend an increase in the agency's clerical staff. Therefore, we recommend the deletion of the three proposed clerical positions together with associated benefits and operating expenses, for a savings of \$54,450 to the State Transportation Fund (Item 052-001-044).

Governor's Office
SECRETARY OF HEALTH AND WELFARE

Item 053 from the General
Fund

Budget p. LJE 25

Requested 1981-82	\$3,651,165
Estimated 1980-81.....	2,250,577
Actual 1979-80	1,454,375
Requested increase (excluding amount for salary increases) \$1,400,588 (+62.2 percent)	
Total recommended reduction	\$694,490

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|----|
| 1. <i>Salary Savings. Reduce by \$254,490.</i> Recommend a 17.8 percent salary savings requirement, for a General Fund savings of \$254,490. | 39 |
| 2. Proposed New Positions. Recommend: | 41 |
| a. Agency secretary submit proposal to establish permanent positions for business and mail services. | |
| b. Deletion of unbudgeted developmental disabilities state plan administration position, for a federal fund savings of \$8,120. | |
| 3. <i>Multipurpose Senior Services Project. Reduce by \$440,000.</i> Recommend: | |
| a. Reduction of \$440,000 from the General Fund due to overbudgeting of special services funding. | 46 |
| b. Supplemental report language requiring the agency to report by December 15, 1981 on actual expenditures and utilization in "alternate" IHSS program. | 46 |
| c. Report during budget hearings on status of control systems development. | 47 |
| d. Supplemental report language requiring the agency to report by December 1, 1981 on overall control systems implementation problems. | 47 |
| 4. Secretary's Role—Supervision. Recommend: | 49 |
| a. Secretary report during budget hearings on steps taken to improve management of Health and Welfare Agency Data Center and Department of Aging. | |
| b. Control language requiring that the secretary secure consultant services to review data center operations and report findings to Legislature. | |

GENERAL PROGRAM STATEMENT

The Secretary of the Health and Welfare Agency (HWA) is directly responsible to the Governor for the operations and sound fiscal management of each department, office, or other unit within the agency. Those departments, or other units, are:

Aging
Alcohol and Drug Programs
Developmental Services
Health Services
Mental Health

SECRETARY OF HEALTH AND WELFARE—Continued

Rehabilitation

Social Services

Emergency Medical Services Authority and Commission

Health and Welfare Agency Data Center

Office of Statewide Health Planning and Development

State Council on Developmental Disabilities

In addition, the secretary is statutorily mandated to "provide all possible assistance to any county desiring to integrate or otherwise unify services administered by one or more departments in the Health and Welfare Agency."

The secretary is assisted in carrying out his administrative oversight and policy development responsibilities by four liaisons. Three of these positions are assigned to various departments within the agency, and the fourth coordinates the agency's legislative affairs. In addition, the undersecretary performs coordination and review functions with respect to departments which are not assigned a liaison.

The systems review unit (SRU) reviews the efficiency and effectiveness of the departmental programs overseen by the agency. In addition, the SRU is the secretary's designee to monitor the Medi-Cal fiscal intermediary contract between the Department of Health Services and the Computer Sciences Corporation, as required by Chapter 1129, Statutes of 1980 (AB 1414).

The secretary's office also contains six program units or offices: the administration of the developmental disabilities state plan, civil rights, multipurpose senior services project, refugee affairs, rural and migrant affairs, and services coordination for children and youth.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$3,651,165 from the General Fund for support of the secretary's office in 1981-82. This is an increase of \$1,400,588, or 62.2 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. Total program expenditures, including reimbursements, are projected at \$6,417,346, an increase of \$1,317,080, or 25.8 percent, over estimated current year expenditures.

Table 1 details budget changes from the current to the budget year. In summary, the adjustments to the secretary's base budget in the current year are for increased personnel costs (\$26,464), price increases (\$34,434), and utilization of one-time reimbursements (\$-123,435). The budget proposes a General Fund increase for clerical staff (\$21,524), and an increase in reimbursements for positions in the Office of Refugee Affairs as well as for positions that will administer the developmental disabilities state plan (\$211,319).

Current year adjustments in the MSSP base budget have been made in reimbursements for increased personnel costs (\$9,907), price increases (\$11,251), and control systems contract amendments (\$-192,550). The budget proposes a General Fund increase (\$1,983,963) to maintain the existing capacity for purchase of special services.

The 1980 Budget Act authorized 44.6 positions in the Health and Welfare Agency Secretary's Office. During the current year, six positions were administratively established in the agency: four in the new Office of Refugee Affairs and two to administer implementation of the state plan on development disabilities. The agency is proposing to establish seven new positions for 1981-82: the six that already have been established administratively, plus one clerical position for the systems review unit. Thus, a total of 51.6 authorized positions is proposed for the budget year.

Table 1
Secretary of Health and Welfare
Proposed 1981-82 Budget Changes
All Funds

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Total</i>
A. Secretary's Office (Excludes MSSP)			
1980-81 Current Year Revised	\$1,585,780	\$246,514	\$1,832,294
I. Baseline Adjustments			
A. Increase in Existing Personnel Costs			
1. Salary adjustments	17,325	—	—
2. Benefit adjustments	9,139	—	—
Total Increase	26,464	—	26,464
B. Price Increase	33,434	—	33,434
C. Deduct Administrative Program Additions			
1. Refugee Affairs	—	-81,724	—
2. Developmental Disabilities State Plan	—	-41,711	—
Total Deductions	—	-123,435	-123,435
Total Baseline Adjustments	\$59,898	-\$123,435	-\$63,537
II. Budget Year Program Change Proposals			
A. Refugee Affairs	—	161,319	161,319
B. Developmental Disabilities	—	50,000	50,000
C. Systems Review Clerical	21,524	—	21,524
Total Program Change Proposals	\$21,524	\$211,319	\$232,843
Total Change	\$81,422	\$87,884	\$169,306
Total 1981-82 Support Budget Secretary's Office	\$1,667,202	\$334,398	\$2,001,600
B. Multipurpose Senior Services Project (MSSP)			
1980-81 Current Year Revised	\$664,797 ^a	\$2,603,175	\$3,267,972
I. Baseline Adjustments			
A. Increase in Existing Personnel Costs	—	—	—
1. Salary adjustments	—	7,261	—
2. Benefit adjustments	—	2,646	—
Total Increase	—	9,907	9,907
B. Price Increase	—	11,251	11,251
C. Contract/Funding Changes	-664,797	-192,550	-857,347
Total Baseline Adjustments	-\$664,797	-\$171,392	-\$836,189
II. Budget Year Program Change Proposal	1,983,963	—	1,983,963
Total Change	\$1,319,166	-\$171,392	\$1,147,774
1981-82 Support Budget, MSSP	\$1,983,963	\$2,431,783	\$4,415,746
Total 1981-82 Support Budget, Secretary's Office and MSSP	\$3,651,165	\$2,766,181	\$6,417,346
Total Increase Over Estimated Current Year Expenditures Amount	\$1,400,588	-\$83,508	\$1,317,080
Total Increase Over Estimated Current Year Expenditures Percent	62.2%	-2.9%	25.8%

^a Chapter 1199, Statutes of 1977 (AB 998).

SECRETARY'S OFFICE SUPPORT

Salary Savings Underestimated

We recommend that the secretary's 1981-82 budget contain a 17.8 percent salary savings requirement, for a General Fund savings of \$254,490.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate and that not all positions will be filled for a full 12 months.

SECRETARY OF HEALTH AND WELFARE—Continued

Experience shows that savings will accrue due to the following factors: vacant positions, leaves of absence, turnover, delays in the filling of positions, the refilling of positions at the minimum step of the salary range, and—in the special case of the agency secretaries' offices—the use of positions borrowed from constituent departments. Therefore, to prevent overbudgeting, an estimate of salary savings is included in each budget as a percentage reduction in the gross salaries and wages amount.

Our analysis of the agency's *actual* salary savings experience in prior years indicates, as shown in Table 2, that the budget historically has underestimated what the salary savings are likely to be. For example, the 1979–80 budget proposed salary savings in the amount of \$88,224, while actual savings were \$285,149, a difference of \$196,925.

Table 2
Secretary of Health and Welfare
Actual Salary Savings in Prior Years
1976–77 to 1979–80

	<i>Estimated Salary Savings</i>		<i>Actual Salary Savings</i>	
	<i>Amount</i>	<i>Percent of Total Salaries and Wages</i>	<i>Amount</i>	<i>Percent of Total Salaries and Wages</i>
1976–77	\$10,073	2.5%	\$90,462	22.5%
1977–78	12,971	2.5	108,567	20.9
1978–79	23,167	2.8	32,023	3.9
1979–80	88,224	7.5	285,149	24.1
Average Salary Savings Percents		3.8%		17.8%

Source: Governor's Budget for fiscal years 1977–78 through 1981–82.

The salary savings projected for 1981–82 are \$43,583, or 3.2 percent of total salaries and wages. Given an average 17.8 percent savings from 1976–77 to 1979–80, our analysis indicates that the projected percentage understates probable salary savings. Based on past experience, we recommend that the 1981–82 budget for the Secretary of Health and Welfare contain a 17.8 percent salary savings requirement, for a General Fund savings of \$254,490, as shown in Table 3.

Table 3
Secretary of Health and Welfare
Projected Salary Savings
1981–82

	<i>Governor's Budget</i>	<i>Analyst's Proposal</i>
Total salaries and wages	\$1,355,602	\$1,355,602
Salary savings	–43,583 (3.2%)	–241,297 (17.8%)
Net Totals Salaries and Wages	\$1,312,019	\$1,114,305
Staff benefits	+376,582 (28.7%)	+319,806 (28.7%)
Total Personal Services	\$1,688,601	\$1,434,111
Difference	\$–254,490	

Proposed New Positions*We recommend:*

1. *The Health and Welfare Secretary submit for legislative review during budget hearings, a proposal to establish a sufficient number of permanent positions in the secretary's office to maintain business and mail services.*

2. *Deletion of the clerical position which is proposed for administration of the developmental disabilities state plan, but for which insufficient funds have been budgeted. Deleting these funds would allow for the full support of the proposed professional position as well as result in savings of \$8,120 in federal funds.*

Business and Mail Services. The administration is proposing to establish 2.5 positions for the secretary's office in the Department of Social Services' budget. These positions are requested to provide ongoing support to the secretary's office in the following areas: mail receiving and distribution, messenger service, typing, filing, equipment and supply purchasing, and inventory control.

Currently, the agency borrows six positions every year from the Department of Social Services (DSS) to perform these ongoing business and mail service functions. The agency reimburses DSS for four of these positions by prorating charges to its constituent departments to cover the costs of mail services. HWA pays for the other two positions out of its operating budget. Only one of the positions is an authorized, permanent position in DSS. The other five are administratively established on a yearly basis. Consequently, these positions have not been specifically reviewed and approved by the Legislature.

We are unable to advise the Legislature why the administration is: (1) proposing positions for the Secretary of Health and Welfare in the budget for the Department of Social Services, and (2) requesting 2.5 positions to perform functions currently being performed by six incumbents.

Furthermore, our analysis indicates that the present practice of prorating mail service charges and reimbursing DSS for the cost of these borrowed positions is needlessly cumbersome. Of the 11 departments or other constituent units in the Health and Welfare Agency, four pay nothing for mail services because the administrative cost of processing the necessary interagency agreements would exceed those departments' prorated charges.

We recommend that the number of positions needed to maintain business and mail services in the agency be established and budgeted as permanent positions in the secretary's office. This would entail one-time reductions in the base support budgets of the departments currently making annual payments to HWA for mail services. Due to the lack of adequate details in the administration's proposal, we are unable to recommend the position and budget adjustments which would be required. Therefore, we recommend that the secretary submit such a proposal for legislative review during budget hearings.

Agency Positions Requested. The secretary's office is requesting seven new positions for the budget year. Six of the positions have been administratively established in the current year. The position requests are underbudgeted. Table 4 details the position requests and the amount of underbudgeting.

We have identified the following problems with the agency's position request.

Administration of Developmental Disabilities State Plan. The secretary's office is requesting two positions (one professional and one clerical) for 1981-82 to perform administrative duties associated with implementation of the state plan on developmental disabilities. These positions have been established administratively during the current year. HWA will receive a reimbursement of \$50,000 in federal funds from the State Council on Developmental Disabilities (SCDD) to support these positions.

SECRETARY OF HEALTH AND WELFARE—Continued

Table 4
Secretary of Health and Welfare
New Positions Requested for 1981-82

	<i>Developmental Disabilities State Plan</i>	<i>Systems Review</i>	<i>Refugee Affairs</i>
Number of positions requested	2	1	4
Limited term	N/A	N/A	Until September 30, 1982
Current year costs	\$41,711 (8 months)	N/A	\$81,724 (6 months)
Budget year costs	\$50,000	\$21,524	\$161,319
Source of funds	Federal	General Fund	Federal
Amount underbudgeted for 1981-82	\$12,443	N/A	\$34,941

The agency has been identified in the state plan, as submitted to the federal government, as the state plan administering agency. The federal Developmental Disabilities Assistance and Bill of Rights Act (PL 95-602) limits the annual expenditure of federal funds for state plan administration to a maximum of \$50,000. The administration's expenditure proposal meets this requirement. Our analysis indicates, however, that \$50,000 is \$12,443 short of the amount required to support both positions in the budget year.

Currently in the secretary's office, there are approximately two clerical positions to every three professional positions (excluding the mail service employees). In addition, a new clerical position is being requested for the systems review unit. (On a workload basis, we recommend approval of this position.) Given the high clerical/professional ratio in the secretary's office and the insufficient funding proposed by the administration to support both the professional and clerical positions, we recommend deletion of the proposed clerical position. This deletion would allow for full support of the professional position during the budget year as well as result in savings of \$8,120 in federal funds.

Office of Refugee Affairs. Pursuant to Section 28 of the Budget Act of 1980, the Director of the Department of Finance (DOF), in a letter dated December 30, 1980, notified the Joint Legislative Budget Committee of her intention to authorize the expenditure of \$81,724 in federal funds during the current fiscal year to support four new positions (three professional and one clerical) in the agency's Office of Refugee Affairs (ORA). Although the letter notified the Legislature that four positions would be established, the proposed funds would support only three positions.

The secretary has requested continuation of the four positions for the Office of Refugee Affairs in 1981-82. According to budget documents, the positions are needed to facilitate conflict resolution and to coordinate the administration's management of issues that "involve policy decisions which transcend the authorities of several departments, and are highly political." The agency's budget proposal indicates that these positions are to be limited-term, through September 30, 1982.

Like the Section 28 proposal, the budget proposal includes sufficient funds to support only three of the four new positions (two professional and one clerical). Salary and full benefits were not budgeted for one of the staff services manager positions. We are unable to advise the Legislature how the administration intends to fund the unbudgeted position. We recommend that the Department of Finance clarify the source of funds for this position during budget hearings.

MULTIPURPOSE SENIOR SERVICES PROJECT

Chapter 1199, Statutes of 1977 (AB 998), required the Health and Welfare Agency to administer a pilot project which would develop information about effective methods to:

1. Prevent the premature institutionalization of older persons;
2. Assist older persons to live independently by assuring optimum accessibility to social and health resources available in the community; and
3. Assure the most efficient and effective use of public funds in providing such services.

The multipurpose senior services project (MSSP) is designed to achieve the goals of the statute. It is testing the effectiveness of the case management approach to delivering services to the elderly. Through MSSP, case management is integrated into the community's network of existing programs serving older persons in each of the eight MSSP sites.

Chapter 1199 was effective through December 31, 1980. Chapter 665, Statutes of 1980 (AB 565), extends MSSP through June 30, 1983.

Legislative Follow-Up

The Supplemental Report of the 1980 Budget Act required the Department of Finance (DOF) to conduct a comparative analysis of case management costs for programs administered by the Health and Welfare Agency. In a report dated December 15, 1980, DOF estimated case management costs in five programs: MSSP, regional centers, adult protective services, out-of-home care for children, and vocational rehabilitation.

The DOF analysis is silent with respect to the efforts made in the five programs reviewed to maximize the effectiveness of available case management resources. Neither does the report address the degree to which case management is perceived by the five programs as (1) a method of service coordination and integration across programs, or (2) an innovation which has improved the quality or effectiveness of service delivery.

The Department of Finance was not specifically required to investigate the relationship of case management to service delivery. By not giving attention to this relationship, however, DOF has not responded to the concerns which formed the basis for the Legislature's adoption of language in the Supplemental Report of the 1980 Budget Act to require a study of case management costs. Specifically, nothing in the report suggests whether case management increases the utilization of existing services or the overall level of service availability. Based on our review and the current trend toward increased reliance on case management in the delivery of social services, we conclude that the state needs to develop the capacity to evaluate the relative benefits of this approach across programs.

Client Caseload Acquisition Delayed

A maximum client caseload has been assigned to each MSSP site. Each site's staffing level and budget is based on its assigned caseload. The initial target date for full caseload acquisition was January 31, 1981. Currently, the projected date is March 31, 1981. The state MSSP unit is considering "freezing" caseload at the number of cases actually acquired by the March date.

As required by the Supplemental Report of the 1980 Budget Act, the state MSSP unit submitted, on November 20, 1980, the first quarterly report regarding its implementation progress. Table 5 summarizes each site's progress with respect to caseload acquisition as of October 31, 1980.

SECRETARY OF HEALTH AND WELFARE—Continued

Table 5
Multipurpose Senior Services Project
Status of Client Caseload Acquisition
As of October 31, 1980

<i>Site</i>	<i>Site Became Operational</i>	<i>Maximum Client Capacity</i>	<i>Targeted Caseload</i>	<i>Actual Caseload</i>	<i>Actual As Percent of Targeted</i>	<i>Initial Implementation Problems</i>
Senior Care Action Network, Long Beach.....	May	350	200	110	55%	Delays in completing assessments and in selecting clients from hospitals
Mt. Zion Hospital, San Francisco	May	350	200	150	75	Hospitalized clients did not meet MSSP selection criteria
Jewish Family Services, Los Angeles	April	300	150	142	94.7	Delays in completing assessments, change in personnel
San Diego Area Agency on Aging	September	300	100	66	66	Delays due to county contract procedures and civil service requirements
City of Oakland	May	200	110	52	47.3	Site director resigned, delays in finalizing agreements with hospitals
East Los Angeles Health Task Force	April	200	120	69	57.5	Long illness of supervising case manager, disrupted relationship between MSSP and ELAHTF, audit and investigation of ELAHTF
Santa Cruz County Department of Social Services.....	August	100	40	39	97.5	Personnel changes
Greater Ukiah Senior Citizens Center	July	100	40	37	92.5	Lack of adequate emergency IHSS
Totals		1,900	960	665	69.3%	

Source: MSSP quarterly report, November 20, 1980.

The state MSSP unit expects all the sites, with the possible exception of Oakland, to have acquired their full caseload by the new March 31, 1981 target date. Clients are to be selected in four phases as depicted in Table 6.

Table 6
Multipurpose Senior Services Project
Client Phase-In Plan

<i>Phase</i>	<i>Source</i>	<i>Proportion of Total From Each Source</i>
1	Community	25%
2	Hospitals.....	40
3	Skilled Nursing Facilities	10
4	"Targeted Community" ^a	25

^a This category allows the sites to seek clients of varying levels of functional impairment so as to assure a statistically balanced distribution of "frailty" among clients from all sources.

The client phase-in plan is intended to assure that the client population will represent a group which is the most frail and most at-risk of being institutionalized, among the eligible population. Problems in identifying and securing the participa-

tion of such clients have contributed to the delays in acquisition of a full statewide caseload of 1,900 clients.

Client Characteristics

Table 7 reports selected characteristics of the first client group, based on client data submitted by the sites.

Table 7
Multipurpose Senior Services Project
Characteristics of First Client Group
As of October 31, 1980^a

<i>Characteristic</i>	<i>Number</i>	<i>Percent</i>
<i>Sex</i>		
Male	210	30.2%
Female	486	69.8
Total	696	100%
<i>Functional Level</i>		
High	249	35.8%
Medium	220	31.6
Low	161	23.1
No data	66	9.5
Total	696	100%

Average age: 79.1 Years^b

^a The total number of 696 clients includes clients who were terminated subsequent to their initial acceptance into the project. The total number of active clients as of October 31, 1980 was 665, as shown in Table 5.

^b Based on data from first 327 assessment forms.
Source: MSSP client lists

Special Services

"Special services" refers to those services which, if made available to a client, would contribute to that client's ability to remain relatively independent but for which funding is not available through an existing source. In such cases, sites have access during the current year to two funding sources from which to purchase appropriate services: Title III-B of the Older Americans Act and the state General Fund. Only the General Fund will be available for this purpose beginning in 1981-82.

For the current year, \$2,153,239 (\$454,214 from Title III-B, and \$1,699,025 from the General Fund) was budgeted for purchase of special services. As of November 30, 1980, the sites had actually expended \$3,150 for this purpose. The state MSSP unit anticipates that spending on special services will increase significantly after March 31, 1981, when the focus at the site level will shift from caseload acquisition to case management.

Currently, the most commonly purchased special service is medical transportation. This service is not normally a Medi-Cal benefit; consequently, since it was not included in MSSP's definitions of waived services, it is not Title XIX-reimbursable. (Ten services which are not normally Title XIX-reimbursable are funded under Title XIX in MSSP, pursuant to a waiver agreement between MSSP and the U.S. Department of Health and Human Services.)

Medical transportation is the only special service to date which has been defined by the state MSSP unit. For purchase of undefined special services, sites must secure prior approval from the state. The types of special purchases which the MSSP sites have made with Title III-B or General Fund monies include emergency dentures, non-Medi-Cal pharmaceuticals, special shoes, and nonprescription medi-

SECRETARY OF HEALTH AND WELFARE—Continued

cations. Some of the more “nontraditional” expenditures have been for one-time purchases such as utility connect charges, rabies shot and dog license, box springs and mattress, and craft supplies.

General Fund Request for 1981–82

We recommend that the amount of additional support requested for purchase of special services in the multipurpose senior services project be reduced from \$1,983,963 to \$1,543,963, for a General Fund savings of \$440,000. We further recommend Budget Act language requiring the Director of Finance to reduce this appropriation further by the amount of actual General Fund savings realized during the current year.

The budget proposes a \$1,983,963 General Fund augmentation to maintain the project’s capacity to purchase special services for MSSP clients. Special services are supported 100 percent by either the state General Fund or, in the current year only, by funding from Title III-B of the Older Americans Act (OAA). The amount of the General Fund augmentation was based on the following assumptions:

1. Current year purchase of special services will deplete the current year allotment of \$2,153,239 for that purpose (\$454,214 in Title III-B/OAA funds, \$664,797 remaining from the original appropriation in Chapter 1199/1977, and \$1,034,228 from Section 10.08 of the 1980 Budget Act).

2. The sites will spend the maximum average of \$106 per client per month during the budget year. This would amount to 22,800 client months at \$106 each, or a total of \$2,416,800. At the time the request was prepared, MSSP’s projection of General Fund carryover into the budget year indicated that the *additional* amount needed from the General Fund for 1981–82 would be \$1,983,963.

Current Year Funds Available. In a memorandum dated January 6, 1981, MSSP notified the budget bureau in the Department of Social Services (DSS provides budgeting services to the secretary’s office, including MSSP) that the original request for additional General Fund support in 1981–82 could be reduced to \$1,543,963, or \$440,000 less than initially requested. This was based on the fact that, of \$443,150 which had been budgeted for the purchase of special services during the period July through November 1980, only \$3,150 had been expended. The remaining \$440,000 would be carried forward into the budget year.

Our analysis indicates that MSSP’s General Fund savings in the current year will exceed \$440,000. Experience to date indicates that the sites are relying more heavily on *existing* social and health services than was anticipated. Therefore, we conclude that it is reasonable to assume that project savings as of June 30, 1981 will exceed MSSP’s current projection of \$440,000.

In addition to recommending that MSSP’s request for a General Fund augmentation for 1981–82 be reduced by the \$440,000 in savings realized during the first five months of the current year, we further recommend that the following Budget Bill language be added to Item 053-001-001:

“Provided that funds appropriated by this item shall be reduced by the Director of Finance by the amount of actual General Fund savings from the purchase of special services category of MSSP expenditures during 1980–81.”

Alternate In-Home Supportive Services

We recommend supplemental report language requiring the multipurpose senior services project to report to the Legislature by December 15, 1981, on actual expenditures and service utilization in its alternate in-home supportive services program exclusively for MSSP clients.

In-home supportive services (IHSS) refers to the provision of basic household and personal care services by trained individuals. The services are provided in the clients’ residences. The demand among MSSP clients for in-home supportive services is such that the state MSSP unit is in the process of establishing an “alternate,”

or "back-up," IHSS program specifically for MSSP. Through an interagency agreement between MSSP and the Department of Social Services (DSS), the alternate IHSS program will be jointly funded under Title XIX as a waived service, as well as under Title XX as an "existing" social service.

The alternate IHSS program was developed in response to site-level implementation problems, among which were:

1. Disputes between county welfare department (CWD) staff and MSSP case managers regarding the level or scope of client need; and
2. Cases of service providers under CWD administration not being located and assigned within the time frame that the MSSP case managers deemed appropriate.

To enable the sites to increase services or to meet an individual provider's demand for a higher hourly wage—and, thus, not have to find a new provider for the client—the state MSSP unit is establishing an IHSS back-up system. The funding mechanism for the alternate system will allow the sites to bill the state MSSP unit for the full costs of the service hours awarded *as determined by the sites*. The billing will identify separately the cost of the proposed county award (Title XX) and the cost of the supplemental award (Title XIX). The state MSSP unit then will bill the Department of Social Services (the Title XX administering agency) for the costs of the proposed county award and will bill the Health Care Deposit Fund in the Department of Health Services (the Title XIX administering agency) for the difference.

Potentially Significant Fiscal Impact. To date, IHSS is one of the two or three services most utilized by MSSP clients. The establishment of an alternate, potentially higher cost, IHSS program as part of MSSP may have a significant fiscal impact on the costs of the statewide IHSS program.

Given legislative concern over the cost of the existing IHSS program, the alternate IHSS program warrants continuing legislative review. This is particularly true given that, by design, the alternate program will be more costly than the existing program due primarily to: (1) the lack of a limit on maximum monthly dollar awards, and (2) uncontrolled provider wage rates. Therefore, we recommend adoption of the following supplemental report language.

"The multipurpose senior services project (MSSP) shall report to the Legislature no later than December 15, 1981 on: (1) the date on which the alternate in-home supportive services (IHSS) program became effective; (2) the total number of MSSP client months between the alternate IHSS effective date and October 31, 1981; (3) the percentage of MSSP client months for which IHSS benefits were awarded under the alternate system; (4) a breakdown of the portion of hours of service provided and expenditures reimbursed under Title XX funding compared with Title XIX funding; and (5) a summary of reasons for authorizing hours of service in excess of those authorized by county welfare departments and the number of clients to which each reason applies."

Control Systems Contract Delayed

We recommend that (1) the agency report to the Legislature during budget hearings on the status of the multipurpose senior services project's control systems development, and (2) supplemental report language be adopted requiring the agency to report to the Legislature by December 1, 1981 on (a) the obstacles which the project has encountered in developing the information control systems necessary for operations research, and (b) its recommendations for simplifying this process for purposes of future policy-oriented research.

The design of the multipurpose senior services project emphasizes the generation of new information to be used in improving the state's existing system of providing long-term care services to elderly and disabled individuals. A total of \$3,890,716 has been budgeted over the five-year life of the project to cover the costs of the following information control systems activities:

SECRETARY OF HEALTH AND WELFARE—Continued

1. Formation and monitoring of a control, or comparison, group of 2,300 persons;
2. Operations research and statistical analysis;
3. Computer equipment for the automated management information system; and
4. Special analyses, such as determining the costs per unit of service and developing methods for measuring the qualitative aspects of care.

In September 1980, after several delays, the state MSSP unit issued a request for proposals (RFP) which required bidders to form consortia and bid on a package of the four control systems components listed above. Eighteen organizations were represented at the bidders conference on September 24, but MSSP received only two proposals by the November 14, 1980 deadline. The Department of General Services disqualified one of the proposals on the grounds that it contained a "material deviation" (meaning, in this case, that the contractor would not accept a fixed price for a fixed number of the comparison group interviews). The proposals review committee determined that the remaining proposal did not meet the requirements of the project. Therefore, the procurement process was canceled on December 23, 1980.

Interim Arrangements. Early in the development of the project, the state MSSP unit had entered into an interagency agreement with the California State University and Colleges (CSUC) to provide interim data processing services. Due to the initial delays in obtaining approval to release the control systems RFP, MSSP subsequently broadened the scope of the interagency agreement with CSUC to include formation of the comparison group, phase one.

At the time this analysis was written, the state MSSP unit was uncertain of how to resolve the problem of being without a contractor for the project's control systems development. The 1981-82 fiscal year will be the only year of MSSP operations at full capacity. In order for the operations research and special analytical studies to be meaningful—in the sense of actually yielding the information mandated by the Legislature in Chapter 1199/1977—the contractor for these components should be available no later than July 1, 1981, and preferably sooner.

The state MSSP unit has encountered a number of obstacles in implementing the control systems component of the project. To the extent that such problems are not unique to MSSP, they have implications for decision making with respect to research and demonstration projects which the Legislature may wish to have the administration undertake in the future. Therefore, we recommend that (1) the state MSSP unit report during budget hearings on the status of its control systems development; and (2) the following supplemental report language be adopted:

"The agency shall provide the following information to the Legislature by December 1, 1981: (a) a chronology of multipurpose senior services project control systems development activities and milestones, (b) an explanation of the obstacles to implementation of these systems encountered so far, (c) the extent to which it was possible either to remove such obstacles or to find suitable alternatives within the necessary time frame, (d) the extent to which existing legislation and/or administrative regulations impeded control systems development, and (e) recommendations for improving the state's capacity to facilitate expeditious development of the information control systems required to conduct research for its own policy development purposes."

ROLE OF THE HEALTH AND WELFARE AGENCY SECRETARY'S OFFICE SUPERVISION OF CONSTITUENT DEPARTMENTS

We recommend that the Health and Welfare Secretary report to the fiscal committees during budget hearings on steps the secretary's office has taken to correct the existing operations deficiencies in the Health and Welfare Agency Data Center and the operations and fiscal management deficiencies in the Department of Aging.

We further recommend Budget Bill language directing the agency secretary to secure consulting services for the purpose of (1) performing a comprehensive review of the management and operations of the Health and Welfare Agency Data Center, and (2) reporting to the agency and the Legislature the consultant's findings and recommendations for improving the data center's management and operations.

Government Code Section 12800 et. seq., provides for four agencies to be established in state government, including the Health and Welfare Agency (HWA). Chapter 1252, Statutes of 1977 (SB 363), provided for extensive reorganization of the Health and Welfare Agency and its constituent departments. In response to Chapter 1252, the administration established the Youth and Adult Correctional Agency, thereby increasing the total number of state agencies to five.

The Government Code further provides that each agency secretary has the general power of supervision over, and is directly responsible to the Governor for, the operations and sound fiscal management of each department, office, or other unit within his or her agency.

Our analysis indicates that the Health and Welfare Agency Secretary's Office has not exercised its statutory authority effectively in supervising the operations and management of the Health and Welfare Agency Data Center and the Department of Aging.

Data Center Operations Must be Stabilized

The various customer departments of the Health and Welfare Agency Data Center, the federal Department of Labor (which funds the data center's largest customer, the Employment Development Department), and private-sector computing experts are in agreement that the Health and Welfare Agency Data Center is experiencing serious management and operational problems which are severely limiting its effectiveness. Moreover, the ineffectiveness of the data center is having an adverse impact on numerous programs within the agency's constituent departments.

Data center deficiencies were discussed in our *Analysis of the 1980-81 Budget Bill*, and the Legislature adopted supplemental report language encouraging the agency to secure consulting assistance to assess data center performance in specified functional management areas. The agency did not implement this recommendation despite the general acknowledgement that deficiencies in data center operations were continuing. Our review indicates that some of the problems which continue to exist were identified as early as June 1979 in a study of the data center performed by Boeing Computer Services (BCS). In a December 1980 report to the agency secretary, BCS confirmed once again the continued existence of serious problems affecting data center performance.

Potential for Crisis. The Employment Development Department (EDD) is the center's largest customer with estimated annual data center costs of \$7.9 million, approximately 59 percent of the data center's current budget. On November 6, 1980, the regional administrator of the Employment and Training Administration (the Department of Labor entity which oversees federal funding of EDD operations) wrote to the Secretary of the Health and Welfare Agency expressing concern that the continued poor performance of the data center has resulted in a situation that "... is headed for a crisis unless there is a significant change in the way that computer processing services are provided to the Employment De-

SECRETARY OF HEALTH AND WELFARE—Continued

velopment Department. . . .” The letter states that data center service has been poor, costs have escalated, security is not adequate, and data center management has “. . . consistently failed to do the analysis and planning required for orderly capacity growth within reasonable cost limits.”

This letter followed extensive correspondence over the past three years between EDD and the data center regarding alleged inadequate service levels and deficiencies in data center operations. Although some of the responsibility for the “problems” cited by EDD must be shared by the department, our review of the documentation on EDD’s problems, together with information obtained from other customer departments, leads us to conclude that EDD’s perception of data center deficiencies is, for the most part, accurate.

Negative Fiscal Impact. The primary objective of establishing the Health and Welfare Agency Data Center in January 1978 was to provide a more cost-effective computing capability than would be provided if management and operation of computing resources were allowed to function independently in the various departments.

One example of the negative fiscal impact of the data center’s operations is EDD’s California Automation of Service Team (CAST) project. This project was designed to provide employment services with automated capabilities, including the ability to maintain local client data bases. The department decided to test the concept in selected, or pilot, offices. The pilot operations began in late 1979.

Data center service reliability has been a constant issue since the project began. Service to clients was disrupted and productivity was reduced in the pilot offices as the result of unreliable data center service. Therefore, EDD reluctantly shifted some of its processing workload from the data center to the pilot offices. This was contrary to the original plan, and the shift required extra computing equipment in field offices, at additional costs to the state. Moreover, EDD had to contract with a private consulting firm specializing in on-line software systems to review CAST performance, a service which should be available from staff in the data center.

Recommendation. In our analysis of the data center’s budget item, we recommend a cap on the data center’s budget until needed improvements in both the data center and agencywide data processing management have been made and center operations have been stabilized. This funding cap will enable data center management to concentrate on needed improvements, rather than react constantly to new service requests.

Given the statutorily mandated role of the Health and Welfare Secretary, we recommend that he report to the fiscal committees during budget hearings on steps his office is taking to remedy the current deficiencies in management and service operations in the Health and Welfare Agency Data Center. We further recommend that a comprehensive review of data center operations be performed by qualified consultants. To accomplish this, we recommend that the following Budget Bill language be added to Item 053-001-001:

“Provided that the agency secretary shall secure consulting assistance no later than September 1, 1981 to perform a comprehensive review of the management and operations of the Health and Welfare Agency Data Center. This review shall include the areas of recovery procedures, equipment capacity management, performance criteria, data communications, security, organization and staffing, management reporting, change control, customer support, planning, the adequacy of funding, the proper role of the agency and member departments in a consolidated data center environment, extended hours of operation, and the reasonableness of current data center plans when viewed in the context of departmental computer access requirements and the consideration of alternatives to continued expansion of the data center; provided further, that the

contract for consulting assistance shall require written progress reports and a final report of findings and recommendations for improving data center performance to be submitted to the agency secretary, the fiscal committees of the Legislature, and the Joint Legislative Budget Committee."

Department of Aging's Program Operations and Fiscal Management Need Improvement

The state administration of aging programs funded under the federal Older Americans Act (OAA) has been the subject of numerous management reviews and fiscal and performance audits—beginning in 1973 and continuing through 1981.

In the current year, the Office of the Auditor General (OAG) has been working on a comprehensive performance audit of the California Department of Aging (CDA). OAG's report, which is scheduled to be issued in April 1981, will contain an analysis of all aspects of CDA's program and fiscal management. In addition, the agency's systems review unit (SRU) investigated specific problem areas in the department during July 1980 and proposed solutions to the secretary. SRU currently is overseeing efforts to implement portions of the solutions it proposed.

Substantial Improvement Lacking. We have reviewed reports prepared by six state and federal administrative agencies, as well as by OAG and our office, over an eight-year period, from 1973–1980. Our analysis of 275 recommendations (administrative issues represent approximately 95 percent of the total recommendations) made by these agencies indicates that the Department of Aging has failed to improve overall program operations substantially or to establish adequate fiscal controls. Table 8 summarizes these administrative recommendations.

Table 8
Recommendations to Improve the Administration
of Older Americans Act Funds in California
1973–1980

<i>Area</i>	<i>Recommendations Related to Area</i>	
	<i>Number</i>	<i>Percent</i>
Organization and management of state unit on aging, area agencies on aging, and subgrantees	86	31.3%
Fiscal controls	79	28.7
Compliance with state and federal laws and regulations	25	9.1
Coordination with other state agencies	17	6.2
Area plans and funding approval	16	5.8
Needs assessment and planning	14	5.1
Contracts	13	4.7
Audit concerns	10	3.6
Communication with federal government and grantees	8	2.9
Maximization of federal funds	7	2.6
Totals	275	100%
Overall program operations recommendations	(166)	(60.4)
Fiscal control recommendations	(109)	(39.6)

The nature of the recommendations made during 1980 are similar to those made in prior years. Consequently, we conclude that the same deficiencies in program operations and fiscal management have persisted over time, even into the present. In many cases, senior citizens are dependent on the continued availability of services which are monitored by CDA. To the extent that deficient program operations and fiscal controls impede the department's ability to perform this monitoring function adequately, the local service providers experience such problems as cash flow difficulties, violations of health and safety standards, and perpet-

SECRETARY OF HEALTH AND WELFARE—Continued

ual "crisis" management. In such situations, it is the senior citizens themselves who suffer the negative consequences of CDA's deficiencies. The department's apparent incapacity to correct these deficiencies thwarts the Legislature's ability to assure California taxpayers that tax revenues appropriated for aging programs in this state are being competently administered and expended in a timely fashion.

The Health and Welfare Secretary is generally responsible, according to statute, for the operations and sound fiscal management of the Department of Aging. Given the program and fiscal management problems in CDA and the fact that these problems have been repeatedly identified and analyzed by both the administration and the Legislature, we recommend that the Health and Welfare Secretary report to the fiscal committees during budget hearings on steps the secretary's office has taken to correct the existing operations and fiscal management deficiencies in the Department of Aging.

Governor's Office
SECRETARY OF RESOURCES

Item 054 from the General

Fund	Budget p. LJE 27
Requested 1981-82	\$1,160,934
Estimated 1980-81	1,093,201
Actual 1979-80	964,770
Requested increase (excluding amount for salary increases) \$67,733 (+6.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Coordinated Maintenance. Recommend adoption of supplemental report language requesting the Resources Agency and Department of Transportation to report on the implementation of coordinated maintenance programs involving the Departments of Forestry, Parks and Recreation, Water Resources and Transportation.

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GENERAL PROGRAM STATEMENT

The Secretary of Resources, as the administrative head of the Resources Agency, is responsible directly to the Governor for the state's activities relating to the management, preservation and enhancement of California's air, water and land; its natural, wildlife, and recreational resources; and general coordination of environmental programs. The Secretary is a member of the Governor's Cabinet.

The Resources Agency is composed of the following units:

Department of Conservation
 Energy Resources Conservation and Development Commission
 Department of Fish and Game
 Department of Forestry
 Department of Boating and Waterways
 Department of Water Resources
 Air Resources Board

California Coastal Commission
Colorado River Board
Santa Monica Mountains Conservancy
State Coastal Conservancy
State Lands Division
State Water Resources Control Board and nine regional water quality control boards
Solid Waste Management Board
California Conservation Corps

In addition, the Secretary's office is the liaison point in the administration for the San Francisco Bay Conservation and Development Commission. By statute the secretary is responsible for allocating open-space subventions among cities and counties on the basis of those prime and nonprime lands which are found eligible for subventions, and for allocating money in the Environmental License Plate Fund.

The Secretary issues the state guidelines for preparation of environmental impact reports and designates the classes of activities which receive blanket exemption from the preparation of environmental impact reports. The Waterways Management Planning program and several miscellaneous programs including certain activities in the Lake Tahoe basin are budgeted in the Secretary's office.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,160,934 from the General Fund to support the Secretary's office in 1981-82. This is an increase of \$67,733, or 6.2 percent, above the estimated current year expenditure. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The increase includes \$17,280 for the cost of tuition, fees, books and supplies for the academic element of the interdepartmental management development program. This program, funded in 1979-80 and 1980-81 by a federal Intergovernmental Personnel Act grant, provides up to twelve employees from the departments of the agency with two years of executive training combined with graduate study leading to a masters degree in environmental planning.

Budgeted total expenditures (including reimbursements) are proposed to decrease by \$80,917 (6.4 percent), from \$1,345,851 to \$1,264,934, primarily because a one-time federal grant received in 1980-81 is not continued in the budget year. This grant provided \$113,000 to develop a model program to expedite applications for dredge and fill permits.

Staffing in the Secretary of Resources office is proposed at 25.5 personnel-years for the budget year. This is the same number of positions authorized for 1980-81.

Future Savings

We recommend that supplemental report language be adopted directing the Resources Agency and the Department of Transportation to report on the implementation of, and savings resulting from, coordinated maintenance programs involving the Departments of Forestry, Parks and Recreation, Water Resources and Transportation.

The Supplemental Report of the 1979 Budget Act requested the Resources Agency and the Department of Transportation to study the feasibility of establishing a contractual arrangement for maintenance. The study was to consider but not be limited to: "(1) the degree to which equipment, facilities and staff currently administered by the Departments of Forestry, Parks and Recreation, Water Resources and Transportation can be consolidated and/or coordinated and (2) the potential savings which could result from such coordination." The supplemental report requested that the study be submitted to the Legislature by December 1, 1979 and that the savings identified by the study be incorporated into the respec-

SECRETARY OF RESOURCES—Continued

tive departments' budget requests for fiscal year 1980-81.

A study was submitted by the participating agencies on February 29, 1980. The report indicated that because of time constraints the scope of the study was limited to the general feasibility of coordination and/or consolidation of maintenance activities. Although the report concluded that joint utilization of staff, equipment and facilities is feasible, it does not contain specific recommendations for consolidation on contractual agreements, nor does it identify savings.

After the report was submitted, an interdepartmental steering committee with three subcommittees was formed to develop and implement the actions necessary to meet the goals specified in the supplemental report. Although progress has been made in the coordination of facilities use, there has been relatively little progress made in the area of equipment operation and staffing. Steering committee members indicate that progress in coordinating these activities is dependent on a task force report on interdepartmental coordination of accounting and fiscal practices expected in February 1981. No savings from coordination and/or consolidation of activities are projected in either the 1980-81 or the 1981-82 budget.

Our analysis indicates that the coordination of maintenance activities has the potential for more effective utilization of existing facilities, equipment and staff, and should result in savings to the state. According to the participants' own report, such coordination is feasible and can be implemented. Consequently, we recommend that the Resources Agency and Department of Transportation expedite their efforts to implement contractual arrangements for maintenance. We further recommend adoption of the following supplemental report language:

"The Resources Agency and the Department of Transportation shall submit a report to the fiscal committees and the Joint Legislative Budget Committee by September 1, 1981 detailing the implementation of a coordinated maintenance program. The report shall include but not be limited to:

- (1) the degree to which equipment, facilities, and staff currently administered by the Departments of Forestry, Parks and Recreation, Water Resources, and Transportation have been consolidated and/or coordinated,
- (2) the anticipated savings resulting from such coordination for 1981-82 and 1982-83, and
- (3) the potential for additional coordination among participating departments as well as coordination with other departments."

Environmental Protection Program

The Secretary of the Resources Agency is responsible for administering the California Environmental Protection Program. Revenue for this program is derived from the sale of personalized motor vehicle license plates by the Department of Motor Vehicles (DMV), and is deposited in the California Environmental License Plate Fund (ELPF). The DMV is reimbursed for administrative costs incurred in the sale or transfer of the license plates. The balance of the revenue is available for appropriation upon recommendation of the Secretary, consistent with the purposes of the Environmental Protection Program. These purposes, established by Chapter 1105, Statutes of 1979, are as follows:

- (a) The control and abatement of air pollution, including all phases of research into the sources, dynamics, and effects of environmental pollutants.
- (b) The acquisition, preservation, restoration, or any combination thereof, of natural areas or ecological reserves.
- (c) Purchase of real property for park purposes on an opportunity basis or the acquisition of public accessways to coastal areas.
- (d) Environmental education, including formal school programs and informal

public education programs.

- (e) Enhancement of renewable and nonrenewable resources.
- (f) Protection of nongame species and rare and endangered plants and animals.
- (g) Protection of wildlife habitat, including review of the potential impact of development projects and land use changes on such habitat.

The Resources Secretary reviewed forty projects proposed for 1981-82 and approved sixteen which are listed in Table 1. The table also shows estimated 1981-82 revenues, expenditures and the remaining surplus. Each project is discussed as appropriate within the analysis of the department receiving the funds.

Table 1
California Environmental License Plate Fund
1981-82

I. Resources	
Accumulated surplus, July 1, 1981.....	\$2,709,149
Estimated revenues	11,370,700
Total Estimated 1981-82 Resources Available	\$14,079,849
II. Budgeted Program Expenditures	
A. Administration—Department of Motor Vehicles	4,374,999
B. Program Costs (included in budgets of agencies as designated)	
(1) Air Resources Board—air pollution research projects	1,443,450
(2) California Coastal Commission—coastal access program	188,600
(3) California Coastal Conservancy—Aliso Greenbelt Trail System	170,750
(4) California Public Broadcasting Commission	100,000
(a) Environmental Reporter—Radio	(50,000)
(b) Television Documentary	(50,000)
(5) Department of Conservation—wind erosion and fugitive dust suppression	145,000
(6) Department of Education—environmental grant program	500,000
(7) Department of Fish and Game	2,770,721
(a) Environmental review and evaluation	(1,335,869)
(b) Ecological reserve acquisition	(750,000)
(c) Instream flow analysis	(309,220)
(d) Natural areas office	(375,632)
(8) Department of Forestry—soil erosion study	157,104
(9) Department of Parks and Recreation	1,400,000
(a) Madrona Marsh—land acquisition and planning	(1,100,000)
(b) Oakland Museum, Hall of Ecology	(300,000)
(10) Department of Transportation—Sierra County Vista Point	197,725
(11) Office of Appropriate Technology—Biofuels/Soil Conservation Study	143,920
Total Program Expenditures	\$7,217,270
C. Total Expenditures	\$11,592,269
III. Estimated Accumulated Surplus Available, June 30, 1982	\$2,487,580

Fund Surplus

As Table 1 indicates, the Governor's Budget projects a June 30, 1982, accumulated surplus of \$2,487,580. This figure has not been adjusted to reflect the effect of the lump sum salary increases provided by Chapter 192, Statutes of 1979. These revenue projections shown in Table 1 may be revised during legislative budget hearings to reflect changes in personalized license plate sales during the current year and interest income earned from the Pooled Money Investment Account.

Governor's Office
SECRETARY OF THE YOUTH AND ADULT
CORRECTIONAL AGENCY

Item 055 from the General

Fund

Budget p. LJE 29

Requested 1981-82	\$638,260
Estimated 1980-81	602,220
Actual 1979-80	141,111
Requested increase (excluding amount for salary increases) \$36,040 (+6.0 percent)	
Total recommended increase	None

GENERAL PROGRAM STATEMENT

The Secretary of the Youth and Adult Correctional Agency provides coordination and policy direction for the following boards, commission, and departments:

- Department of Corrections
- Department of the Youth Authority
- Board of Prison Terms
- Youthful Offender Parole Board
- Board of Corrections
- Correctional Industries Commission
- Narcotic Addict Evaluation Authority

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$638,260 from the General Fund for support of the Secretary of the Youth and Adult Correctional Agency in 1981-82. This is an increase of \$36,040, or 6.0 percent, above estimated current-year expenditures. In addition, the agency will receive reimbursements of \$49,540 from the State Personnel Board, resulting in a total expenditure of \$687,800. The budget proposes continuation of the 11 personnel years currently authorized. The General Fund increase is primarily for merit salary and price adjustments, and appears to be reasonable. The proposed amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Governor's Office
OFFICE FOR CITIZEN INITIATIVE AND
VOLUNTARY ACTION

Item 056 from the General
Fund

Budget p. LJE 30

Requested 1981-82	\$169,538
Estimated 1980-81	153,549
Actual 1979-80	108,535
Requested increase (excluding amount for salary increases) \$15,989 (+10.4 percent)	
Total recommended reduction	\$84,769

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Six Months Funding. Reduce Item 056-001-001 by \$84,769 and Item 056-001-890 by \$12,500. Recommend budget provide support for the office through December 31, 1981, when the authorization contained in existing law expires.* 58

GENERAL PROGRAM STATEMENT

Chapter 1195, Statutes of 1978, which is known as the California State Government Volunteers Act, requires state agencies to maximize the involvement of volunteers in state government. It created an Office for Citizen Initiative and Voluntary Action to succeed the Governor's Office of Volunteerism, which was established administratively in August 1977. Chapter 1195 specifies that the office will terminate on December 31, 1981.

The office is supported by the General Fund and a grant from ACTION, the federal agency that provides financial assistance to state volunteerism offices.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of \$169,538 for the Office for Citizen Initiative and Voluntary Action (OCIVA) in 1981-82. This is \$15,989, or 10.4 percent, more than the estimated current-year expenditure. In addition to the General Fund appropriation, the office anticipates receiving \$25,000 from ACTION, for a total expenditure program of \$194,538 in 1981-82. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

According to the Governor's Budget, OCIVA will receive a total of \$159,860 from ACTION during the current year. This amount consists of (1) a one-time \$134,860 grant to allow the office to stimulate volunteer involvement in efforts to resettle Indochinese refugees, and (2) \$25,000 for support.

In December 1980, the Department of Finance notified the Joint Legislative Budget Committee that, during the current year, OCIVA would be receiving an additional \$44,650 from ACTION to supplement the support grant. Pursuant to language in the 1980 Budget Act, the receipt of this amount automatically results in a commensurate savings to the General Fund. However, neither the additional grant nor the General Fund reversion is identified in the Governor's Budget.

OFFICE FOR CITIZEN INITIATIVE AND VOLUNTARY ACTION—Continued

New Legislation Required

We recommend that Item 056-001-001 be reduced by \$84,749 (General Fund) and that Item 056-001-890 be reduced by \$12,500 in order to limit funding to the six-month period (July 1, 1981, through December 31, 1981) for which OCIVA is authorized under existing law. We further recommend that if the Legislature enacts legislation to continue OCIVA beyond December 31, 1981, support funding be included in the legislation.

OCIVA was established by Chapter 1195, Statutes of 1978. The statutes included a sunset clause which terminates OCIVA on December 31, 1981. The Budget Bill, however, includes funding for OCIVA through June 30, 1982.

The Legislature generally has followed the policy that appropriations in the budget should be based on existing statutory authority, and any costs attributable to new legislation should be included in the new legislation. Accordingly, we recommend that funding for the January through June 30 period be deleted from the Budget Bill. Specifically, we recommend that Item 056-001-001 be reduced by \$84,769 and that Item 056-001-890 be reduced by \$12,500. This would leave adequate funds to support the program for that period of time authorized by existing law (July 1, 1981, through December 31, 1981). We recommend that, if the Legislature enacts legislation to continue OCIVA beyond the statutory termination date, funds for the remaining six months of 1981-82 be provided in the legislation itself.

The General Fund amount recommended for deletion is equal to one-half of the ongoing General Fund support (\$169,538) proposed in the budget. The amount recommended for approval—\$84,769—would provide support for a full complement of staff during the first six months of 1981-82. It does not reflect any "wind-down" savings that would occur if the Legislature allows the program to terminate as provided by existing law. Approval of our recommendation would provide for continuity in OCIVA's activities if the Legislature acts to extend the office beyond December 31, 1981.

SOUTHWEST BORDER REGIONAL COMMISSION

Item 059 from the California

Economic Development

Grant and Loan Fund and

Federal Trust Fund

Budget p. LJE 32

Requested 1981-82	\$217,580
Estimated 1980-81	\$268,075
Actual 1979-80	248,916
Requested decrease (excluding amount for salary increases) \$50,495 (-18.8 percent)	
Total recommended reduction	None

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
059-001-922—State participation fee		California Economic Development Grant and Loan	\$50,000
059-001-890—California Office Support		Federal Trust	167,580
Total			\$217,580

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Underbudgeted Operating Expenses. Recommend one position be deleted and its funding reallocated to operating expenses in order to meet projected costs of running the state office. 59

GENERAL PROGRAM STATEMENT

The Southwest Border Regional Commission (SWBRC) is a regional economic development commission established by Congress under Title V of the Public Works and Economic Development Act of 1965. Consisting of those counties in California, New Mexico, Arizona and Texas that border on (or are in close proximity to) Mexico, the SWBRC has formulated a regional economic development plan for the border region. The plan calls for (1) development of employment and income opportunities, (2) improvement of education, health, transportation, housing and environmental resources, (3) binational cooperation with Mexico, and (4) development of natural resources. The commission provides federal funds for projects which promote these goals.

Executive Order B34-77 established a California Office of the SWBRC (the CASWBRC) in September 1977. The state office formulated the state economic development plan, reviews grant proposals, and monitors the progress of the plan and projects funded by the SWBRC. Chapter 606, Statutes of 1980, gave the office statutory authorization.

ANALYSIS AND RECOMMENDATIONS

We recommend that one position be eliminated and that the funds budgeted to support it be reallocated to the operating expense budget.

The budget proposes total expenditures of \$217,580, which is \$50,495, or 18.8 percent, less than estimated current-year expenditures. Table 1 identifies the sources and uses of the requested funds. The California Economic Development Grant and Loan Fund amount of \$50,000 is the state's fee for participation in the SWBRC, and is paid by each participating state to offset the costs of the regional office in Tucson, Arizona. The \$167,580 in federal funds is the proposed cost of operating the California office.

Table 1
Southwest Border Regional Commission
Budget Summary

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures:					
Personal services.....	\$140,731	\$158,864	\$139,360	-\$19,504	-12.3
Operating expense and equipment.....	108,185	109,211	78,220	-30,991	-28.4
Totals.....	\$248,916	\$268,075	\$217,580	-\$50,495	-18.8
Funding					
Federal funds.....	\$153,353	\$167,580	\$167,580	—	—
Economic Development Grant and Loan Fund.....	—	50,000	50,000	—	—
Reimbursements					
Department of Economic and Business Development.....	50,000	—	—	—	—
Governor's Office.....	17,911	—	—	—	—
Department of Social Services.....	27,652	22,755	—	-22,755	-100.0
Energy Conservation and Development Commission.....	—	27,740	—	-27,740	-100.0
Totals.....	\$248,916	\$268,075	\$217,580	-\$50,495	-18.8
Personnel-years.....	5.7	6	5	-1	-16.7

SOUTHWEST BORDER REGIONAL COMMISSION—Continued

As Table 1 shows, the proposed decrease in the 1981-82 budget reflects the loss of reimbursements from the Department of Social Services (\$22,755) and the Energy Resources Conservation and Development Commission (\$27,740). The state office plans to delete an auxiliary economic analysis position that has been funded by the Department of Social Services. The Energy Commission reimbursements have been used to support a regularly authorized CASWBRC position which promotes solar, geothermal, and other energy projects. The state office sought the outside support for this position in the current year because federal funds receipts are \$11,099 short of the amount budgeted; and estimated current-year operating expenses will be \$10,317 more than budgeted.

Pending final action on the 1982 federal budget, the CASWBRC is expecting to receive the same amount of federal funds in 1981-82 as it received in the current year. Despite the loss of reimbursements from the Energy Commission, the CASWBRC proposes to continue all five of its authorized positions in 1981-82. In order to avoid a deficit, it proposes to decrease general expense by 92.6 percent, communications expense by 87.2 percent, in-state travel by 92 percent, out-of-state travel by 82 percent, and interdepartmental services by 25.8 percent.

Our analysis indicates that the proposed operating expense budget is unrealistic and will be insufficient to support the SWBRC program during 1981-82. CASWBRC staff agrees that, unless additional federal funds are allocated to the state office, one position will have to be held vacant in the budget year in order to meet other expenses. Accordingly we recommend that one position be deleted and the funds be reallocated to operating expenses in the Budget Bill. In the event increased federal funds become available the Department of Finance can make the appropriate adjustments through the Section 28 notification process.

Governor's Office**OFFICE OF EMPLOYEE RELATIONS**

Item 062 from the General
Fund

Budget p. LJE 33

Requested 1981-82	\$788,003
Estimated 1980-81	768,011
Actual 1979-80	594,598
Requested increase (excluding amount for salary increases) \$19,992 (+2.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Staffing. Recommend Budget Bill language that would eliminate 6.5 positions if collective bargaining for state employees is ruled unconstitutional.

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GENERAL PROGRAM STATEMENT

The Office of Employee Relations (OER) has been designated by the Governor to represent the administration in all matters concerning state employee relations.

Chapter 1159, Statutes of 1977 (SB 839), which became operative July 1, 1978, provides for a formal bilateral employee relations system for most state civil service employees. Under the provisions of Chapter 1159, the Governor or his designee is required to "meet and confer in good faith" with employee organizations which have been selected by a majority of employees within individual bargaining units in an effort to reach agreement relative to "wages, hours and other terms and conditions of employment." Such agreements are to be formalized in memorandums of understanding. Any provision in such a memorandum requiring the expenditure of funds (for example, negotiated salary or benefit increases) is subject to approval by the Legislature. Mediation is required if the parties are unable to reach agreement.

In March 1980, the Third District Court of Appeals ruled that Chapter 1159 is unconstitutional because it conflicts with the constitutional power of the State Personnel Board to set salaries. The case, however, has been appealed to the California Supreme Court, which heard the oral arguments regarding it in December 1980, but has not yet rendered a decision. Consequently, it is uncertain at this time whether or when good faith collective negotiations will take place with respect to state civil service employees. This legal action and the status of collective negotiations regarding civil service employees are discussed in more detail in our analysis of employee compensation, under Item 980.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$788,003 from the General Fund to support the OER in 1981-82. This is \$19,992, or 2.6 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or benefit increase approved for the budget year.

Table 1 shows total office expenditures, including reimbursements, as well as personnel-years, for the past, current, and budget years. The table shows a \$35,000 reduction in reimbursements and a decrease of 0.9 positions in the budget year. These changes do not reflect a reduction in the office's ongoing activities during the budget year, but instead reflect completion of a one-time project in the current year. This project is intended to improve the state's labor relations communication system, and was supported by \$35,000 from the State Personnel Board. (These funds were made available by salary savings accrued within the board's labor relations unit.)

The \$19,992 increase in General Fund support for the budget year consists of (1) \$9,911 for merit salary adjustments and (2) \$10,081 for price increases and miscellaneous minor adjustments.

Table 1
Office of Employee Relations
Budget Summary

	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personal services	\$504,623	\$665,221	\$642,573	-\$22,648	-3.4%
Operating expenses and equipment....	203,877	137,790	145,430	7,640	5.5
Total expenses	\$708,500	\$803,011	\$788,003	-\$15,008	-1.9%
Less reimbursements	-113,902	-35,000	—	+35,000	-100.0
Net General Fund expenses	\$594,598	\$768,011	\$788,003	\$19,992	2.6%
Personnel-years	15.1	17.4	16.5	-0.9	-5.2

OFFICE OF EMPLOYEE RELATIONS—Continued**Office Organization**

The budget proposes the continuation of 16.5 positions (12.5 professional and 4 clerical) in 1981-82. The office consists of:

1. An executive director.
2. A negotiations unit having 5 professional positions responsible for working directly with the individual line agencies on employee relations matters such as employee grievances, work stoppages and interpretation of policy.
3. A legal counsel and assistant legal counsel.
4. An administrative unit consisting of 4.5 professional positions. This unit is also responsible for developing and coordinating legislation, and training in employee relations.

Employees from each of these units, along with management representatives from the individual state line departments, are to represent the executive branch in collective negotiations with employee organizations under the provisions of Chapter 1159.

Positions Should Be Abolished If Collective Bargaining is Unconstitutional

We recommend Budget Bill control language that would eliminate 6.5 positions from the OER if collective bargaining for state employees is ruled unconstitutional.

The Legislature, in acting on the OER's budget for 1980-81, added Budget Bill language to abolish 6.5 positions if the California Supreme Court determines that collective bargaining for state employees pursuant to Chapter 1159 is unconstitutional. OER management agreed during hearings that such a reduction would be appropriate under these circumstances. The language adopted by the Legislature, however, has not been included in the 1981 Budget Bill. Because the Supreme Court still had not ruled on the constitutionality of Chapter 1159 at the time this analysis was prepared, we recommend that the control language which the Legislature added to the 1980 Budget Act (Item 41) be included in the 1981 Budget Act (Item 62). This language reads as follows:

“ . . . provided, that if collective-bargaining for state civil service employees under the provisions of Chapter 1159 of the Statutes of 1977 is ruled unconstitutional by the California Supreme Court, 6.5 positions (5.5 professional and 1.0 clerical) shall be eliminated from the Office of Employee Relations budget within 60 calendar days after the decision of the California Supreme Court is final.”

Budget Requests that 7.5 Limited Term Positions be Made Permanent

The budget proposes that 7.5 limited term positions (5.5 professional and 2 clerical) expiring on June 30, 1981 be authorized on a permanent basis to meet continuing workload requirements. If Chapter 1159 is found to be unconstitutional, some of these positions will be eliminated, provided the control language which we recommend above is adopted. Our analysis indicates that these positions will be needed if Chapter 1159 is ruled to be constitutional.

Governor's Office
OFFICE OF PLANNING AND RESEARCH

Item 065 from the General
 Fund and various special
 funds

Budget p. LJE 35

Requested 1981-82	\$3,984,730
Estimated 1980-81	3,170,048
Actual 1979-80	2,601,699
Requested increase (excluding amount for salary increases) \$814,682 (+25.7 percent)	
Total recommended reduction	\$857,520

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
065-001-001—Support		General	\$3,705,810
065-001-140—Support		Environmental License Plate	143,920
065-001-188—Support		Energy and Resources	135,000
Total			\$3,984,730

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Budget Control Language. Recommend deletion of language requiring state agency comments on federal regulations. 65
2. *Pension Investment Unit. Reduce Item 065-001-001 by \$400,000.* Recommend deletion of four positions to staff new unit. 66
3. Annual Summary of Accomplishments. Recommend supplemental report language requesting Office of Appropriate Technology to submit an annual report by a specified date. 67
4. *Toxic Waste Disposal. Delete reimbursement of \$258,600.* Recommend deletion of toxic waste program in Office of Appropriate Technology. 67
5. *Biofuels Study. Reduce Item 065-001-140 by \$143,920.* Recommend deletion of study. 68
6. Small-Scale Wind Program. Withhold recommendation on \$80,000 budgeted for wind measurement at state facilities until additional information is provided. 69
7. *Mini-computer Demonstration. Reduce Item 065-001-188 by \$55,000.* Recommend deletion of funding. 69

GENERAL PROGRAM STATEMENT

The Office of Planning and Research (OPR) is responsible for developing recommendations to the Governor on statewide policies relating to land use, housing, development, and environmental protection. The Office of Appropriate Technology (OAT), a division of OPR, also advises the Governor and others on the implementation of a alternative technologies.

In addition, OPR is responsible for reviewing a variety of state and local agency activities for consistency with state policies. Related responsibilities include (1) serving as research staff to the Governor on a wide range of subjects, (2) administering federal financial assistance programs directed toward improving local plan-

OFFICE OF PLANNING AND RESEARCH—Continued

ning, (3) acting as a clearinghouse for environmental impact reports and federal grant applications, (4) coordinating state permit granting processes, and (5) providing technical assistance to local governments on land use, planning, and fiscal matters.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$3,984,730 from various state funds for support of the Office of Planning and Research (OPR) in 1981-82. This is an increase of \$814,682, or 25.7 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 consists of (1) \$535,762 from the General Fund and (2) \$143,920 in new funding from the Environmental License Plate Fund, and \$135,000 from the Energy and Resources Fund.

Table 1 provides a breakdown of program changes by funding source. Total expenditures from all sources, including federal funds, are estimated at \$6,849,036 in 1981-82. This is a decrease of \$234,847, or 3.3 percent, from estimated current-year expenditures. The decrease in total expenditures results from a \$775,937 decrease in various federal funds, and a \$263,592 decrease in reimbursements due to completion of work on several one-year special projects. Our analysis indicates that the amount budgeted for federal funds and reimbursements is likely to be underestimated. However, the extent to which this decrease will be offset by additional federal grants and reimbursements is unknown.

State Match Required for Federal Energy Grant

The National Energy Extension Service Act of 1977 authorized federal grants for state programs that encourage energy conservation. As a result of this act, the Governor's office designated the Office of Appropriate Technology (OAT) as the lead agency in preparing and implementing a California Energy Extension Service Plan.

OAT has received two grants of approximately \$1.5 million each for the program in the last two fiscal years from the Department of Energy. These grants did not require state matching funds. OPR advises us that beginning January 1, 1982, a 20 percent state matching requirement will be required for the \$1,141,765 grant scheduled in the budget. The administration is presently seeking clarification of whether the state's contribution must be in the form of cash or can be in the form of an in-kind match. If a cash match is required, a General Fund augmentation of \$105,770 may be requested.

Budget Control Language Not Needed

We recommend deletion of unnecessary Budget Bill control language applicable to Items 065-001-001 through 065-001-890.

Each year since 1973, OPR's appropriation has contained control language requiring submittal of any state agency comments on federal regulations to the Chairman of the Joint Legislative Budget Committee and the chairmen of the two fiscal committees. The language reads as follows:

"... provided, that the state clearinghouse shall forward copies of all state agencies' comments on proposed federal regulations to the Chairman of the Joint Legislative Budget Committee or his designee, and the chairman of the committee in each house which considers appropriations."

During the last several years, no comments have been forwarded to the Legislature pursuant to this language. Clearly, however, state agencies have commented

Table 1
Office of Planning and Research
Proposed 1981-82 Budget Changes

<i>Programs</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Changes</i>				<i>Total Change</i>
			<i>General Fund</i>	<i>Federal funds</i>	<i>Reim- bursements</i>	<i>Special funds</i>	
1. State Planning and Policy Development	\$986,932	\$1,244,413	\$ +412,432	\$ -192,537	\$ +37,586	—	\$ +257,481
2. Local Government Affairs	1,330,969	1,266,761	-13,908	-40,300	-10,000	—	-64,208
3. Project Review and Coordination	977,434	953,860	+28,413	-62,071	+20,084	\$ -10,000	-23,574
4. Appropriate Technology	3,236,691	2,871,505	+51,394	-416,047	-279,453	+278,920	-365,186
5. American Indian Coordinator	146,529	136,360	+54,813	-64,982	—	—	-10,169
6. Executive/Administration	405,328	376,137	+2,618	—	-31,809	—	-29,191
Totals.....	\$7,083,883 *	\$6,849,036 *	\$ +535,762	\$ -775,937	\$ -263,592	\$ +268,920	\$ -234,847

* Includes all pass-through grants, energy grants and contracts.

OFFICE OF PLANNING AND RESEARCH—Continued

on federal regulations during this period. Nevertheless, it does not appear that the agencies' failure to comply with the language has caused problems for the Legislature.

We believe the reports called for by the budget language would be of limited value to the budget committees, and on this basis recommend that the language be deleted.

Pension Investment Unit

We recommend deletion of \$400,000 requested in Item 065-001-001 (a) to establish a Pension Investment Unit.

In July 1980, Executive Order B-69-80 established a 20-member Public Investment Task Force in the Governor's office. A key objective of the task force, as stated by the Governor, is to "develop a 'reinvestment' strategy which selectively steers capital to projects that build on our strengths, while recognizing the new realities of rising energy costs, resource constraints of all kinds, increasing competition, and the goal of free employment." Currently one staff member, funded on a temporary basis through the Department of Industrial Relations, serves as the task force staff.

As the first step in implementing the broad mandate described above, the Governor's Budget proposes to establish in 1981-82 a "Pension Investment Unit" within OPR to assist the task force in evaluating investment options for public and private retirement funds. This unit is viewed by the administration as one part of a major administrative effort in the budget year to emphasize "economic investment initiatives."

The new unit would be staffed by 4 positions at a General Fund cost of \$400,000, consisting of \$139,210 for personal services and \$260,790 for operating expenses and equipment, office space, contract services for investment advisors, and per diem for the task force members.

A major function of the Pension Investment Unit in OPR will be to implement task force proposals which seek to redirect part of the \$30 billion in assets held by the Public Employees' Retirement System (PERS), and the State Teachers' Retirement System (STRS); and \$30 billion in assets held by private pension systems in California. An unspecified portion of these assets would be redirected from unspecified investments and channeled into investments within the state to promote affordable housing, industrial expansion for small and medium size firms, development of alternative energy technology, job creation, and other goals identified by the administration.

Proposals now being considered by the administration include (a) authorizing the use of up to 1 percent of public pension assets to provide venture capital, (b) stimulating public pension fund investment in middle-market investment firms, and (c) promoting pension participation in various mortgage loan instruments involving the California Housing Finance Agency and the Department of Housing and Community Development.

Efforts such as these to influence the investment of public pension funds would signal a significant departure from existing law and practice. Existing law authorizes the Board of the Public Employees' Retirement System to control the administration and investment of the PERS funds, and provides that the PERS trust fund is created and administered solely for the benefit of its members.

It is not clear how the new unit could *influence* pension fund investments without *compromising* the independence and fiduciary responsibilities of the retirement systems. Also unclear is the extent to which investment of these funds in housing, industrial expansion, and modernization *within* the state would affect the long-term risk and rate of return to the retirement systems. Finally, efforts by

a staff unit in the Governor's office to direct pension fund assets to particular firms or industries would make the operation of the retirement systems more vulnerable to political influence.

Any policy of redirecting pension funds into potentially higher risk ventures should first be approved and carefully defined by the Legislature in statute.

Authorization of the new unit in the Budget Bill is not adequate to define and clearly limit the proposed functions of the unit. Therefore, we recommend deletion of the \$400,000 requested for the Pension Investment Unit.

Annual Summary of Accomplishments by Office of Appropriate Technology (OAT)

We recommend that the Legislature direct OAT to submit its statutory annual report of accomplishments by November 1 each year.

Chapter 653, Statutes of 1980, which permanently authorized OAT, requires the agency to report annually on its accomplishments to the Legislature. However, Chapter 653 does not specify a reporting date. In order to be most useful to the Legislature, the report should be submitted by November 1 of each year. This would facilitate legislative review of OAT's budget. Accordingly, we recommend adoption of the following supplemental report language for Item 065-001-001: "OAT shall submit its annual report of accomplishments to the Legislature by November 1 of each year."

Toxic Waste Program

We recommend deletion of \$258,600 in reimbursements from the Department of Health Services (Item 426-001-001) for the Office of Appropriate Technology to develop strategies for toxic waste management.

The Governor's Budget proposes \$497,185 in Item 426-001-001, Department of Health Services (DHS), to develop regulatory programs to encourage alternatives to landfill disposal of hazardous waste. Included in the \$497,185 is \$258,600 to reimburse the Office of Appropriate Technology (OAT) for providing assistance to DHS.

The proposed reimbursement would extend an OAT program begun last year using \$242,725 in reimbursements from DHS. The Legislature approved the OAT program last year, in part, because there was no other state agency willing to undertake the work.

This year, however, there is a better alternative. DHS is requesting staff and funding to develop its capability to encourage alternatives to landfill disposal. In our review of the DHS budget, we recommend that the requested staff increase be approved. Given that hazardous waste management is the responsibility of DHS rather than OAT, and in view of the difficulties OAT encountered during the current year in utilizing effectively the reimbursements provided by DHS, we cannot recommend that the proposed reimbursement be scheduled in OAT's budget.

DHS Responsibility. State law assigns the responsibility for encouraging alternatives to landfill disposal of hazardous waste to DHS. The technical and institutional issues involved in carrying out this responsibility are extremely complex and change rapidly. DHS proposes to add four waste management specialists for technical aspects of the work related to the development of regulations. This work clearly is consistent with the department's responsibility and experience.

On the other hand, OAT has no responsibility or experience in preparing toxic regulations. We believe that all of the functions which OAT would perform using the reimbursement should instead be performed by DHS staff. It is unrealistic to expect that individual year-by-year projects at OAT will adequately address complex, ongoing toxics issues.

OFFICE OF PLANNING AND RESEARCH—Continued

Nine state agencies currently are involved in the management of toxic substances. To the extent OAT performs line functions for DHS, it further complicates an already fragmented assignment of responsibilities.

OAT Problems in Current Year. OAT has encountered difficulties during the current year in filling the four staff positions funded by the reimbursements from the DHS. It has been unable to recruit a project leader with the needed technical and economic experience. Consequently, an existing OAT staff member has been acting as project manager. A waste management specialist began work on September 22, 1980, and a combustion engineer began work on January 20, 1981. A resource economist is being sought for the fourth position.

Funds for two of the unfilled positions were used for a contract with the University of California at Davis, to secure data from DHS on the amount of hazardous wastes in the state. This project change was made after it became apparent that data was not available in usable form on the types and quantities of hazardous wastes generated in the state.

Moreover, the emphasis of OAT's work has also changed from what was presented to the Legislature last year. Originally, OAT stressed a feasibility study of a molten salt combustor, a mobile incinerator, and resource recovery. Work on the mobile unit has been dropped, and the other alternatives have been deemphasized. OAT's most recent status report anticipates completion of a "handbook of preferred technologies" and a feasibility study of the molten salt combustor by June 1981. We believe it is unlikely that these studies can be completed by that date. As of January 1, 1981, approximately \$45,000 of the \$242,725 available for 1980-81 had been expended. It is apparent that the performance of OAT in the current year falls far short of its commitment, partially because OAT does not have the expertise to do the work.

Based on the above, we recommend that \$258,600 in reimbursements to OAT from the Department of Health Services be deleted, and that the proposed work be performed by DHS.

Biofuels Study

We recommend that funds for a biofuels study be deleted, for a savings of \$143,920 in Item 065-001-140 plus administrative overhead.

Bills enacted during the 1979-80 session initiated new programs to advance the development of "biofuels" in the Energy Commission and the Department of Food and Agriculture. The new programs are multi-year efforts which assess or demonstrate the feasibility of producing alcohol fuels or electrical energy from burning agricultural or forest wastes, or cultivated plant materials. This is known as biofuels or biomass energy.

Biomass "farming" is not a commercial activity in California at present and many problems must be resolved before it becomes one. According to OAT, the impact of growing biofuels on soils needs to be addressed before these programs proceed much further. As a means of assessing "potential soil loss and soil depletion impacts of biofuels development," OAT proposes to spend \$143,920 from the California Environmental License Plate Fund to finance three personnel years to (1) work with an advisory body, (2) prepare the study on the impact of biofuels development, and (3) provide "guidelines" for biofuels development by the end of the budget year in order to assure that this development does not harm the soils.

OAT's proposal is forward-looking. Nevertheless, our analysis has identified several problems with the study as proposed. First, OAT's proposal does not detail the types of biofuels development (that is, what agricultural crops, crop wastes or forestry residue) is to be investigated or the emphasis that will be given to each. Second, it proposes to rely on soil depletion data developed in the midwest that

has little application to conditions in California. Thus, it is doubtful that useful information can be generated to provide state agencies with sufficient guidelines for biofuels development, as OAT proposes to do. Third, the plan fails to account for the fact that the magnitude of future production in California is uncertain. OAT has not demonstrated that there is a significant problem to be addressed in California. Fourth, there are no major projects to which the guidelines could be applied in the near term. For these reasons, we recommend that the \$143,920 be deleted and that the project be resubmitted at a future date when such a study can have more direct application.

Wind Measurement at State Facilities

We withhold recommendation on \$80,000 budgeted in Item 065-001-188 by the Office of Appropriate Technology for wind measurement at state facilities, pending receipt of additional information.

OAT requests \$80,000 from the Energy and Resources Fund to fund a contract to install, maintain, and monitor up to 20 wind energy measurement instruments (anemometers) at various state park sites along the coast and at several inland state facilities. One year of recorded wind data will be obtained to determine the feasibility of siting very small (35 kw) wind systems at these sites to generate electricity.

We withhold recommendation on this request pending receipt and analysis of additional information justifying the funds. First, additional information is needed to evaluate the type of sites selected for monitoring. Specifically, data should be developed on the comparative benefits of substituting small wind systems for conventional energy supplies such as electricity at state park facilities.

Second, the Energy Commission is the lead state agency responsible for implementing a state wind energy program pursuant to Chapter 1089, Statutes of 1978. Among other responsibilities, the law requires the commission to gather, analyze, map, and centralize wind information. It is not clear why OAT, rather than the Energy Commission, proposes to contract for the work when the Energy Commission has both statutory responsibility and funds available.

Mini-Computer Demonstration Project

We recommend deletion of funds in Item 065-001-188 for a Mini-Computer Demonstration Project on the basis that the work is not needed, for a savings of \$55,000 plus overhead costs.

OAT requests an appropriation of \$55,000 in 1981-82 from the Energy and Resources Fund to demonstrate "the proper selection and use of low-cost computer facilities, particularly for state and private architectural organizations." OAT proposes to undertake this project for the guidance of other state agencies which may be purchasing mini-computers. Specifically, OAT proposes to acquire a mini-computer and to run existing computer programs on it which are used in calculating the energy-efficiency of building designs. Also, OAT will fund temporary help to standardize existing computer programs of this type.

Our analysis indicates that this proposal is not justified for several reasons:

First, the State Office of Information Technology in the Department of Finance is responsible for approving computer selection and installation. Government Code Sections 11700 and 11701 and the State Administrative Manual (commencing with Section 4800) provide guidance to state agencies on the justification and use of computers. There is no need for OAT to demonstrate the proper selection and application. Second, the use of mini-computers in state government is not new. The Office of Information Technology indicates that there were 178 mini-computers in state government as of July 1980. This number excludes 115 mini-computers in CSUC as of that date, which is one of the organizations OAT lists as a beneficiary of its demonstration program. Third, the California Energy Commission has statu-

OFFICE OF PLANNING AND RESEARCH—Continued

tory responsibility for prescribing energy conservation design standards for non-residential and residential buildings under Section 25402 of the Warren-Alquist Act. Because the commission is currently revising these standards, there are no current standards which OAT could apply to a computer program. More importantly the commission, not OAT, is required to develop computer programs for estimating energy consumption in nonresidential and residential buildings.

We therefore find no justification for OAT's request and recommend that the \$55,000 be deleted.

PLANNING ASSISTANCE GRANTS

We recommend approval.

The Office of Planning and Research (OPR) is the state recipient of HUD 701 Comprehensive Planning Assistance grants. These grants assist individual localities and nonmetropolitan Councils of Government (COGs) to improve their planning and management capabilities in a variety of areas, such as land use, housing and transportation. Responsibility for administration of these grants has been transferred from OPR to the State Housing and Community Development Department (HCD). However, OPR's Planning Advisory and Assistance Council will continue to advise HCD on the allocation of these grants.

The budget proposes an appropriation of \$400,000 from federal funds to provide local assistance grants for planning purposes. The grants are to be allocated to localities with populations under 50,000, and to six nonmetropolitan COGs. The amount budgeted is a decrease of \$20,300, or 4.8 percent below estimated current-year expenditures.

The level of funding provided by this item has been declining since 1979-80 because of a change in HUD budgeting procedures. Prior to 1979-80, planning grants to metropolitan COGs were approved through this item. In the current and budget years, these grants are not included because HUD provides the grants directly to metropolitan COGs.

OFFICE OF PLANNING AND RESEARCH—CAPITAL OUTLAY

Item 065-301 from the Energy
and Resources Fund

Budget p. LJE 40

Requested 1981-82	\$50,000
Recommended reduction	50,000

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of Item 063-301-188, preliminary plans and working drawings for the Department of Motor Vehicles, Victorville photovoltaic demonstration project.

This \$50,000 proposal would provide for the preparation of preliminary plans and working drawings for a photovoltaic demonstration project. The photovoltaic system would be installed in the Department of Motor Vehicles' (DMV) Victorville field office.

The DMV is planning to construct a new field office in Victorville beginning September 1981. Consequently, the proposed system will either be added after construction of the new building or construction of the new building will be delayed so that the system can be integrated into the building design. Any delay in construction of the new facility would result in additional costs to the Department of Motor Vehicles' building construction, as a result of inflation.

The photovoltaic system would be designed to provide 35,000 watts during peak operation. An estimate of the future costs related to this proposal has not been developed. The Office of Planning and Research does indicate that the installed cost of such systems are about \$9 per watt. Thus, the future cost, including contract administration and supervision, can be expected to exceed \$360,000. This represents about 50 percent of the current estimated costs to construct the Victorville field office without the photovoltaic system.

Photovoltaic systems convert sunlight to electricity generally through the use of solar cells made up of the semiconductor silicon. The proposed 35,000 watt system, at peak operation, would meet about 50 percent of the electrical demand at the Victorville office. The estimated time of peak operation, however, has not been determined. In any case, assuming the system operates 100 percent of the time at peak efficiency for 10 hours per day, five days per week, the cost benefit analysis of the project indicates a payback period in excess of 70 years. It is apparent that this proposal is not cost effective, and we recommend deletion of the \$50,000.

Governor's Office OFFICE OF EMERGENCY SERVICES

Item 069 from the General
Fund and various special
funds

Budget p. LJE 41

Requested 1981-82	\$19,433,365
Estimated 1980-81	20,004,089
Actual 1979-80	5,462,022
Requested decrease (excluding amount for salary increases) \$570,724 (-2.9 percent)	
Total recommended reduction	\$4,368,314

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
069-001-001—Support		General	\$8,337,365
Support		Nuclear Planning Assessment Special Account	150,000
069-001-188—Support		Energy and Resources	425,000
069-101-001—Local Assistance		General	21,000
Local Assistance		Nuclear Planning Assessment Special Account	400,000
Local Assistance		Public Facilities Account	8,600,000
Local Assistance		Street and Highway Account	1,500,000
Total			\$19,433,365

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. *Toxic Materials. Reduce Item 069-001-001 by \$40,134.* Recommend that funding for six hazardous/toxic material kits be deleted, pending completion of the Emergency Response Plan.
2. *Earthquake Preparedness and Response. Reduce Item 069-001-001 by \$4,328,000.* Recommend that \$235,000 be appropriated for

*Analysis
page*

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OFFICE OF EMERGENCY SERVICES—Continued

task force. Recommend balance of funding for the earthquake preparedness and response program be deleted because (a) the request requires the enactment of authorizing legislation, (b) justification for the requested amount has not been provided, and (c) certain elements of the proposal cannot be accomplished in the budget year.

GENERAL PROGRAM STATEMENT

The Office of Emergency Services coordinates emergency activities necessary to save lives and reduce losses from natural or other disasters. In addition to its administrative component, the office carries out its mission through two programs—emergency mutual aid services, and fixed nuclear power plant planning. It also provides aid to local governments through the Natural Disaster Assistance Fund.

Emergency Mutual Aid

This program has four elements:

(1) *Provision and Coordination of Mutual Aid.* This element encourages and coordinates mutual aid agreements among various state and local agencies having fire, rescue, law enforcement and communications capabilities and equipment. It also distributes federal surplus equipment and federal and state disaster aid funding.

(2) *Development and Utilization of Emergency Communications Systems.* This element maintains a statewide disaster warning system on a 24-hour basis. It assists in the development of local communication networks to permit interconnections among state and local fire, law enforcement, and civil defense agencies.

(3) *Development and Implementation of Emergency Plans.* This element maintains a statewide emergency plan, and assists other agencies and local jurisdictions in the development and periodic updating of compatible local plans. It also administers the dam safety program established by Chapter 780, Statutes of 1972, which required owners of certain dams throughout the state to file maps of the downstream areas showing various levels of possible inundation in the event of a dam failure.

(4) *Management and Maintenance of State Resources.* Finally, the state owns a substantial inventory of fire pumper trucks and equipment; communications trucks, vans and portable equipment; and medical, radiation detection and training equipment, most of which is deployed to local governmental jurisdictions and other state agencies.

Fixed Nuclear Power Plant Planning

This program, was established in 1979–80 by Chapter 956, Statutes of 1978, and is responsible for state and local planning for emergencies resulting from a nuclear power plant accident.

Natural Disaster Assistance Fund

State aid to local governments for replacing or repairing public real property damaged by a natural disaster is provided from the Natural Disaster Assistance Fund established by Chapter 290, Statutes of 1974. The fund consists of two accounts: (1) the Street and Highway Account, which derived its funding from a special one-cent per gallon tax on gasoline, which was imposed for one year only in 1969 under the Highway Users' Tax program, and (2) the Public Facilities Account, which in past years derived its funding from special General Fund appropriations.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total expenditure program of \$113,283,632 from the General Fund, special funds, federal funds, and reimbursements in support of the Office of Emergency Services in 1981-82.

Total expenditures budgeted for 1981-82 are \$27,711,993 (19.7 percent) less than estimated current-year expenditures. The decline in expenditures proposed for the budget year does not reflect a cutback in the office's ongoing programs. The decline results entirely from reduced estimates of state and federal disaster assistance which will be distributed to local governments in the budget year. The budget anticipates that \$98.8 million in disaster assistance will be distributed in

Table 1
Office of Emergency Services
Source of Funding Summary

<i>Support</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund.....	\$3,742,951	\$8,337,365	\$4,594,414	122.7%
Federal funds	1,834,639	2,039,762	205,123	11.2
Reimbursements	3,000	3,000	—	—
Nuclear planning assessment	350,000	150,000	-200,000	-57.1
Energy and Resources Fund	—	425,000	425,000	—
Subtotals	\$5,930,590	\$10,955,127	\$5,024,537	84.7%
<i>Local Assistance</i>				
General Fund.....	\$21,000	\$21,000	—	—
Disaster Relief ^a	116,033,804	88,687,412	-\$27,346,392	-23.6%
Match ^a	3,120,093	3,120,093	—	—
Nuclear planning assessment	650,000	400,000	-250,000	-38.5
Public facilities account ^b	11,353,953	8,600,000	-2,753,953	-24.3
Street and Highways Account ^b	3,886,185	1,500,000	-2,386,185	-61.4
Subtotals	\$135,065,035	\$102,328,505	-\$32,736,530	-24.2%
Totals	\$140,995,625	\$113,283,632	-\$27,711,993	-19.7%
Program Summary				
Administration				
Distributed	(\$893,144)	(\$985,206)	(\$92,062)	(10.3%)
Personnel-years	25.1	26.9	1.8	7.2
Mutual aid	120,351,307	93,323,814	-27,027,493	-22.5
Personnel-years	24.6	30.6	6.0	24.4
Emergency communications systems ..	1,471,850	1,744,612	272,762	18.5
Personnel-years	14.9	14.7	-0.2	-1.3
Emergency plans.....	1,718,147	1,657,069	-61,078	-3.4
Personnel-years	28.7	26.5	-2.2	-7.7
State mutual aid resources	1,214,183	1,345,137	130,954	10.8
Personnel-years	12.6	12.8	0.2	1.6
Nuclear planning assessment	1,000,000	550,000	-450,000	-45.0
Personnel-years	4.0	4.0	—	—
Earthquake preparedness and response	—	4,563,000	4,563,000	—
Personnel-years	—	19.0	19.0	—
Subtotals	\$125,755,487	\$103,183,632	-\$22,571,855	-17.9%
Personnel-years	109.9	134.5	24.6	22.4
Natural Disaster Assistance—Public				
Facilities.....	\$11,353,953	\$8,600,000	-\$2,753,953	-24.3%
Streets and highways	3,886,185	1,500,000	-2,386,185	-61.4
Subtotals	\$15,240,138	\$10,100,000	-\$5,140,138	-33.7%
Totals	\$140,995,625	\$113,283,632	-\$27,711,993	-19.7%

^a Federal funds.

^b Pursuant to Government Code Section 8690.4.

OFFICE OF EMERGENCY SERVICES—Continued

1981–82, compared with \$131.3 million in the current year. These amounts are merely estimates; the actual amount of state and federal assistance provided will depend on the cost of repairing damage caused by natural disasters. Approximately \$26.3 million was distributed for the purpose in 1979–80.

After adjusting current-year expenditures to eliminate the effect of changes in disaster assistance funding, the OES budget shows an increase of approximately \$4.8 million, or 4.4 percent.

Expenditures in both the current and budget year, by program element, are shown in Table 1.

Funding for OES Operations

The budget requests \$10,955,127 from all funds for support of the office in 1981–82. This is an increase of \$5,024,537, or 84.7 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 budgeted increase reflects:

- an increase of \$4,594,414, or 122.7 percent, in General Fund support;
- an increase of \$425,000 from the Energy and Resources Fund;
- an increase of \$205,123, or 11.2 percent, in federal funds; and
- a decrease in Nuclear Planning Assessment Special Account funds of \$200,000, or 57.1 percent.

Almost the entire General Fund increase is requested for a new program—Earthquake Preparedness and Response—which is projected to cost \$4,563,000 in 1981–82. This program is discussed later in this analysis.

Staffing for the office is proposed to increase from 109.9 personnel-years in the current year to 134.4 personnel-years in 1981–82, an increase of 22.3 percent.

Major Equipment Purchases Planned

The budget requests \$505,945 for major equipment items. This amount includes \$425,000 to replace five heavy rescue/fire trucks, \$40,000 to replace one communications truck tractor, \$25,000 to replace one warning center console, and \$15,945 to purchase equipment needed to activate a new regional office, effective July 1, 1981.

Fixed Nuclear Power Plant Planning

Chapter 956, Statutes of 1979 (SB 1183), authorized the OES, in consultation with the Department of Health Services and affected counties, to investigate the potential consequences of a serious nuclear power plant accident for each of the four nuclear power plants in California with a generating capacity of 50 megawatts or more. Operators of these plants collectively will be assessed a sum not to exceed \$2,000,000 to cover the costs of this investigation. Assessments will be deposited in the Nuclear Planning Assessment Special Account before they are spent.

Chapter 956 also requires OES to revise its July 1975 "State of California Nuclear Power Plant Emergency Response Plan," and to work with appropriate state agencies in developing standard response procedures. In addition, OES will assist local authorities in preparing or upgrading their emergency response plans to reflect new guidelines and parameters. These activities will also be funded by the Special Account.

The budget indicates that OES and local governments will spend \$1,000,000 from the special account in the current year. In the budget year, expenditures from the special account for state support and local assistance will total \$550,000, of which \$400,000 will be used by local governments to modify their emergency plans.

FIRESCOPE

FIRESCOPE is a federally developed project in southern California designed to improve the management of resources in areas susceptible to large, multijurisdictional wildland fires.

The federal government has paid for the acquisition of equipment and, on a matching basis, a significant portion of the personnel costs associated with the project's research and development phase. As the project is implemented, the state will become responsible for an increasingly larger percentage of the costs. In the budget year, staffing for FIRESCOPE will increase from 3 to 5 positions, and General Fund support will be required for 75 percent (\$150,000) of total *operational* costs. The federal government will provide the remaining 25 percent (\$50,000) of operational costs, plus an additional \$1.8 million for continued *development* of the FIRESCOPE system in 1981-82.

Staffing Adjustment

We recommend approval.

The budget proposes the establishment of four new positions for ongoing functions. Two positions would provide increased staffing for the regional offices, one would increase staffing for the public information office to two positions, and the fourth position would prepare hazard mitigation reports and handle additional federal disaster assistance appeal actions. In addition, two limited-term positions (an emergency medical services coordinator and a clerical position) are proposed for continuation, and one position equivalent of temporary help is requested. These staffing adjustments would cost \$236,363 in 1981-82. Our analysis indicates that the requested positions will increase the office's capability to assist local governments in emergency planning and may improve the timeliness of the receipt of federal disaster assistance funds. Therefore, we recommend approval.

Toxic Materials Program

We recommend that Item 069-001-001 be reduced by \$40,314 to eliminate equipment for the Toxic Materials Program because the Toxic Materials Emergency Response Plan has not been completed.

The Governor's Budget requests \$40,314 to purchase six Hazard/Toxic Materials Kits, which represents the first increment of a proposal to purchase 30 such kits.

Last year, OES requested funds for all 30 kits containing specialized equipment necessary for safeguarding emergency services personnel entering potentially hazardous areas. The kits would have included such items as chemical protective suits, protective headgear, flashlights, and books on toxic materials (Handbook on Industrial Solvents, Hazardous Material Handbook, Guide to Chemical Hazards). The Legislature deleted the funds on the basis that the request was premature.

Chapter 805, Statutes of 1980, appropriated \$55,332 to the office to develop a Toxic Materials Emergency Response Plan. According to OES, development of the plan is scheduled to begin in January 1981. The plan will not be completed for at least one year.

Our analysis indicates that, until the proposed Emergency Response Plan is available, there is no basis for determining the number of Hazardous/Toxic Materials Kits needed, what these kits should contain, or who they should be distributed to. For this reason, we believe that the purchase of the kits is premature at this time, and we recommend that funding for the kits be deferred until the office has completed its response plan. Accordingly, we recommend a General Fund reduction of \$40,314 in Item 069-001-001.

OFFICE OF EMERGENCY SERVICES—Continued**Earthquake Preparedness and Response Program**

We recommend that Item 069-001-001 be reduced by \$4,328,000 on the basis that (1) the projected cost of the Earthquake Preparedness and Response Program has not been documented, (2) the proposal contains an unrealistic time schedule, and (3) parts of the program would require enactment of legislation.

The Governor's Budget requests an appropriation for a major new General Fund program intended to improve the state's ability to respond to a major earthquake. The program, which would cost \$4,563,000 in 1981-82 consists of six elements, as shown in Table 2.

Table 2
Emergency Preparedness and Response Program

	<i>Proposed 1981-82</i>	<i>Personnel- Years</i>
Task Force Administration	\$235,000	3.0
Comprehensive Emergency Management Office.....	300,000	7.0
Emergency Public Information Center (EPIC)	780,000	9.0
Emergency Management Information System (EMIS)	1,000,000	— ^a
Volunteer and Neighborhood Training	2,000,000	— ^a
Command and Communications	248,000	—
Totals	\$4,563,000	19.0

^a Our analysis indicates that these elements would require significant staffing. However, no positions are proposed in the Governor's Budget for these elements.

The Governor's Special Assistant on Emergency Preparedness indicates that in excess of \$350,000 should be spent in the current year in order to get the program started. At the time this analysis was written, Department of Finance staff indicated that the source of funding for current-year expenditures had not been identified. Consequently, it is not clear when the program will begin.

Proposal Addresses a Significant Problem

The Federal Emergency Management Agency (FEMA) indicates that the probability of a major earthquake along the southern San Andreas Fault is about 2 percent to 5 percent in any one year, and greater than 50 percent during the next 30 years. According to a joint OES/FEMA study, the anticipated response to such an earthquake by federal, state, and local governments, would be inadequate. In addition, the documentation which supports this proposal indicates that our present state of preparedness planning is incomplete and untested, that OES's authority is frequently challenged by other state agencies, that the state has only a limited emergency planning capability, and that local plans are inadequate.

Our analysis indicates that the state must remedy these shortcomings as the Governor's Budget proposes to do. This will require a substantial investment of state funds over several years. By requesting an appropriation of nearly \$4.6 million, the administration has acknowledged both the importance of this effort and the ultimate need for a significant amount of state funds to support it.

The administration, however, has not provided the Legislature with the kind of information needed to justify approval of the amounts requested. Moreover, the proposal is premised upon significant and time-consuming actions being completed during a very short period of time. Finally, key portions of the package need to be implemented through legislation.

Our analysis of each of the six elements of the program follows.

Task Force Administration—\$235,000. The budget requests \$235,000 to support a staff of three positions that would assist the Governor's Emergency Task Force on Earthquakes, as well as about 30 advisory committees. The task force would provide the initial design and direction for the entire program.

According to the Governor's Special Assistant, the task force will consist of both public and private sector members. At the present time, however, only 11 members have been appointed, all of them representing state departments. No representatives from local governments or the private sector have been appointed as yet.

The proposal assumes that \$120,840 from an unknown source will be used in the current year to cover the costs of five monthly meetings to be attended by members of the advisory committees.

Our analysis indicates that the ability of the state to significantly improve California's level of preparedness probably will depend on the effectiveness of the task force. On this basis, we recommend approval of the \$235,000 budgeted to support task force administration.

Comprehensive Emergency Management Office—\$300,000. The Comprehensive Emergency Management Office (CEMO) would monitor the activities of the steering committee and the task force and report directly to the Governor. According to the Governor's Special Assistant, the CEMO would be located in the Governor's Office, and would serve as the State Comprehensive Emergency Manager. This proposal is contrary to existing law. Under the Emergency Services Act, the Director of the Office of Emergency Services is responsible for state emergency planning and response.

Given that legislation would be needed to transfer these functions from OES to the Governor's Office, we recommend that the \$300,000 requested for the Comprehensive Emergency Management Office be deleted. Support for the CEMO should be considered by the Legislature in connection with that legislation.

Emergency Public Information Center—\$780,000. The Emergency Public Information Center (EPIC) would inform the general public of earthquake hazards and the need to prepare for an earthquake disaster. The budget requests nine positions for this program element.

Our Analysis indicates that the need for the proposed amount has not been demonstrated. For example, the Governor's Budget requests \$64,152 for two assistant information officers. The salaries and wages supplement, however, indicates that these positions should be budgeted at \$39,024. In addition, the proposal includes \$100,000 for television and radio advertisements and \$150,000 for "Earthquake Safety Week." The most effective approach to informing the public, however, will not be known, until after a large volume of work on public information and education has been completed by the task force. Because this proposal is not adequately justified and is probably premature with respect to the budget year, we recommend that funding for the EPIC be deleted, for a General Fund savings of \$780,000.

Emergency Management Information System—\$1,000,000. The purpose of the Emergency Management Information System (EMIS) is to develop a computerized system to model earthquake effects and test response capability. In early January 1981, when we met with the Governor's Special Assistant who developed this program, he was not aware of Section 4 of the Budget Act or Section 4920 of the State Administrative Manual which require that a feasibility study report be prepared prior to the expenditure of any funds for an information processing system.

Section 4 and Section 4920 require all funding requests for information processing systems to be accompanied by (1) a clear statement of the problem; (2) alternative solutions to the problem, including cost-benefit analysis over the life

OFFICE OF EMERGENCY SERVICES—Continued

of the system; (3) a conceptual system design; (4) an implementation plan; and (5) hardware and software requirements.

In the absence of this data, we have no basis to recommend approval of the request. Accordingly, we recommend that funding for the EMIS be deleted until adequate fiscal information has been submitted to the Legislature and a feasibility study report has been submitted to and approved by the Department of Finance.

Volunteer and Neighborhood Training—\$2,000,000. The purpose of this program is to train, at a cost of \$1,000,000, volunteers and neighborhood self-help groups to perform emergency response activities during the first six to eight hours following an earthquake. The proposal includes another \$1,000,000 to conduct a full scale test of earthquake response capability.

Supporting documentation indicates that this package will require at least 16 positions. However, no positions are proposed in the Governor's Budget for this purpose. Moreover, no plan is available identifying who will be trained, what will be covered in such training, or what it will cost to provide such training.

Our analysis indicates that this proposal is premature at this time. Significant planning will have to occur before curriculum and training materials can be developed. Only then will funds be needed for actual training. Only after such training has been provided will funds for an actual test be required. Because it is unlikely that the requisite planning will be completed in time to permit training during the budget year, we recommend that this element be deleted, for a General Fund savings of \$2,000,000.

Command and Communications—\$248,000. The purpose of this element is to clarify legal authority in an earthquake emergency, and to increase the capability of government agencies to respond. Our analysis indicates that any change in the mutual aid concept prescribed by the Emergency Services Act should be made through the enactment of legislation. Because financial support to implement such changes should be included in authorizing legislation, we recommend that this element be deleted, for a General Fund savings of \$248,000.

LIEUTENANT GOVERNOR'S OFFICE

Item 075 from the General

Fund

Budget p. LJE 49

Requested 1981-82	\$992,447
Estimated 1980-81	988,731
Actual 1979-80	1,067,241
Requested increase (excluding amount for salary increases) \$3,716 (+0.4 percent)	
Total recommended reduction	\$8,041

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Rent. Reduce facilities operations by \$8,041.** Recommend deletion of funds for space occupied by the Commission of the Californias.

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GENERAL PROGRAM STATEMENT

The Lieutenant Governor is elected pursuant to the California Constitution and serves concurrently with the Governor. He assumes the responsibilities of chief executive in the absence of the Governor and serves as the presiding officer of the Senate, voting only in the case of a tie vote. The Lieutenant Governor also serves on numerous commissions and boards. His other duties include such special tasks as may be assigned by the Governor.

In addition to the Lieutenant Governor, the office currently is authorized 26 staff and clerical positions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$992,447 from the General Fund for support of the Lieutenant Governor's office in 1981-82. This is \$3,716, or 0.4 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.

Table 1 summarizes the budget of the Lieutenant Governor's Office for the past, current and budget years. The budget increase for 1981-82 is the net result of several changes in planned expenditures, including merit salary adjustments, additional operating expenses and equipment, and the elimination of an administrative assistant position made possible by reallocating responsibilities to other personnel. Our analysis indicates that there will be sufficient staff remaining to carry out the duties of the office.

Table 1
Lieutenant Governor
Program Budgets

Program	Actual 1979-80	Estimated 1980-81	Proposed 1981-82	Change	
				Amount	Percent
Support of the Lieutenant Governor's Office	\$894,063	\$988,731	\$992,447	\$3,716	0.4%
California Advisory Commission on Youth	79,738	—	—	—	—
Rural Youth Employment	116,465	—	—	—	—
Totals	\$1,190,266	\$988,731	\$992,447	\$3,716	0.4
General Fund	\$950,776	\$988,731	\$992,447	\$3,716	0.4%
Federal funds	\$116,465	—	—	—	—
Reimbursements	\$23,025	—	—	—	—
Personnel-years	26.1	26	25	-1	-3.8

Unbudgeted Rent Reimbursement

We recommend that overbudgeting for facilities operations be eliminated for a General Fund savings of \$3,041.

Several staff members of the Lieutenant Governor's Office share office space with the Commission of the Californias' staff in the state building in Los Angeles. In prior years the budget of the Lieutenant Governor's Office included funds for a portion of the commission's rent because sufficient funds were not included in the commission's budget for that purpose. In an effort to make its budget reflect full program costs, however, the commission is requesting \$6,613 for its full share of the rent expense in 1981-82. We have recommended approval of the increase (Item 876).

The Lieutenant Governor's Office, however, requested funds for the rental cost of the entire Los Angeles office and did not schedule the offsetting reimbursement from the commission. In addition, the office budgeted the price increase for rent in an amount that exceeds by \$1,428 what is needed according to the Department

LIEUTENANT GOVERNOR'S OFFICE—Continued

of General Services price guidelines. We recommend that the office's budget be reduced by the amount that it will receive in reimbursements from the commission plus the amount overbudgeted, for a total General Fund savings of \$8,041.

Activities of the Commission on Food and Nutrition and the Commission on Agriculture

In the Supplemental Report to the 1980 Budget Act, the Legislature directed our office to report on the activities of the California Commission on Food and Nutrition and the California Commission on Agriculture, and to report on any activities that duplicate the work of other state agencies. These two commissions were established by Executive Orders but have not been authorized by statute. Funding for these commissions is included in the Lieutenant Governor's 1981-82 budget.

California Commission on Food and Nutrition. The commission was first established on August 27, 1978 by Executive Order (D-2-78). An advisory group was formed and a statewide conference conducted in November 1978. Private contributions of \$6,050 paid for the conference expenses. The work of the commission was to terminate in 1978-79, and no funds were provided to support its activities in 1979-80.

Last year, however, the Lieutenant Governor's Office decided to reorganize the commission as an ongoing advisory body. The office issued Executive Order C-1-80, which decreased the size of the commission from 17 to 15 members, and outlined its responsibilities as follows:

- "A. Preparing and submitting recommendations to the Governor and Lieutenant Governor relative to the relationship between nutrition and state government in an effort to recognize and satisfy the nutritional educational needs of California. Copies of recommendations shall be made available to members of the Legislature and to the public.
- "B. Establishing procedures and criteria for reviewing and evaluating the effectiveness and efficiency of activities and programs in the field of nutritional education and nutritional education research.
- "C. Enlisting the cooperation of industry, voluntary and professional organizations, consumer groups, local, state and federal government agencies in carrying out its duties and responsibilities."

The Executive Order also directed that the commission include state legislators, and representatives of the Department of Food and Agriculture, the Health and Welfare Agency, the California Commission on Agriculture, and industry and consumer groups. A representative of the Department of Education also serves on the commission.

Several of the participating departments currently conduct nutrition-related activities. The Department of Education, for example, administers a federally-funded nutrition education program and the federal school lunch program. The Department of Health Services administers the federal food stamp program for women, infants and children (WIC), and tries to include nutrition education in its preventative health programs. The Department of Food and Agriculture has recently added a nutrition expert to its staff, administers minimum quality standards for produce, and promotes direct farm-to-consumer sales, especially in the inner cities.

The commission intends to meet quarterly. Without any staff of its own, it must rely on the volunteer efforts of its members to develop the recommendations and procedures required by the Executive Order. It appears that the main function of the commission will be to communicate the activities of various organizations to each other, and to facilitate coordination of their programs. Because the commis-

sion has not yet established its own program, we have no basis to analyze whether it duplicates existing state agency activities.

The Lieutenant Governor's Office has incurred various expenses on behalf of the commission in the current year. The expenses include \$6,000 for a consultant who helped reorganize the structure and responsibilities of the commission, communications, and miscellaneous costs which the office states are minor and indeterminable. Staff time averaging approximately four hours per month is devoted to commission matters. Commission members, however, receive no compensation or reimbursement for their expenses.

California Commission on Agriculture. The commission was established by Executive Order C-1-79 on February 26, 1979. Commission members include the Lieutenant Governor, a State Senator, a Member of the Assembly, and representatives of the Department of Food and Agriculture, the Commission for Economic Development, and the agricultural community. The order lists the commission's responsibilities as:

- "A. Preparing and submitting annually to the Governor, the Lieutenant Governor, the Commission for Economic Development and Director of the Department of Food and Agriculture, a report summarizing the activities of the commission and the recommendations thereof. Copies of said report shall be made available to members of the Legislature and to the public.
- "B. Studying problems concerning the interrelationship between Agriculture and state government, and making recommendations to improve communications and resolve issues of mutual interest.
- "C. Conducting hearings in appropriate local communities to receive testimony on issues concerning California Agriculture.
- "D. Providing information and advice to the Commission for Economic Development concerning California agriculture."

The Commission on Agriculture serves as an adjunct to the Commission on Economic Development (CED) which is also administered under the Lieutenant Governor's Office. CED's responsibilities encompass all sectors of the state's economy, and it has the statutory authority to appoint advisory committees to assist it. CED staff state that agriculture is a unique industry which can best be represented by a separate group familiar with agriculture's needs and problems.

Members of the Commission on Agriculture investigate trade, water, pesticide, labor relations and transportation issues, and recommend positions on agricultural regulations and legislation to the administration and Members of the Legislature. They have participated in federal hearings on central valley airport service, sought changes in overweight trucking regulations, and joined in attempts to resolve aviation gas supply shortages. The range of concerns the commission has addressed appears to be wider than that allowed by any other state forum available to the agricultural community, such as the state Board of Food and Agriculture or the various marketing councils. One of the major functions of the commission appears to be fostering communication among the state and private entities represented by its members.

The Lieutenant Governor's Office states that it provides a minor, indeterminable amount of communications support to the commission, and devotes approximately one day of staff time per month (equivalent to \$1,125 per year) to commission activities. The CED estimates it provides \$650 of staff time to the commission each year which it would devote to agricultural matters in any case.

DEPARTMENT OF JUSTICE

Item 082 from the General
Fund and various funds

Budget p. LJE 53

Requested 1981-82	\$97,077,871
Estimated 1980-81	94,430,833
Actual 1979-80	81,375,161
Requested increase (excluding amount for salary increases) \$2,647,038 (+2.8 percent)	
Total recommended reduction	\$693,956
Total recommended transfer to General Fund	\$654,436
Total recommendations pending	\$1,311,339

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
082-001-001—Department support		General	\$84,013,319
082-001-012—Antitrust		Attorney General's Antitrust Account, General	899,544
082-001-017—Fingerprint Fees		Fingerprint Fees, General	3,325,120
082-001-044—Data Center Support		Motor Vehicle Account, State Transportation Fund	8,704,888
082-101-001—Legislative Mandates		General	135,000
Total			\$97,077,871

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Local Mandated Costs. Reduce Item 082-101-001 by \$85,000 (General Fund).* Recommend reduction because proposed amount exceeds historical costs of the programs. 88
2. *Chapter 844 Workload. Reduce Item 082-001-001 by \$29,969 (General Fund).* Recommend reduction because new federal data indicates a decline in workload resulting from Chapter 844, Statutes of 1980. 89
3. *Surplus in Fingerprint Fees Account. Transfer \$654,436 from Fingerprint Fees Account to the General Fund.* Recommend unnecessary surplus be transferred to the General Fund. 89
4. *Savings Result from Legislation. Reduce Item 082-001-001 by \$108,144 (General Fund).* Recommend reduction because Chapter 1324, Statutes of 1980, reduces the department's legal responsibilities. 90
5. *Equipment. Reduce Item 082-001-001 by \$94,245 (General Fund).* Recommend deletion of unjustified equipment purchases. 91
6. Budgeting for Legal Services. Withhold recommendation on \$1,189,660 of proposed expenditures for legal staff (Item 082-001-001). Request Department of Finance reconcile the Governor's Budget by April 1, 1981. 92
7. *Overhead Funds. Reduce Item 082-001-001 by \$194,303 (General Fund).* Further recommend control language to insure grant funds offset administrative costs. 94

8. *Additional Agents. Reduce Item 082-001-001 by \$182,295 (General Fund).* Recommend deletion of additional agents because workload standards are not substantiated. 95
9. *Inventory Savings Estimates.* Recommend Office of Procurement of Department of General Services and Department of Justice jointly report on SLAMM project savings prior to budget hearings. 96
10. *Computer Relocation Plan.* Withhold recommendation on \$121,-679 proposed to implement part of a computer relocation plan because the plan has not been finalized. 97

GENERAL PROGRAM STATEMENT

The Department of Justice, under the direction of the Attorney General, enforces state laws and provides legal services to state and local agencies. Departmental functions are carried out through five programs—Executive/Special Programs, Civil Law, Criminal Law, Law Enforcement and Administration.

Executive/Special Programs

This program, which includes the Attorney General's executive office, is composed of: (1) the Legislative Unit, (2) the Opinion Unit, (3) the Special Projects Section, (4) the Special Prosecutions Unit, (5) the Public Inquiry Unit, and (6) the Affirmative Action Office.

Civil Law

The Civil Law Division (1) provides legal representation for most state agencies, boards and commissions, (2) prosecutes in administrative hearings, (3) drafts or approves proposed regulations and legislation for client agencies, (4) investigates the financial practices of charitable trusts to ensure compliance with state law, (5) provides all legal services relating to the administration of state-owned lands, (6) represents the state and its employees in tort liability cases, and (7) handles condemnation proceedings and the defense of inverse condemnation actions against the state.

The department receives reimbursements for legal services provided to those state agencies which are supported by special funds and significant amounts of federal funds.

Criminal Law

The Criminal Law Division (1) represents the state in all criminal appeals from felony convictions and in connection with writs in criminal proceedings before state and federal courts, (2) assists the Governor's Office in extradition matters, (3) serves as prosecutor in criminal trials when a district attorney is disqualified or otherwise unable to handle the proceedings, (4) prosecutes crimes committed by prisoners in the state prisons whenever district attorneys elect not to perform this function, (5) investigates misconduct by judges, and (6) enforces antitrust laws. It also investigates and prosecutes cases of consumer fraud, and fraud committed by providers of Medi-Cal services.

Law Enforcement

The Division of Law Enforcement is the largest of the department's programs. It provides a variety of law enforcement services through two branches, and a computer center.

Investigations and Enforcement. Through a program of field investigative services, the Investigations and Enforcement Branch (1) aids local enforcement agencies in the solution and prosecution of significant crimes, particularly those

DEPARTMENT OF JUSTICE—Continued

which affect more than one county or area, (2) provides investigative services to the department's civil and criminal law programs, (3) develops intelligence and gathers evidence to apprehend major narcotics violators, (4) administers a tripartite prescription system to prevent diversion of legal supplies of narcotics and certain nonnarcotic drugs into illegal channels, and (5) trains local and state law enforcement personnel in techniques of narcotic enforcement.

In addition, this branch maintains a system of 14 laboratories throughout the state which provide analyses of criminal evidence, blood-alcohol samples and controlled substances. Trained criminalists interpret the significance of scientific findings to law enforcement agencies and the courts.

Finally, this branch gathers, evaluates, disseminates and stores criminal intelligence information which may indicate the presence of organized crime. It also furnishes administrative support for the nationwide Law Enforcement Intelligence Unit.

Criminal Identification and Information. This branch operates a 24-hour-a-day communications center which provides criminal record information to law enforcement agencies throughout the state.

The branch (1) maintains central records (now being automated) of approximately 4.1 million criminal history files and 6.4 million fingerprint cards, (2) processes fingerprints and makes tentative identification through fingerprint comparisons in criminal cases, (3) processes noncriminal fingerprints for law enforcement, licensing and regulatory agencies (the cost of which is reimbursed by fees), (4) assists law enforcement officers in locating stolen property and missing or wanted persons, (5) processes applications for permits to carry weapons, and (6) assists local jurisdictions to enforce child support obligations by maintaining a Parent Locator Service.

A criminal statistics program collects data from state and local criminal justice agencies, and prepares statistical reports on crime and delinquency and the operations of criminal justice agencies in California.

Data Center. The Law Enforcement consolidated Data Center, established by 1972 legislation, provides centralized management of data processing equipment and services for the Department of Justice, California Highway Patrol (stolen vehicle processing), Department of Motor Vehicles (vehicle registration and driver's license information), and local law enforcement agencies. The center's automated communications systems in Sacramento link California and Nevada criminal justice agencies to computerized files in Sacramento, Washington, D.C. and other states.

Administration

Administration is responsible for the fiscal, personnel, and office management of the entire department. In addition, it provides office support such as stenographic and typing services to the legal divisions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$97,077,871 from the General Fund and State Transportation Fund for support of the Department of Justice in 1981-82. This is an increase of \$2,647,038, or 2.8 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. Part of the increase is attributable to (1) greater workload in the Criminal Law Division, (2) relocation of the California Law Enforcement Telecommunications System to the department's new building, and (3) a change in federal requirements for state matching funds to support the Medi-Cal Fraud Program. These and other increases are partially offset by reduc-

tions for completion of the data center hardware conversion project, and a special adjustment eliminating recordkeeping for drunk and reckless driving arrests. These and other proposed 1981-82 budget changes are detailed in Table 1.

Table 1
Department of Justice
Proposed 1981-82 Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reim- bursements^a</i>	<i>Total^b</i>
1980-81 Current Year Revised	\$85,553.3	\$8,877.5	\$5,961.5	\$17,608.0	\$118,000.4
1. Workload Changes					
a. Licensing	—	—	—	474.5	474.5
b. Business and Tax	—	—	—	69.4	69.4
c. Health, Education, and Welfare	—	—	—	374.9	374.9
d. Environment.....	—	—	—	134.3	134.3
e. Tort and Condemnation	—	—	—	136.5	136.5
f. Appeals	525.0	—	—	—	525.0
g. Criminal Law	212.2	—	—	—	212.2
h. Tort Investigation	119.3	—	—	-119.3	0
i. Prison Crimes	364.6	—	—	—	364.6
j. Criminalistics	183.0	—	—	-183.0	0
k. CNIN.....	-25.8	—	—	—	-25.8
l. Personnel Assistant.....	37.3	—	—	—	37.3
m. Grant Changes	—	—	-780.5	-1,382.7	-2,163.2
n. Financial Legislation ^c	-251.5	-5.0	—	—	-256.5
o. Reimbursed Contracts	—	—	—	-570.2	-570.2
2. Cost Changes					
a. Merit Salary.....	670.8	40.8	—	122.7	834.3
b. Price Increases	1,262.5	301.3	—	216.5	1,780.3
c. OASDI	98.6	6.0	—	18.0	122.6
d. Salary Savings	-125.0	—	—	—	-125.0
3. Program Change Proposals					
a. Medi-Cal Fraud	416.4	—	-942.1	—	-525.7
b. Marijuana Therapeutic Research....	115.0	—	—	—	115.0
c. Automated Latent Prints	261.7	—	—	—	261.7
d. CLETS Relocation.....	242.3	296.1	—	—	538.4
e. Hardware Conversion.....	-645.2	-908.1	—	—	-1,553.3
f. Completion of EDP Conversion.....	78.6	96.1	—	—	174.7
g. Triplicate Prescription	279.9	—	—	189.0	468.9
h. Special Adjustment	-1,125.0	—	—	—	-1,125.0
i. Witness Protection	125.0	—	—	—	125.0
1981-82 Proposed Expenditures	\$88,372.9	\$8,704.9	\$4,238.9	\$17,088.7	\$118,405.5

^a Reimbursements include amounts payable from the Political Reform Act.

^b Due to rounding, the details may not add to total.

^c These amounts reflect a legislative appropriation to cover half-year costs of Chapter 844, Statutes of 1980, and prior-year balances available from 1978 and 1979 legislation.

Total program expenditures, including federal funds and reimbursements, are budgeted at \$118,405,505. This is \$405,139, or 0.3 percent, more than estimated total expenditures in the current year. Table 2 summarizes the department's expenditures by program.

DEPARTMENT OF JUSTICE—Continued

Table 2
Department of Justice
Budget Summary

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. Executive/Special Programs	\$4,666,656	\$4,709,491	\$42,835	0.9%
Personnel-years	106.2	104.9	-1.3	-1.2
2. Civil Law	22,232,581	23,930,466	1,697,885	7.6
Personnel-years	493.8	518.1	24.3	4.9
3. Criminal Law	20,761,130	21,691,563	930,433	4.5
Personnel-years	482.1	490.9	8.8	1.8
4. Law Enforcement	65,765,752	64,457,146	-1,308,606	-1.9
Personnel-years	1,932.5	1,873.2	-59.3	-3.2
5. Administration				
a. Distributed ^a	(12,595,229)	(13,480,407)	(885,178)	(7.0)
Personnel-years	(406.7)	(417.3)	(10.6)	(2.6)
b. Undistributed	4,439,247	4,606,839	167,592	3.8
Personnel-years	154.6	155.7	1.1	0.7
6. Legislative Mandate ^b	135,000	135,000	—	—
7. Special Adjustment	—	-1,125,000	-1,125,000	—
Personnel-years	—	-73	-73	—
Program Totals	\$118,000,366	\$118,405,505	\$405,139	0.3%
Personnel-years	3,169.2	3,069.8	-99.4	-3.1

^a Amounts in parentheses are distributed among other items and are so shown to avoid double-counting.

^b Reimburses cities and counties for mandated costs incurred in (1) destroying possession of marijuana files and (2) submitting dental records of missing persons.

Table 3 presents a summary of the department's proposed funding sources and highlights several changes in the budget year. The budget indicates that federal funding will decrease by \$1,722,607. This reflects (1) a decrease in federal support for the Medi-Cal Fraud program and (2) the department's new policy to only include grants in the budget if it is certain that grant funds will be received. A decline in reimbursements of \$524,372 reflects an anticipated decrease in federal Law Enforcement Assistance Administration grants awarded to the department by the Office of Criminal Justice Planning.

Table 3
Department of Justice
Funding Source Summary

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Fund	\$81,248,032	\$84,013,319	\$2,765,287	3.4%
2. Fingerprint fees (General Fund) ...	3,278,651	3,325,120	46,469	1.4
3. Attorney General's Anti-Trust Account (General Fund)	891,678	899,544	7,866	0.9
4. Legislative Mandates (General Fund)	135,000	135,000	—	—
5. Motor Vehicle Account (State Transportation Fund)	8,872,472	8,704,888	-167,584	-1.9
6. Off-Highway Vehicle Fund	5,000	—	-5,000	-100.0
Total Direct Appropriations	\$94,430,833	\$97,077,871	\$2,647,038	2.8%
7. Reimbursements	\$17,381,061	\$16,856,689	-\$524,372	-3.0%
8. Federal Trust Funds	5,961,499	4,238,892	-1,722,607	-28.9
9. Political Reform Act	226,973	232,053	5,080	2.2
Total Funding	\$118,000,366	\$118,405,505	\$405,139	0.3%

Supplemental Language Report on Contracted Legal Services

The Budget Act of 1980 provided \$400,000, consisting of \$200,000 from the General Fund and \$200,000 in reimbursements, to the Governor's Office for contracted legal services in cases where the Attorney General has declined to represent the Governor or any state agency in legal proceedings. A corresponding reduction of \$400,000 was made in the budget of the Civil Law Division of the Department of Justice.

The Supplemental Report to the Budget Act of 1980, requested that our office report to the Legislature on the effect of the expenditures on the Civil Law Division's workload. In addition we were asked to report on the Governor's use of these funds. We discuss the impact of the transfer of funds on the Governor's Office in our analysis of the budget for that office (Item 050-001-001).

The Department of Justice indicates that the transfer of funds has had no significant impact on the Civil Law Division's workload or staffing levels. Specifically, the department indicates that the two contracts entered into by the Governor—one for an amicus curiae brief and the other for Nuclear Regulatory Commission proceedings—did not affect the division's workload because (a) the Attorney General had adopted a policy restricting the filing of amicus curiae briefs and had redirected or reduced staffing levels accordingly prior to the current year, and (b) the department was not budgeted to perform the legal work related to Nuclear Regulatory Commission proceedings. The department indicates that the \$400,000 of unidentified savings will not be achieved by reducing staff or expenditures of the Civil Law Division, but rather by accruing excess salary savings within the total budget of the department or by limiting expenditures in other programs, if necessary.

1981-82 Proposal for Contracted Legal Services

The budget proposes that \$400,000 be appropriated to the Governor's Office for contracted legal services in 1981-82. In contrast to what was done in the 1980 Budget Act, however, the full \$400,000 would come from the General Fund. The Governor's Budget proposes to continue the \$400,000 reduction in the Department of Justice's budget, comprised of \$200,000 from the General Fund and \$200,000 in reimbursements. Thus, the Governor's Budget for 1981-82 proposes to increase by \$200,000 the amount available from the General Fund for legal representation of state agencies, and reduce by \$200,000 the amount of reimbursements budgeted for legal services to special fund agencies.

We understand, that in enacting the 1980 Budget Act, it was the Legislature's intent to simply transfer funds from the Department of Justice to the Governor's Office to insure that needed legal services would be provided to state agencies. The Legislature did not increase the amount expended on legal services from the General Fund, or reduce the amount of legal services available to special fund agencies. Therefore, we recommend in our analysis of the Governor's Office (Item 050-001-001) that the proposed expenditures by that office be adjusted to reflect the funding mix for contracted legal services approved in the 1980 Budget Act.

Supplemental Report on Security Services

The Supplemental Report to the 1980 Budget Act directed the State Police Division of the Department of General Services to study the costs and benefits of utilizing Department of Justice employees, rather than State Police personnel, as security guards at the new Department of Justice building. In addition, the State Police Division was asked to detail the services which it would provide on a contract basis to meet the Department of Justice's service requirements.

At the time this analysis was written, we had not received the requested report.

DEPARTMENT OF JUSTICE—Continued**Special Adjustment—Elimination of Drunk Driving Arrest Records Program**

We recommend approval.

The budget proposes a "special adjustment" to permanently eliminate a program which consists of processing and retaining records of misdemeanor drunk driving and reckless driving arrests and dispositions. As a result, the budget shows a reduction of 73 positions and \$1,125,000 for personal services and operating expenses. The budget indicates that the program should be eliminated because there is a substantial duplication between these records and conviction records available from the Department of Motor Vehicles. It also notes that the elimination of the program would have very little impact on the control of drunk driving because increased penalties for repeat offenders can only be based on convictions and not arrests.

The Department of Justice indicates that it discontinued this program two years ago, in January 1979, and generally has not updated criminal history records with information on drunk and reckless driving arrests and dispositions since then. The department, however, did not propose any position or funding reductions to reflect discontinuation of the program. According to the department, it did not redirect the resources that had been devoted to this program, but instead accrued excess salary savings.

Department staff say that they discussed with local government officials, the impact resulting from terminating the program. As a result of these discussions, staff concluded that Department of Motor Vehicles arrest and conviction data do not fully meet the needs of local governments. For this reason, the department desires to resume the program.

Because the department is unable to document the magnitude of any problems created by suspension of this program two years ago, we have no basis for recommending that the program be reactivated. Accordingly, we recommend that the proposed reductions be approved.

Local Mandated Costs Overbudgeted

We recommend that Item 082-101-001 be reduced by \$85,000 (General Fund) because the amount budgeted to reimburse local governments for mandated costs exceeds the historical costs of the programs.

The budget proposes an appropriation of \$135,000 from the General Fund to reimburse local governments for costs which they incur as a result of Chapter 952, Statutes of 1976, and Chapter 462, Statutes of 1978. The first statute requires the courts and public agencies to destroy records of specified convictions and arrests for the possession of marijuana. The second law requires local governments to obtain dental records of missing persons and conduct dental examinations on unidentified dead bodies.

Our review of the payments made to local governments pursuant to these laws reveals that actual costs of the programs have been far less than the \$135,000 budgeted for 1981-82. The State Controller's staff indicates that actual costs were \$13,370 in 1978-79, and estimated costs were \$23,047 in 1979-80. The Controller indicates that unaudited claims filed by local governments for their estimated costs during the current year total \$37,008. Based on historical experience it is unlikely that the costs of these local mandated programs will exceed \$50,000 in 1981-82. On this basis, we recommend that Item 082-101-001 be reduced by \$85,000.

Revised Workload Projections Should Reduce Costs

We recommend a reduction of \$43,079, consisting of \$29,969 in General Fund support, \$13,110 in reimbursements, and 2.2 proposed new positions (Item 082-001-001) because the department's additional workload resulting from Chapter 844, Statutes of 1980, will be less than projected.

Chapter 844, Statutes of 1980, expands the reporting requirements for medical personnel who prescribe certain nonnarcotic controlled substances. Specifically, it provides that these drugs must be prescribed on triplicate forms issued by the Department of Justice. The law requires that the forms be preprinted with identifying information for each medical practitioner who prescribes the drugs. The department is authorized to charge a fee to cover its costs for printing and distributing the triplicate forms.

The legislation appropriated \$140,000 from the General Fund to the department to cover its estimated half-year implementation costs during the current year. The Governor's Budget requests \$468,997, consisting of \$279,979 from the General Fund and \$189,018 in reimbursements, to cover the department's costs in the budget year. The department proposes 25.8 additional data processing and clerical positions as well as increased operating expenses of \$131,203.

The estimates of workload and costs which will result from Chapter 844 are based on a formula developed by the department and federal Drug Enforcement Administration (DEA) statistics on the number of grams of specified nonnarcotic drugs purchased by retail pharmacies in California in 1978.

We recently requested an update of the 1978 data from the Drug Enforcement Administration. The newly released 1979 data indicates that the quantity of the specified nonnarcotic drugs purchased by retail pharmacies in California declined by 23 percent from 1978 and 1979.

Using the latest DEA statistics and the department's formula, we recalculated the number of additional prescriptions the department will process in 1981-82. Our analysis indicates that because of the decline in workload, the department will require \$425,918 for this program, consisting of \$250,010 from the General Fund and \$175,908 in reimbursements, rather than the proposed amounts. Therefore, we recommend a total reduction of \$43,079, for a General Fund savings of \$29,969, a reimbursement savings of \$13,110 and a reduction of 2.2 proposed new positions (Item 082-001-001).

Transfer of Unnecessary Surplus to the General Fund

We recommend that surplus funds totaling \$654,436 in the Fingerprint Fees Account be transferred to the unappropriated surplus of the General Fund.

The department's Criminal Identification and Information Branch administers a noncriminal identification program. Many law enforcement, licensing, and regulatory agencies submit fingerprint cards of employee-applicants to the branch for verification and a search for possible criminal records.

The department may recover its processing costs by charging a fee to the agency requesting the information, in accordance with Section 11105 of the Penal Code. The department reviews this fee annually and adjusts it to reflect estimated costs and fingerprint volume. Staff indicates that in the budget year, a fee of \$6.55 will be charged to agencies for all applicants except child-care applicants (which are statutorily exempt). All fees collected are considered revenues and deposited into the Fingerprint Fees Account, a special account within the General Fund. Each year a portion of the funds in the account are appropriated in the Budget Act to cover the estimated costs of the noncriminal identification program.

In our analysis of the 1980-81 Governor's Budget, we examined a department policy that exempted peace officer applicants from paying the fingerprint fee. An Auditor General's report dated September 1979, explained that this exemption

DEPARTMENT OF JUSTICE—Continued

appeared to be a tradition carried forward from a time when peace officer applicants were statutorily exempt from paying the fee. After the exemption was eliminated by 1976 legislation, the department continued to exempt peace officers from paying the fees, and the General Fund supported the costs of the peace officer applicant program. In our 1980-81 Analysis we recommended that peace officer applicants be charged the fee. The Legislature approved this recommendation, thus terminating a subsidy which in 1979-80 totaled approximately \$70,000.

In our review of the program this year, we examined historical expenditure and revenue data for the Fingerprint Fees Account. We found that a large surplus has existed in the account for many years, as is shown in Table 4.

Table 4
Department of Justice
Fingerprint Fees Account, General Fund
Surplus Available for Appropriation

	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus Available for Appropriation</i>
1975-76	\$1,312,623	\$1,248,439	\$612,584
1976-77	2,330,866	2,515,098	431,245
1977-78	2,512,554	2,209,498	726,194
1978-79	2,612,219	2,357,459	957,947
1979-80	2,598,340	2,835,889	954,436
1980-81 (est.)	3,278,651	3,278,651	954,436
1981-82 (est.)	3,325,120	3,325,120	954,436

The statute that authorizes the department to collect a fee from applicants does not provide for the build up of a surplus in the Fingerprint Account. The only justification for maintaining a surplus in the account is to ensure that funds are available to offset an unexpected shortfall in fingerprint revenues or an increase in costs in any particular year. Any long run changes in fingerprint volume or costs can be compensated for by an adjustment in fees. Our analysis of historical data indicates that a surplus in the account of \$300,000 would provide ample funds to cover an unexpected revenue shortfall.

Because there is no reason to maintain a large surplus in the fingerprint fees account, and because the General Fund subsidized peace officer applicants in past years, we recommend that funds in excess of \$300,000 in the Fingerprint Fee Account be transferred to the unappropriated surplus of the General Fund, thereby increasing the amount available to fund other priority state needs by \$654,436.

Savings Result from Legislation

We recommend a deletion of 1.5 attorney positions, related clerical staff, and operating expenses from the Civil Law Division's budget because enacted legislation reduces the department's legal responsibilities, for General Fund savings of \$108,144 (Item 082-001-001).

Chapter 1324, Statutes of 1980 (SB 1493), modified the law relating to the investigation and prosecution of religious corporations. It limits the Attorney General's power to investigate religious corporations for violations of civil law, and generally restricts the department's activity to investigations and prosecutions for violations of criminal law. The measure becomes effective June 1, 1981.

At the time the bill was before the fiscal committees, the department indicated that it would incur long-term savings if the bill were enacted through a reduction in investigation and prosecution activities. Department staff indicates that cases pending under its previous statutory authority have already been discontinued as a result of the legislation. Staff also indicates that, on average, the department has

devoted an estimated 1.5 attorney years of effort annually to the prosecution of religious corporations, although considerably more resources were devoted to specific cases during the last several years.

Because Chapter 1324 restricts the department from pursuing such activities in the future, we recommend a deletion of 1.5 attorneys, related clerical staff, and operating expenses from the budget of the Civil Law Division, for a General Fund savings of \$108,144.

Unneeded Equipment

We recommend deletion of \$94,245 (Item 082-001-001) proposed for various items of equipment.

Analysis of the department's baseline Supplementary Schedule of Equipment (Schedule 9) reveals several instances of overbudgeting. Table 5 summarizes our recommended reductions to the department's equipment budget. A discussion of each request follows.

Table 5
Department of Justice
Equipment Reductions Recommended by Analyst

1. Vehicles.....	\$45,500
2. Toxicology equipment	39,745
3. Word processor.....	9,000
Total	<u>\$94,245</u>

Vehicles. The department is requesting a total of 56 vehicles to replace existing departmental vehicles which are estimated to reach a mileage of 100,000 or greater in the budget year. A review of the request reveals that the Legislature approved replacement of seven of the vehicles in the current year. Because funding for replacement of these vehicles has already been provided, we recommended a reduction of \$45,500.

Toxicology Equipment. The Bureau of Forensic Services requests various items of equipment to expand the capabilities of its Toxicology Program. Specifically, the items will provide a new data storage and retrieval system, enhance the detection and analysis of drugs in blood and urine samples, and assist in the data processing necessary to expand the program to complete over 100 cases per month.

The department recently received a grant from the California Office of Traffic Safety which provided funds to purchase equipment to establish the Toxicology Program. A review of the grant application reveals that many of the items requested in the 1981-82 budget duplicate items approved for purchase with grant funding. For example, a chromatographic auto sampler, flame ionization and nitrogen phosphorous detectors, and data processing accessories were requested in both the grant application and the 1981-82 budget. The grant application indicates that approval of the grant would give the toxicology program the ability to analyze at least 100 cases per month.

Because the requested equipment items have already been funded by the grant from the Office of Traffic Safety, we recommend a reduction of \$39,745.

Word Processor. The department's San Diego legal support office is requesting a new word processing unit to replace a 1977 Veritext Model 1145 word processor because it believes more sophisticated equipment is now available. At the same time, the department's Financial Management Branch in Sacramento is requesting the purchase of an additional Veritext word processor. Rather than purchasing additional equipment, we recommend the department transfer the San Diego equipment to Sacramento, for a General Fund savings of \$9,000.

DEPARTMENT OF JUSTICE—Continued**Budget for Legal Services Is Inconsistent**

We recommend that the Department of Finance prepare a schedule reconciling the Governor's Budget with respect to Attorney General legal services by April 1, 1981. We withhold recommendation on the Civil Law Division's request for additional legal staff and operating expenses totaling \$1,189,660 (Item 082-001-001).

Our analysis reveals two problems with the funding for Attorney General legal services as proposed in the Governor's Budget. First, the Governor's Budget and the department's Budget Change Proposals (BCPs) differ in their estimates of the amount of legal services the department will provide to its clients. Second, the amount of legal services the Governor's Budget indicates the department will provide to its clients differs from the amount of legal services the clients are budgeted to obtain. These inconsistencies make it difficult to evaluate the department's request for additional positions.

The department proposes 11 additional attorneys, 14.4 legal assistants, and 13.9 clerical positions to meet projected workload increases in the Civil Law Division in 1981-82. The budget proposes an augmentation of \$1,189,660 in reimbursements to fund the additional positions and related operating expenses. The reimbursements will be collected from special fund clients who will be billed for actual services they receive. Table 6 details the department's request.

Table 6
Department of Justice
Civil Law Division
Proposed New Positions and Related Expenditures

<i>Legal Program</i>	<i>Attorneys</i>	<i>Legal Assistants</i>	<i>Clericals</i>	<i>Total Proposed Expenditures</i>
1. Licensing ^a	5.0	4.0	6.0	\$474,510
2. Environment	2.0	1.4	0.2	134,284
3. Health, Education, and Welfare	3.0	5.0	4.9	374,926
4. Business and Tax	—	2.0	1.0	69,398
5. Tort and Condemnation	1.0	2.0	1.8	136,542
Totals	11.0	14.4	13.9	\$1,189,660

^a Positions are limited to June 30, 1982.

In reviewing the workload which the department projects for each of its client departments in the budget year, we found that the estimates detailed in the Governor's Budget on the number of legal service hours which the department anticipates providing to each client frequently differ from the estimates made in the BCPs. Table 7 displays some of these discrepancies.

The department bases its requests for additional attorney positions on increases in the number of legal service hours its clients will require in the budget year. Because the department utilizes an attorney workload standard of 1,820 hours of legal services per year, each 1,820 hours of additional workload projected may justify an additional attorney position. Thus, the discrepancies identified in Table 7 are significant because they represent a total difference of nearly 12,000 hours, or the equivalent of over 6.5 attorney positions. The wide disparity in the estimated workload makes it difficult to evaluate the department's request for 11 additional attorneys.

Table 7
Department of Justice
Estimates of Attorney Hours to be
Provided to Various Clients in 1981-82

<i>Clients</i>	<i>Governor's Budget</i>	<i>Budget Change Proposals</i>	<i>Difference</i>
1. Licensing			
Contractors' State License Board.....	20,555	23,204	2,649
Board of Dental Examiners.....	4,032	4,244	212
Board of Medical Quality Assurance.....	29,281	31,147	1,866
Board of Registered Nursing.....	3,582	3,771	189
Board of Pharmacy.....	3,800	4,000	200
2. Environment			
Air Resources Board.....	5,500	5,000	-500
Energy Resources Conservation and Development Commission.....	700	1,000	300
Regional Water Quality Control Boards.....	4,400	5,000	600
Resources Agency.....	600	800	200
3. Health, Education, and Welfare			
Department of Social Services—			
Categorical Aid Programs.....	3,365	4,500	1,135
Two-Thirty-Two Actions.....	2,000	2,500	500
Licensing of Small Family Homes.....	1,200	1,500	300
Department of Health Services—			
Acute Care Hospitals.....	1,500	2,000	500
Skilled Nursing Facilities.....	3,455	4,500	1,045
4. Business and Tax			
State Banking Department.....	100	1,400	1,300
Department of Insurance.....	3,100	3,900	800
Department of Real Estate.....	7,600	8,260	660

The department staff explain that the figures cited in the Governor's Budget represent a commitment to provide a minimum level of service to each client. They state that the figures in the BCPs represent the level of service that the department believes it will have to provide to meet its clients' needs. The department is asking for additional staff based on the higher projection of hours to be provided, yet the department estimates the amount of reimbursements it will receive in the budget year based on the lower service level. Because reimbursements collected offset General Fund costs, to the extent that reimbursements are understated, the department is overestimating its General Fund requirements.

In our review of the legal services program, we also attempted to verify that the cost of the legal services which the department is budgeted to provide to its clients corresponds with the amount of funds that the clients have in their budgets for Attorney General services. As Table 8 shows, there were numerous discrepancies between the department's budget and the client agencies' budgets.

The table shows substantial differences between the amount of legal services which some departments are budgeted to obtain from the Attorney General and the amount of attorney services which the Department of Justice is budgeted to provide. Because a portion of the differences may be explained by the fact that the department bills clients for the services of legal assistants, investigative time and minor cost of suit expenses, in addition to attorney time, we requested estimates of these potential costs from the department. At the time this analysis was prepared, however, we had not received this information.

In past years, we identified similar problems in budgeting for legal services. For example, as we recommended in last year's analysis, the Legislature reduced the amount budgeted for legal services by the Departments of Real Estate, Corporations, and Employment Development in 1980-81 because of similar discrepancies.

DEPARTMENT OF JUSTICE—Continued

Table 8
Department of Justice
Governor's Budget Data on
Department of Justice (DOJ) Legal Services

<i>Clients</i>	<i>Client Budget for Legal Services</i>	<i>Attorney Services DOJ is Budgeted to Provide^a</i>	<i>Difference</i>
State Banking Department.....	\$75,000	\$4,925	\$70,075
Department of Insurance	190,800	152,675	38,125
Air Resources Board.....	443,020	270,875	172,145
Employment Development Department programs	364,352	409,169	-44,817
Social Services—			
Categorical Aid	224,405	165,726	58,679
Two-Thirty-Two Actions	125,925	98,500	27,425
Residential Care	333,379	163,658	169,721
State Controller	220,000	179,467	40,533
Department of Consumer Affairs.....	4,126,868	3,912,174	214,684

^a These amounts were calculated using Governor's Budget data on the amount of attorney hours the department is budgeted to provide each client and the estimated billing rate for legal services in 1981-82 (\$49.25 per hour).

The fiscal impact of discrepancies such as those shown in Table 8 is potentially significant because the differences could reflect instances in which (a) various departments are incorrectly budgeting for legal services or (b) the Department of Justice is not accurately projecting the reimbursements it will receive from special fund clients, thereby overestimating its need for General Fund support.

The discrepancies which we have identified in Tables 7 and 8 make it difficult to analyze the department's request for additional legal positions and to evaluate its clients' proposed expenditures on legal services. We believe the Governor's Budget should present a complete and internally consistent estimate of the legal service needs of state entities and the ability of the Department of Justice to meet these needs. Therefore, we request that the Department of Finance prepare a schedule by April 1, 1981, which reconciles (a) the Governor's Budget with the department's BCP estimates regarding the amount of legal services the department will provide to its clients and (b) the amount of legal services the department will provide to each client with the amount of services each client is budgeted to obtain. Pending receipt of the reconciled budget data, we withhold recommendation on the Department of Justice's request for additional legal staff and related operating expenses totaling \$1,189,660 (Item 082-001-001).

Overhead Funds Received Should be Used to Offset General Fund Support

We recommend a General Fund reduction of \$194,303 and budget language (Item 082-001-001) to insure that the portion of federal grant funds received by the department which is intended to offset the costs of administering grant programs be used for that purpose.

The department is budgeted to receive federal grant awards totaling \$4,380,350 in 1981-82. The department may also receive additional federal grants during the budget year. A percentage of each grant is intended to cover a portion of the "indirect cost" of administering the grant. These "indirect costs" include accounting, payroll, personnel, and related activities. To the extent a department is able to use federal funds to support these activities, the amount of state funds required is correspondingly less.

The department estimates that it will receive \$479,303 in indirect cost funds during the budget year, yet an expenditure plan is available for only 60 percent

of this amount. The department indicates that it intends to spend \$285,000 of the indirect cost funds to establish administratively twelve positions which it has identified in the budget. This staff will perform accounting, personnel, and administrative duties related to management of the grants that the department expects to receive. The remainder of the funds, totaling \$194,303, has not been budgeted to reduce General Fund support of the department. The department maintains that any unused funds will revert to the General Fund.

Our analysis indicates that the proposed treatment of indirect cost funds is inappropriate because it allows the department, rather than the Legislature, to determine how the remainder of the funds, totaling \$194,303 is used. We raised a similar issue last year and the Legislature approved Budget Act language, supplemental report language, and a budget reduction to correct this problem.

In order to insure that the department's indirect costs are properly funded using federal reimbursements, rather than General Funds, and to ensure legislative control of proposed expenditures, we recommend a General Fund reduction of \$194,303, (Item 082-001-001). We further recommend that the Legislature adopt Budget Bill language similar to what it adopted in the 1980 Budget Act:

"Provided further, that the department may expend a maximum of \$479,303 of the indirect cost funds contained in categories (d) and (i) for grant-related administrative activities."

"Provided further, that any grant-related indirect cost funds in excess of \$479,303 contained in categories (d) and (i) shall be transferred to the unappropriated surplus of the General Fund."

Questionable Need for Additional Agents

We recommend deletion of three special agent positions proposed for prison crimes investigation because of insufficient justification, for a General Fund savings of \$182,295 (Item 082-001-001).

Chapter 1359, Statutes of 1978, provides that district attorneys may transfer the responsibility for prosecuting crimes committed by state prison inmates to the Attorney General. In the current year, seven district attorneys have elected to do so, and an eighth plans to transfer the responsibility effective July 1, 1981.

The Budget Act of 1980 authorizes the Attorney General to add at specified times throughout the year 10 attorney positions, related clerical support, and operating expenses to prosecute these crimes, at a General Fund cost of \$598,150. The budget proposes to add six special agents, one clerical position, and operating expenses for the same purpose, at a General Fund cost of \$364,589 in 1981-82. The department explains that it needs the agents to perform a thorough investigation of cases selected for prosecution. The department estimates that half of the cases selected for prosecution will require an investigation of approximately 80 hours each and the other cases will not require investigation.

Our analysis fails to document the need for six agent positions at this time. First, the agent workload standards used by the department have not been validated by actual experience. After a little over five months of actual experience, the attorneys have approved 46 cases for prosecution. The department, however, has devoted only 940 hours to investigating these 46 cases. If we use the department's estimated workload standard that half of the cases selected for prosecution require an investigation of 80 hours per case, the agents should have devoted 1,840 hours. Because they have committed only 940 hours, actual experience suggests that the department's estimate of agent workload per case should be reduced by 50 percent.

Second, the availability of trained Department of Corrections investigative staff located at each prison site raises questions about the need for six Department of Justice agents to travel to the institutions to perform investigations when crimes

DEPARTMENT OF JUSTICE—Continued

occur. Corrections staff who are familiar with the prison environment currently investigate crime scenes, preserve evidence, interview witnesses, and complete reports on each incident. The staff currently performs the required investigation for department disciplinary proceedings. The need for Department of Justice staff to spend substantial travel time and expense in order to duplicate many of these activities is questionable.

Third, in the current year, the department received no additional staff positions to perform prison crimes investigations. In order to insure that the attorneys received adequate information on which to base their prosecutions, the Department of Justice utilized existing agent staff to train Department of Corrections' officers to prepare more comprehensive incident reports. In addition, these agents offered training courses on such topics as crime scene investigation, physical evidence, interviews and interrogations, follow-up investigations, and the prosecutor's perspective. We believe the department has identified an efficient approach to insure the adequate investigation of prison crimes and should continue to devote significant effort to training the staff who are the first ones to arrive at the scene of the crimes, and are thus in the best position to preserve evidence, identify and interview potential witnesses, and compile the evidence that may be needed later for criminal prosecution.

We recognize that Department of Justice agents may be needed to perform any investigation required outside the prisons, and to handle especially sensitive cases, if necessary. However, in view of our finding that the department's estimate of agent workload should be reduced by 50 percent, the desirability of having Department of Corrections' staff perform the majority of the investigations, and the efficiency of the department's training efforts, we recommend that three of the proposed agent positions, related staff and expenses be denied, for a General Fund savings of \$182,295.

Savings Estimates Differ Widely

We recommend that the Office of Procurement of the Department of General Services and the Department of Justice jointly report to the fiscal committees prior to budget hearings on the estimated amount and timing of savings anticipated from the implementation of SLAMM project recommendations.

The Department of General Services Office of Procurement has begun a statewide program to establish standards for all materials management activities, and to reduce state expendable goods inventories that are often maintained in uneconomically large quantities. The program, which will eventually involve a review of each major agency and warehouse facility, is administered within the framework of the Statewide Logistics and Materials Management System (SLAMM).

In July 1980, SLAMM project staff completed a review of the Department of Justice materials management activity and developed, in cooperation with department staff, a plan to improve the department's materials management. The July report indicates that the department is in substantial agreement with the findings and recommendations made in the report.

The SLAMM study identified deficiencies in the department's policies for inventory control of tenant stock, the lack of monitoring of inventory levels, and the absence of comprehensive materials management guidelines. The study made recommendations to correct these problems and indicated that their implementation would enable the department to reduce its inventory investment by \$420,943 over a two-year period, resulting in one-time cost savings of \$420,943 and a \$42,094 reduction in annual operating costs. Other benefits that would result from implementing these recommendations include improved inventory accountability and management.

The department has begun to implement the recommendations of the SLAMM report. Staff, however, indicates that savings have not been realized in the current year, nor are any anticipated in the budget year.

Because of the disparity between the SLAMM project's estimate of savings (a one-time savings of \$420,943 over several years and a \$42,094 reduction in annual costs) and the department's indication that no budget savings are likely to occur, we recommend that the Office of Procurement of the Department of General Services and the Department of Justice jointly report to the fiscal committees prior to budget hearings on the estimated amount and timing of budget savings anticipated as a result of the implementation of the SLAMM project recommendations.

Computer Relocation Plans Not Final

We withhold recommendation on \$121,679 budgeted to implement part of a plan for relocation of computer equipment, pending confirmation of the final plan.

In 1979, the Department of Justice established a data communications message-switching computing system at the Department of Motor Vehicles (DMV) facility. It did this for two reasons: (1) the Department of Justice required a temporary facility pending completion of its new computer center; and (2) placement at the DMV site enabled the Department of Justice to provide message-switching service to DMV as well as meet its own needs. This resulted in a net reduction in DMV's communications support costs.

The new computer facility is now nearing completion, and the department proposes an expenditure of \$538,384 to relocate the computing equipment located at DMV to the new site. The relocation is planned because the new facility contains system support capabilities which do not exist at the DMV facility. Of the budgeted amount, \$121,679 is proposed for system redesign in order to continue to meet DMV's needs from the new site. However, DMV has indicated a preference for an approach which does not include the modifications proposed by the Department of Justice. The State Office of Information Technology (SOIT) in the Department of Finance, which has general statewide responsibility for electronic data processing, is reviewing the alternatives, but had not made a final decision at the time our analysis was written. Therefore, we withhold recommendation on the \$121,679 proposed for system redesign, pending resolution of the issue by SOIT.

DEPARTMENT OF JUSTICE—CAPITAL OUTLAY

Item 082-301 from the Special
Account for Capital Outlay,
General Fund

Budget p. LJE 74

Requested 1981-82	\$93,300
Recommended reduction	93,300

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of Item 082-301-036, for minor capital outlay, for a savings of \$93,300.

This item provides funding for 17 projects estimated to range in cost from \$500 to \$30,000. The proposed work would alter state-owned (\$1,900) and state-leased (\$91,400) office space and parking facilities to improve physical accessibility for handicapped persons.

DEPARTMENT OF JUSTICE—CAPITAL OUTLAY—Continued

Our analysis of the available information indicates that these projects should not proceed because:

- The majority of the funds are for work in buildings leased by the state. General building improvements of the type proposed should be the responsibility of the owner rather than the state. Any alterations required by the state should be discussed as part of the lease renewal negotiations, and the cost should be amortized through lease payments.
- The work in state buildings in San Diego (\$1,400) and Fresno (\$500) would result in marginal benefits and should be integrated with other alterations to be performed by the Department of General Services. The state-owned buildings are the responsibility of the Department of General Services and the subject improvements should be coordinated and placed in priority with the department's program for making state buildings accessible to the physically handicapped.
- The proposed work is not based on on-site inspection of the various facilities. Rather, information on the need for the projects was obtained by telephone. Thus, the actual conditions and the appropriate modifications have not been verified at the site.
- Information is not available to substantiate the estimated costs.

Based on the above factors, we recommend deletion of Item 082-301-036, for a savings of \$93,300.

STATE CONTROLLER

**Item 084 from the General
Fund and various funds**

Budget p. LJE 75

Requested 1981-82.....	\$45,226,178
Estimated 1980-81	42,584,128
Actual 1979-80	34,682,902
Requested increase (excluding amount for salary increases) \$2,642,050 (+6.2 percent)	
Total recommended reduction	\$754,763

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
084-001-001—Departmental support		General	\$41,318,794
084-001-061—Tax Administration		Motor Vehicle Fuel Account, Transportation Tax	1,761,981
084-001-739—Audits		State School Building Aid	267,131
084-001-041—Tax Administration		Aeronautics Account, State Transportation	198,398
084-001-094—Financial Reporting		Retail Sales Tax	110,795
084-001-970—Unclaimed Property		Unclaimed Property	101,801
084-001-890—Audits		Federal Trust	1,467,278
Total			\$45,226,178

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

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|--|--|-----|
| 1. <i>Personal Services Overbudgeting. Reduce Item 084-001-001 by \$162,913.</i> | Recommend reduction of \$162,913 in personal services due to overbudgeting. | 100 |
| 2. <i>Operating Expense and Equipment Overbudgeting. Reduce Item 084-001-001 by \$25,838 (General Fund).</i> | Recommend reduction of OE&E budgeted for new positions. | 100 |
| 3. <i>Field Audits.</i> | Reduce reimbursements by \$100,000. Recommend two positions and \$100,000 in reimbursements be deleted due to workload reduction. | 104 |
| 4. <i>Field Audits.</i> | Reduce reimbursements by \$21,000. Recommend \$21,000 reduction in reimbursements to reflect amount proposed in contracting agency's budget. | 105 |
| 5. <i>Special Education Audits. Reduce Item 084-001-001 by \$41,422 (General Fund).</i> | Recommend General Fund reduction of \$41,422 and limiting the terms of six audit positions due to lack of workload justification. | 105 |
| 6. <i>CETA Audits.</i> | Recommend 18 positions be limited to one year. | 106 |
| 7. <i>Inheritance Tax Positions. Reduce Item 084-001-001 by \$493,590 (General Fund).</i> | Recommend General Fund reduction of \$493,590 and reduction of 25 positions. | 107 |
| 8. <i>Bureau of Public Retirement Systems. Augment Item 084-001-001 by \$90,000 (General Fund).</i> | Recommend reclassification of one position and augmentation of consulting services by \$90,000. | 108 |
| 9. <i>OASDI Sick Leave Exclusion Program.</i> | Recommend nine positions be limited to two-year terms. | 110 |
| 10. <i>Unclaimed Property.</i> | Recommend 10 positions be limited to one-year terms and the Controller make a specified report to the Legislature. | 111 |

GENERAL PROGRAM STATEMENT

The State Controller is the elected constitutional fiscal officer of the state. His responsibilities include those expressed in the Constitution, those implied by the nature of his office, and those assigned to him by statute. Specifically, the State Controller is responsible for (1) the receipt and disbursement of public funds, (2) reporting the financial condition of the state and local governments, (3) administration of certain tax laws including the inheritance and gift tax, and collection of amounts due the state, and (4) enforcement of the unclaimed property laws. The Controller also is a member of various boards and commissions including the Board of Equalization, Franchise Tax Board, Board of Control, State Lands Commission, Pooled Money Investment Board, and assorted bond finance committees.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$45,226,178 from various funds for support of the Controller's Office in 1981-82. This is an increase of \$2,642,050, or 6.2 percent, over the estimated current year expenditures. The proposed expenditure level is approximately 30 percent above actual expenditures in 1979-80. The proposed expenditure amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

In 1981-82, the General Fund will provide about 91 percent of the funding for the State Controller, with the balance coming from special and federal funds.

Table 1 identifies three major categories of budget changes: (1) baseline adjustments, (2) workload changes, and (3) program changes. The most significant

STATE CONTROLLER—Continued

adjustment to the baseline results from the expiration of about 190 positions. Approximately one-half of these positions were approved during the budget process in prior years but on a limited term basis. The other one-half were administratively established during the current year and are, therefore, authorized for 1980-81 only. Due to workload increases in the budget year, the Controller is requesting an increase of \$3.1 million and 110 personnel-years. In addition, implementation of new legislative programs and further California Fiscal Information System (CFIS) development will increase expenditures by about \$1.7 million and 78 personnel-years. The largest program change is due to legislation enacted in 1980 which made substantial changes in the Inheritance and Gift Tax Laws. This change will be discussed in the tax administration section of this analysis.

The budget proposes to add 197.1 positions (187.6 personnel-years) to the Controller's staff. Reestablishment of expiring limited-term positions account for 99.6 positions, 50.5 are for continuation of positions administratively established in the current year, and 47 are new positions. Table 2 identifies the proposed level of expenditures and personnel-years for each of the major programs administered by the Controller's Office.

Overbudgeting of Personal Services

We recommend that the State Controller's budget be reduced by \$162,913 due to overbudgeting of personal services.

Section 6112 of the State Administration Manual states that all proposed positions must be budgeted at the *minimum* of that position's salary range. Our review of the Controller's budget indicates that 41.6 positions proposed for 1981-82 were budgeted at salary levels above the minimum. In fact, 9.6 positions were budgeted at levels in excess of the *maximum* step of the salary range. After recalculating the costs of these positions at the minimum salary levels, taking into account salary savings and staff benefits, we found that the 41.6 positions were overbudgeted by \$162,913. Therefore, we recommend that the Controller's budget be reduced by this amount.

Overbudgeting of Operating Expenses and Equipment

We recommend that the State Controller's budget be reduced by \$25,838 due to overbudgeting of operating expenses and equipment.

All proposed positions are budgeted a certain amount for operating expenses and equipment (OE&E). The specific amounts are generally determined by the average OE&E cost per employee in each of the various divisions. The use of an average OE&E amount may overstate or understate costs for any particular position, but in the aggregate these differences should offset each other. This approach makes sense, but only if it is applied consistently to all proposed positions.

In reviewing the OE&E amounts budgeted for the proposed positions, we found two situations where the amounts requested were in excess of average unit costs. In the first case, a technical error was made in that the wrong unit cost was applied to a particular group of positions. This resulted in an overstatement of \$4,302.

In the second case, eight positions in the field audits division were budgeted for greater-than-average amounts of OE&E, particularly in the area of in-state travel expenses. The Controller was unable to furnish any information demonstrating that these positions would require more than the average amount normally budgeted for travel costs (which for the field audits division is about \$5,000 per person) or any of the other OE&E costs. Budgeting the OE&E for these positions at the average unit cost for the division reduces the amount needed for OE&E by \$21,536.

Table 1
State Controller's Office
Proposed 1981-82 Budget Changes

	<i>Personal Services</i>	<i>OE&E and Returns of Taxes^a</i>	<i>Reimburse- ment</i>	<i>Total</i>	<i>Funding Source</i>		
					<i>General</i>	<i>Other State</i>	<i>Federal</i>
1980-81 Revised Budget	\$32,890,445	\$15,742,867	-\$6,049,184	\$42,584,128	\$38,685,518	\$2,339,421	\$1,559,189
Baseline Adjustments:							
1. Legislatively established expiring positions	-1,956,910	-1,073,655	1,006,773	-2,023,792	-1,994,176	-29,616	—
2. Administratively established expiring positions.....	-1,087,389	-412,181	86,621	-1,412,949	-799,169	—	-613,780
3. Merit salary adjustment	472,915	—	-47,055	425,860	387,412	27,193	11,255
4. Other adjustments	116,999	930,020	-192,939	854,080	854,138	103,108	-103,166
Subtotals.....	-\$2,454,385	-\$555,816	\$853,400	-\$2,156,801	-\$1,551,795	\$100,685	-\$705,691
Workload Changes:							
1. Fiscal control	\$1,498,095	\$363,759	-\$294,168	\$1,567,686	\$953,906	—	\$613,780
2. Tax administration	—	—	—	—	—	—	—
3. Local government fiscal affairs	31,971	6,870	-38,841	—	—	—	—
4. Systems development	400,087	279,875	—	679,962	679,962	—	—
5. Unclaimed property	566,377	244,998	—	811,375	811,375	—	—
6. Administration	50,448	11,502	—	61,950	61,950	—	—
Subtotals.....	\$2,546,978	\$907,004	-\$333,009	\$3,120,973	\$2,507,193	—	\$613,780
Program Changes:							
1. School court mandated costs audits (Chapter 1354, Statutes of 1980)....	\$163,990	-\$62,432	—	\$226,422	\$226,422	—	—
2. Special education audits (Chapter 797, Statutes of 1980)	60,817	34,000	—	94,817	94,817	—	—
3. Inheritance and gift tax (Chapter 634, Statutes of 1980)	715,667	235,941	—	951,608	951,608	—	—
4. CFIS support	363,105	192,100	-555,205	—	—	—	—
5. Calstars development	247,926	82,105	—	330,031	330,031	—	—
6. Senior citizens' property tax postponement (Chapter 925, Statutes of 1980)	49,131	25,869	—	75,000	75,000	—	—
Subtotals.....	\$1,600,636	\$632,447	-\$555,205	\$1,677,878	\$1,677,878	—	—
Total 1981-82 Proposed Budget	\$34,583,674	\$16,726,502	-\$6,083,998	\$45,226,178	\$41,318,794	\$2,440,106	\$1,467,278

^a Operating Expenses and Equipment (OE&E).

STATE CONTROLLER—Continued**State Controller's Office
Program Summary**

<i>Program</i>	<i>Personnel-Years</i>				<i>Expenditures</i>		
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>New Request</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
Fiscal control	695.6	788.7	804.2	(78.2)	\$22,167,353	\$26,968,684	\$28,502,644
Tax administration	200.1	243.9	255.7	(44.6)	6,401,962	7,790,100	8,611,433
Local government fiscal affairs	87.7	90.7	90.4	(3.7)	3,249,790	3,439,449	3,507,275
Systems development	88.0	119.2	109.1	(23.2)	3,106,383	4,749,048	4,986,093
Unclaimed property	87.3	94.5	92.4	(26.6)	2,985,926	3,666,785	3,871,831
Refunds of taxes, licenses and other fees	—	—	—	—	16,737	30,000	30,000
<i>Administration</i>							
Distributed to other programs	(40.9)	(45.6)	(43.9)	—	(1,134,457)	(1,700,486)	(1,584,310)
Undistributed	20.1	25.5	27.3	(11.3)	1,258,523	1,989,246	1,800,900
Totals	1,178.8	1,362.5	1,379.1	(187.6)	\$39,186,674	\$48,633,312	\$51,310,176
Reimbursements	—	—	—	—	-4,503,772	-6,049,184	-6,083,998
Net Program Totals	1,178.8	1,362.5	1,379.1	(187.6)	\$34,682,902	\$42,584,128	\$45,226,178

Accordingly, we recommend that those two instances of overbudgeting be corrected, resulting in a combined decrease for OE&E of \$25,838, and a corresponding savings to the General Fund.

Attorney General Legal Services

Our analysis of the budget reveals that there is a discrepancy between the amount of legal services which the Controller is budgeted to obtain from the Attorney General, and the amount of legal services which the Attorney General is budgeted to provide. Specifically, the Controller proposes to expend \$220,000 for Attorney General services. The Department of Justice budget indicates that 3,644 hours, or approximately \$179,467 worth of attorney services will be provided to the Controller. Because of this inconsistency in the Governor's Budget, we are unable to determine the amount of funds which will be required to meet the Controller's legal services needs in the budget year.

We have identified similar problems in other departments' budgets, and have requested that the Department of Finance reconcile these discrepancies by April 1, 1981. This request is discussed in the analysis of the Department of Justice's budget (Item 082-001-001). We plan to evaluate the Controller's proposed expenditures for Attorney General services after we have received the reconciled data from the Department of Finance.

FISCAL CONTROL

The Fiscal Control program seeks to assure the fiscal integrity of the state through a system of controls over the state's financial transactions and periodic reports on the state's financial condition and operations. As shown in Table 3, the program is carried out through four divisions: Accounting, Audits, Disbursements, and Payroll and Personnel Services.

Table 3
Fiscal Control Program
Summary by Element

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82
1. Accounting Division:						
a. Control accounting	49.6	49.3	52.2	\$1,624,979	\$1,662,544	\$1,856,079
b. Financial analysis	14.5	17.9	20.7	585,029	675,680	704,740
2. Audits Division:						
a. Claim audits	42.3	45.6	51.3	970,007	1,234,668	1,368,543
b. Field audits	122.3	153.9	153.5	4,342,207	5,926,479	6,364,050
3. Disbursements Division:						
a. Disbursement services	110.7	128.0	131.0	5,509,483	6,824,849	7,396,567
b. Technical services	64.3	41.1	40.2	161,205	131,527	98,475
c. Less amounts distributed to other programs	—	—	—	(1,758,203)	(1,271,971)	(1,274,840)
4. Payroll and Personnel Services Division:						
a. Personnel services	112.7	115.8	115.2	4,586,646	3,983,467	3,801,934
b. Payroll services	179.2	237.1	240.1	4,387,797	6,529,470	6,912,256
Totals	659.6	788.7	804.2	\$22,167,353	\$26,968,684	\$28,502,644

Controller's Role in SB 90 Claims

Chapter 1406, Statutes of 1972 (SB 90), authorized the reimbursement of local governments for state mandated costs and lost sales and property tax revenues. Under Chapter 1406, local governments could submit claims for reimbursement only in cases where the mandating statute acknowledged an obligation on the state's part to cover the increased costs (or revenue loss) resulting from the mandate. Chapter 1135, Statutes of 1977, significantly broadened the reimbursement program authorized by Chapter 1406. It allows local governments to appeal to the Board of Control for reimbursement where (1) legislation contains a section disclaiming any state obligation to reimburse mandate costs or (2) legislation does not disclaim the state's obligation to reimburse but fails to provide an appropriation.

Two statutes were enacted in 1980 which make significant changes to the SB 90 process. The first, Chapter 1256, speeds up the process of paying claims for unfunded mandates, and modifies certain filing deadlines for submission of claims for reimbursement of mandated costs. Second, Chapter 1337 establishes legislative policy that all funded mandates enacted after January 1, 1981 shall terminate after six years unless otherwise extended. The measure also establishes a "savings claim" procedure which provides for partial recovery of cost savings which the state authorizes by repealing or reducing existing mandate requirements.

The Controller's Office has two functions with respect to payment of mandated cost claims. First, the Financial Analysis Bureau within the Accounting Division receives reimbursement claims from local governments and conducts a desk audit before making payment. Second, after payment, the Field Audit Bureau within the Audits Division selectively audits local governments to verify the validity of amounts claimed.

Local reimbursements for state mandated costs are budgeted at more than \$100 million. This does not include the potential cost of additional claims which will be approved for payment in the budget year.

Staffing Increase for Mandated Cost Desk Audits

We recommend approval

In the current year, 6.5 positions are authorized for mandated cost desk audits performed by the Financial Analysis Bureau. The budget is proposing that three permanent positions be added in 1981-82. This staffing increase corresponds to

STATE CONTROLLER—Continued

workload increases, as measured by the number of claims audited, which will grow from about 29,000 in 1980-81 to 34,500 in 1981-82. Because of the workload increase and because the desk audits are so effective (disallowances are estimated at \$16.5 million in 1980-81), we believe that the proposed three new positions to be supported by the General Fund are justified.

Staffing Increase for Mandated Cost Field Audits

We recommend approval

During the current year, six audit positions are authorized for mandated cost field audits. Two of the positions are to terminate on June 30, 1981. The budget is proposing to permanently reestablish the two terminating positions, add four new permanent audit positions, and add one office support position. This will result in a budget year staffing level of 10 audit positions and 1 clerical position. The following table summarizes the audit activity in this area in terms of number of claims and dollars audited, audit recovery amounts, and audit staff utilized.

Table 4
Mandated Cost Field Audit Program

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
1. Number of claims audited.....	182	96	280
2. Expenditures audited	\$16.8 million	\$26.8 million	\$65.0 million
3. Audit recovery	\$10.6 million	\$11.2 million	\$16.2 million
4. Audit staff ^a (personnel-years)	4.1 ^b	6.0	10.0

^a Does not include clerical support.

^b Three positions were budgeted and 1.1 position was borrowed from another area.

Audit recoveries amounted to 63 percent of the expenditures audited in 1979-80, and are estimated at 42 percent of expenditures audited in 1980-81. The decrease in recoveries is the result of two factors. First, audits performed on workers' compensation claims in 1979-80 showed an unusually high recovery rate. This inflates the overall 1979-80 recovery rate. Second audits performed in 1980-81 reflect a large number of juvenile justice expenditure claims that the Controller was statutorily required to perform. These audits had a much lower rate of recovery, and further, they were particularly complicated and time-consuming. This also reduced the total number and total value of claims audited. It is expected that these audits will be completed by the end of the current year, allowing for significant increases in the projected number and value of claims audited in the budget year.

For the budget year, the recovery ratio has been conservatively estimated at 25 percent. Even so, the amount recovered will exceed \$16 million and recoveries per auditor will exceed \$1.6 million. Because of the increasing number of mandated cost claims and the substantial returns from auditing these claims, we believe that the proposed seven positions are justified.

Office of Traffic Safety Audits

We recommend that the Controller's budget be reduced by 2.0 positions, and that reimbursements be reduced by \$100,000.

The Controller's budget includes \$100,000 in reimbursements from the Office of Traffic Safety (OTS) to fund the cost of Traffic Safety audits. Our analysis indicates

that OTS is *not* planning to contract with the Controller in the budget year, and has *not* budgeted any funds for a contract with the Controller. Therefore, we recommend that the Controller's reimbursement schedule be adjusted to reflect a decrease of \$100,000, and that the two positions which had been budgeted to conduct these audits be deleted.

Peace Officers' Standards and Training Audits

We recommend reimbursements to the Controller be reduced by \$21,000.

The Controller's budget includes \$81,000 in reimbursements for audits to be performed for the Commission on Peace Officers' Standards and Training. The commission's budget, however, contains only \$60,000 for payment of these costs. The interdepartmental contract for these audits has not yet been finalized, so the correct level of reimbursement is not known. However, because the commission is the agency initiating the contract, we believe that the \$60,000 it has budgeted for the audits should be the amount reflected in the Controller's reimbursement schedule.

We, therefore, recommend that reimbursements to the Controller be reduced by \$21,000. In addition, we recommend that the Controller's personal services and operating expenses and equipment costs be reduced by \$21,000 to reflect the lower reimbursement level.

Special Education Audit Funding

We recommend that the Controller's budget be reduced by \$41,422, and that the six positions proposed for special education audits be limited to April 30, 1982.

Chapter 797, Statutes of 1980 (as amended by Chapter 1353, Statutes of 1980), established what is known as a "support services quotient" to be used for special education appropriations. This quotient is based on specified 1979-80 costs and will be used, beginning in 1981-82, to determine how much will be appropriated to school districts for special education support services costs.

Because the quotient will affect future special education appropriations, Chapter 797 requires the Controller to conduct a *one-time* audit of all districts whose quotient exceeds 125 percent of the statewide average. Information on the number of school districts which require an audit should be available in March. Chapter 797 provided a \$300,000 appropriation to the Controller to pay for the cost of these audits.

In the current year, six positions have been established to conduct these audits, at a cost of \$115,000. The remaining balance of the appropriation, or \$185,000, will revert to the General Fund on June 30, 1981. Due to the fact that the audits cannot begin until after the schools requiring audits are identified in March, it is not likely that the audit effort can be completed prior to the end of the current year. Therefore, the budget proposes to continue these six positions in the budget year, on a permanent basis, and includes \$226,422 for this purpose. Approval of this request would bring the total cost of this effort to \$341,422 over an 18-month period.

Given the fact that Chapter 797 requires these audits on a one-time basis, we see no justification for establishing positions on a permanent basis. Accordingly, we recommend that the six positions be established for a limited term.

Due to the lack of information on how many audits must be performed, it is difficult to assess exactly how many positions will be required, or how long they will be needed. It is even more difficult to justify an increase in the level of funding originally provided by the Legislature in Chapter 797. So, in the absence of information to the contrary, we recommend that the Legislature's direction be followed and that the remaining *balance* of \$185,000 be reappropriated for this activity in 1981-82. This will enable a General Fund reduction of \$41,422. This, in

STATE CONTROLLER—Continued

turn, would indicate that the six positions should be limited to April 30, 1982, as this amount of funding would be sufficient for about 10 months of activity.

Comprehensive Employment and Training Act (CETA) Audits

We recommend that the 18 permanent positions proposed to audit CETA prime sponsors be limited to one year.

The State Controller's Office has a contract with the U.S. Department of Labor (DOL) to audit a specified number of Comprehensive Employment and Training Act (CETA) prime sponsors. The cost of these audits are fully reimbursed by the federal government.

The current contract between the Controller and DOL is scheduled to terminate on September 30, 1981. The Controller's Office believes that the contract will be extended but no written commitment from DOL has yet been received. Therefore, due to the uncertainty of continued federal funding, we recommend that these positions be limited to one year.

TAX ADMINISTRATION

The Tax Administration program administers the Inheritance and Gift Tax Laws, collects various minor taxes, including the insurance tax and motor vehicle license tax, and refunds gas taxes paid for certain nonhighway users. Table 5 provides a summary of the personnel-years and expenditures for the four elements of this program.

Table 5
Tax Administration
Summary by Element

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
1. Inheritance tax	142.6	185.2	197.3	\$4,649,371	\$5,941,664	\$6,682,808
2. Gift tax	23.9	25.9	25.6	658,244	759,974	755,572
3. Tax collection	4.6	6.7	6.7	81,747	202,103	212,130
4. Gas tax refund.....	29.0	26.1	26.1	1,012,600	886,359	960,923
Totals	200.1	243.9	255.7	\$6,401,962	\$7,790,100	\$8,611,433

Change in the Inheritance and Gift Tax Laws

Chapter 634, Statutes of 1980, made a number of substantive changes to the Inheritance and Gift Tax Laws, effective on January 1, 1981. Relative to tax administration, the major changes were as follows:

1. The levels of certain exemptions were substantially increased, thereby decreasing the number of estates and beneficiaries subject to the inheritance and gift taxes.
2. Certain responsibilities of the county treasurers, notably the collection of inheritance taxes, were transferred to the State Controller.
3. Estates may now be distributed to the heirs or beneficiaries prior to the payment of inheritance taxes. This requires that the State Controller issue consents to transfer or releases of liens for all such property.
4. Special use valuation is now allowed and the use of deferred payments expanded in specified cases. In such cases, the property in question must be tracked for up to 15 years to ensure that certain conditions are met.

Current Year Positions Added

In December 1980, 32 positions were added to the Controller's staff to handle the additional workload created by Chapter 634. The current year cost of these positions is \$399,418, which is being funded by a \$400,000 appropriation to the Controller included in the enacting legislation. At the time the bill was enacted, this office and the Department of Finance estimated that these positions would be sufficient to administer this bill. This estimate was based on information provided by the Controller's Office. The *annual* cost of these 32 positions is \$658,018.

Additional Positions Requested

In 1981-82, the budget proposes to continue on a permanent basis the 32 positions established in the current year. The budget also proposes an additional 15 positions at an annual cost of \$293,590. The total budget year cost of the 47 positions if \$951,608.

About 40 of these positions are being requested to handle the new cashiering functions resulting from tax collection and the issuing of consents to transfer and releases of liens on property. The remaining positions are needed for workload associated with deferred payments and special use valuation.

Additional Staff Not Required

We recommend that Item 084-001-001 be reduced by \$493,590, and that 25 positions be deleted from the Controller's budget in the Inheritance Tax program.

Our review of the workload data provided to support the need for 47 positions indicates that less than half of the positions are justified. Our analysis indicates two flaws in the methodology used to estimate staffing needs.

First, the workload standards used to justify 40 of the positions are based on a 1974 study of county treasurers' inheritance tax cashiering and consent/release workload. The Controller used statewide averages of the county workload standards (workload divided by personnel-years) in determining his staffing needs. The workload standards of the different counties, however, vary considerably. This is probably due to the differing capabilities of the counties.

Because the Controller would be able to rely on certain economies of scale and achieve greater productivity due to staff specialization, we believe that these statewide average workload standards understate the potential productivity levels of the positions requested. By applying workload standards representative of the more productive counties, it appears that the Controller should be able to manage with 15 fewer positions.

Second, in his request for additional positions, the Controller did not take into account the decrease in workload which will result from fewer estates and beneficiaries being subject to inheritance and gift taxes. The Controller estimates that the number of estates subject to the inheritance tax will decrease by 13 percent and the number of beneficiaries subject to the tax will fall by an even greater amount. He did not, however, translate this workload reduction into decreased staffing needs. Prior to the budget hearings on this item, we will request the Controller to provide an estimate of the staffing reductions which would be commensurate with the workload reduction. Pending receipt of this information, we recommend that Item 084-001-001 be reduced by an additional \$200,000 and 10 positions. This represents approximately a 7 percent reduction in staffing.

LOCAL GOVERNMENT FISCAL AFFAIRS

The Local Government Fiscal Affairs program is responsible for (1) prescribing accounting and budgeting requirements for counties and special districts and reporting local government financial transactions, (2) reviewing and reporting on the use of state gas tax funds, (3) approving county cost plan allocations, (4)

STATE CONTROLLER—Continued

administering state law regarding property tax delinquencies, and (5) administering portions of the Senior Citizens' Property Tax Postponement program. Table 6 summarizes the activities for the five elements in this program.

Table 6
Local Government Fiscal Affairs
Summary by Element

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
1. Financial information.....	32.3	27.4	27.4	\$1,247,641	\$1,108,124	\$1,127,640
2. Streets and roads.....	25.5	32.2	32.2	979,608	1,202,464	1,232,934
3. County cost plans	8.8	8.1	9.1	329,377	370,243	377,084
4. Tax deeded land	8.2	9.0	8.9	268,398	249,419	290,563
5. Senior citizens' property tax postponement	12.9	14.0	12.8	424,766	509,199	479,053
Totals.....	87.7	90.7	90.4	\$3,249,790	\$3,439,449	\$3,507,275

Bureau of Public Retirement Systems Reporting

Chapter 928, Statutes of 1977 (as amended by Chapter 388, Statutes of 1978), requires all state and local public retirement systems (of which there are approximately 100) to submit annual financial reports to the State Controller. Further, the Controller is required to review this data in an annual report giving particular consideration to the adequacy of each system's funding and any assumptions regarding such variables as inflation rates, salary and wage increase, mortality rates, and rates of return on investments. The Legislature's intent in enacting these requirements was to safeguard the solvency of all public retirement systems and funds by providing for periodic and independent analysis of their financial condition.

In response to these requirements, the Bureau of Public Retirement Systems Reporting was established in July 1978. Current staffing for the bureau consists of one manager, two analysts, and one clerical.

The bureau released its initial report in early 1980. Our review indicates that it makes no attempt to judge whether individual systems are adequately funded. Rather, the data is presented without analysis or conclusions. We believe that these shortcomings are due to the lack of actuarial expertise needed to make the required evaluations.

Actuarial Expertise Required

We recommend that one staff manager II position be reclassified as an actuary and that Item 084-001-001 be augmented by \$90,000 for consulting and professional services.

In order for the Controller to carry out legislative intent, we believe that it is necessary that his office needs to develop certain actuarial expertise. Our analysis indicates that the most expeditious and efficient means for developing this expertise would be to reclassify an existing staff manager position to an actuarial position and, on a one-time basis only, contract with an actuarial firm.

The contracting actuary could be required to (1) develop on-line computer models for conducting evaluations of each systems financial condition, and (2) produce long-term financial forecasts of pension plans under a wide range of actuarial assumptions and methodologies. The consultant could also assist the Controller's staff in developing a uniform standard set of assumptions for assessing the financial status of retirement systems. Accordingly, we recommend that one staff manager II position be reclassified as an actuary and that Item 084-001-001 be

augmented by \$90,000 for consulting and professional services.

SYSTEMS DEVELOPMENT

In the current year, the Controller's Systems Development Division (SDD) has been reorganized so as to consolidate all programming functions in one unit. Therefore, in addition to developing and maintaining the computer programs utilized in the Personnel and Payroll Services Division, all programming functions previously handled by the Disbursements Division are now included under Systems Development responsibilities. Table 7 summarizes the elements in this division.

Table 7
Systems Development
Program Summary

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>
1. Payroll development	35.8	22.5	—	\$1,263,187	\$912,539	—
2. Employment history development	18.8	4.2	—	721,793	174,648	—
3. Systems maintenance support	33.4	92.5	75.8	1,121,403	3,661,861	\$3,479,021
3. Systems development support	—	—	33.3	—	—	1,507,072
Totals	88.0	119.2	109.1	\$3,106,383	\$4,749,048	\$4,986,093

During the current year, 18 positions were transferred from the Disbursements Division to SDD due to the reorganization plan. This resulted in 110.5 positions being authorized for SDD. (This does not include the distribution of overhead positions.) A total of 21.5 positions are scheduled to expire by the end of the current year, which will be partially offset by 15 positions proposed for 1981-82.

OASDI Sick Leave Exclusion Program

Chapter 1202 (SB 1016) and Chapter 491 (AB 521), Statutes of 1979, provide for a change in the method by which OASDI contributions are computed. OASDI contributions for both employers and employees are based on the amount of taxable wages paid. The new statutes allow the state and local governments to classify compensation paid to employees absent on account of personal sickness as other than taxable wages for purposes of making OASDI contributions, provided certain conditions are met. One of these conditions is that the employer establish a separate account for paying absent employees. The statutes authorize the state and local governments to establish such accounts.

The Department of Finance established separate accounts for the state to use in paying absent employees on September 1, 1980. All compensation paid on or after that date is subject to the OASDI sick leave exclusion.

Savings to State Departments and Employees

It is estimated that the savings to the state from the OASDI sick leave exclusion program will be over \$2 million in the current year, and close to \$3 million in the budget year. Although the savings have not been accounted for in the Governor's Budget, the Department of Finance has issued a management memo indicating the midyear budget revisions will be made to require departments to realize these savings. Overall *net* savings to the state will be less than the \$3 million, as the Controller's costs of executing this program are estimated at \$1.3 million in the budget year. State employees are expected to save about \$3 million on an annual basis.

STATE CONTROLLER—Continued**Workload Requirements to Automate Program**

We recommend that the new permanent positions requested to automate the OASDI sick leave exclusion refund process be limited to two years.

The process of accounting for and refunding any OASDI amounts paid on sick leave compensation is being handled manually by about 50 personnel-years in the Payroll Services Division. An automated refund process is currently being developed by SDD. The Controller is dedicating 6.5 positions to this effort, which are scheduled to expire at the end of the current year. The budget is proposing that these positions plus 2.5 new positions be permanently established to complete this project as planned by December 1982.

The programming necessary to automate the OASDI refund process should be completed by December 1982 and implementation should begin by June 1983. At that time, the positions will no longer be required. Therefore, because the nine positions are not required for a permanent workload increase, we recommend that they be limited to two years.

UNCLAIMED PROPERTY

Through the Unclaimed Property program, the Controller (1) collects unclaimed property from holders of such property (financial institutions, corporations, and others) and (2) attempts to return the property to owners or heirs. Table 8 summarizes expenditures of the Unclaimed Property Division for the two program elements, abandoned property and estates with unknown heirs.

Table 8
Unclaimed Property
Program Summary

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
1. Abandoned property.....	82.0	88.9	88.4	\$2,841,937	\$3,433,611	\$3,660,594
2. Estates of deceased persons	5.3	5.6	4.0	143,989	233,174	211,237
Totals.....	87.3	94.5	92.4	\$2,985,926	\$3,666,785	\$3,871,831

Unclaimed Property Audits

Approximately 30 positions in the Unclaimed Property program are associated with the effort to audit holders of unclaimed property. Twenty positions are permanent and ten are limited term. The ten limited term positions are proposed for establishment as permanent positions. The purpose of the audits is to determine whether or not holders are in compliance with the unclaimed property laws, and specifically if they are turning over the correct amounts of unclaimed property to the state. The cost of the audit program is slightly more than \$1 million annually.

The authority for the Controller to audit holders is granted in Section 1571 of the Code of Civil Procedure. That same section also states that when requested by the Controller, any licensing or regulating agency with the authority to examine the records of a holder must perform an examination to determine if the holder is in compliance with the unclaimed property laws.

To date, the Controller has not requested any licensing or regulating agency to perform such an examination or audit. However, audit staff from the Department of Corporations and the Department of Banks, two such agencies, have indicated to us that they would be able to audit their constituents for compliance with the

unclaimed property laws. In addition, they felt that the cost of such audits would be marginal since they currently have an ongoing audit program covering these institutions.

Further Study Needed

We recommend that the 10 audit positions requested for permanent establishment be limited for one year. We further recommend adoption of supplemental report language directing the Controller to evaluate, in conjunction with the appropriate licensing and regulatory agencies, the feasibility of having these agencies conduct unclaimed property audits.

If it is, in fact, the case that the licensing and regulatory agencies can perform the unclaimed property audits as effectively as the Controller and at a lower cost, this should be encouraged to the extent possible. Because this alternative has not been investigated in any depth, we recommend adoption of the following supplemental report language: "The Controller, in conjunction with any agency which regulates holders of unclaimed property, shall study the costs and benefits of having these regulating agencies audit holders for compliance with the unclaimed property laws. The findings of the study shall be submitted to the Legislature no later than December 31, 1981."

Due to the impact the findings may have on the audit needs of the Controller, we further recommend that the 10 audit positions being requested for permanent establishment be limited to one year.

REFUNDS OF TAXES, LICENSES, AND OTHER FEES

We recommend approval

The budget proposed that \$30,000 be appropriated for refunds to taxpayers who have made erroneous payments or overpayments of taxes, licenses, and other fees. This mechanism avoids the delays and costs associated with claims for noncontroversial refunds filed with the Board of Control and included in the Claims Bill.

ADMINISTRATION

We recommend approval

The administration program provides executive direction, policy guidance, management, and support services to the operating divisions. Table 9 shows the expenditures for each element of this program.

Table 9
Administration
Program Summary

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>
1. Executive office	16.8	20.0	20.0	\$796,245	\$1,001,920	\$1,013,324
2. Administrative services.....	44.2	51.1	51.2	1,596,735	2,687,812	2,371,886
3. Less amounts distributed to other divisions.....	-40.9	-45.6	-43.9	-1,134,457	-1,700,486	-1,584,310
Totals	20.1	25.5	27.3	\$1,258,523	\$1,989,246	\$1,800,900

STATE CONTROLLER—CAPITAL OUTLAY

Item 084-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. LJE 89

Requested 1981-82	\$95,000
Recommended reduction	95,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Office Building, Sacramento. Reduce by \$95,000.* Recommend 112
deletion of planning funds for lease/purchase office building.

ANALYSIS AND RECOMMENDATIONS**State Office Building, Sacramento—Lease/Purchase**

We recommend Item 084-301-036 be deleted, for a reduction of \$95,000.

The budget proposes \$95,000 in Item 084-301-036 for the State Controller. These funds would be used to develop a lease/purchase proposal for a new office building in Sacramento. Specifically, the funds would be used to:

1. Develop information relative to the space requirements of various units in the Controller's Office;
2. Develop a request for private developer proposals for construction of a state office building under a lease/purchase arrangement, and
3. Obtain technical input from the Office of State Architect regarding the lease/purchase proposal.

The proposed lease would allow the State Controller to consolidate his existing staff at a single location. The Controller's Office currently occupies approximately 165,000 square feet of space in state-owned and leased facilities in Sacramento.

Request Not Consistent With the Department of General Services' Office Building Plans

The State of California has undertaken construction of new state office buildings as a means of reducing the state's reliance on expensive leased space and consolidating state agencies. The Department of General Services (DGS) is responsible for developing this program and requesting the necessary funds. To date the DGS has requested capital outlay funds for seven major state office buildings included in the Sacramento Capitol Area Plan adopted by the Legislature. Future office building projects are proposed—in priority order—in the department's "Office Building Construction Program, 1980-2000." Included in the department's plan is a \$50 million, 293,000 gross square foot, office building (site 2) which would house the State Controller.

The DGS plan indicates that, based on statewide priorities and funding capabilities, funds for preliminary planning of the site 2 office building will not be requested until the 1982-83 fiscal year. Funds for working drawings and construction are scheduled for the 1983-84 and 1984-fiscal years, respectively.

Given the DGS plan, the State Controller's request for funds to develop a lease/purchase building is premature. Moreover, we do not believe that consolidating the State Controller's office should be given a high priority, relative to other state needs, because the functions of several divisions within the office are not closely related and consolidation would be of marginal benefit. Furthermore, many other state agencies such as the Department of the Youth Authority and

Department of Social Services occupy leased office space outside of the Sacramento core area, while all of the space occupied by the State Controller's office is within a reasonable distance of the State Capitol.

In summary, we recommend deletion of the funds requested for development of a lease-purchase building for the State Controller's office because the request is inconsistent with the Department of General Services' facilities plan for Sacramento, and because the need to consolidate offices of the State Controller would not appear to have a higher priority than other state needs.

STATE BOARD OF EQUALIZATION

Item 086 from the General
Fund and various funds

Budget p. LJE 90

Requested 1981-82	\$69,631,844
Estimated 1980-81	67,952,883
Actual 1979-80	58,667,937
Requested increase (excluding amount for salary increases) \$1,678,961 (+2.5 percent)	
Total recommended reduction	\$792,199

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
086-001-001—Departmental Support		General	\$64,633,591
086-001-019—Motor Vehicle Fuel Conservation and Energy Resources Surcharge		Energy Resources Conserva- tion and Development Spe- cial Account, General	291,379
086-001-061—Motor Vehicle Fuel License and Use Fuel Taxes		Motor Vehicle Fuel Account, Transportation Tax	3,190,908
086-001-022—Emergency Telephone Users Sur- charge		Emergency Telephone Number Special Account, General	65,329
086-001-965—Timber Yield Tax		Timber Tax	1,450,637
Total			\$69,631,844

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Minor Equipment. Reduce Item 086-001-001 by \$90,082* Recommend reduction due to overbudgeting for replacement of minor equipment. 115
2. *New Automobile. Reduce Item 086-001-001 by \$7,050.* Recommend reduction of amount budgeted for new Board of Equalization automobile. 116
3. *Operating Expense and Equipment Reduce Item 086-001-001 by \$86,652.* Recommend reduction to reflect savings associate with more efficient materials management. 117
4. *Sales Tax Audits. Reduce Item 086-001-001 by \$528,438.* Recommend deletion of 25 proposed new audit positions. Further recommend Board of Equalization implement recommendations in Legislative Analyst audit effectiveness criteria report. 118

STATE BOARD OF EQUALIZATION—Continued

5. *Delinquent Sales Tax Collections. Reduce Item 086-001-001 by \$56,954.* Recommend reclassification of nine new business tax representatives to office assistants. 121
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GENERAL PROGRAM STATEMENT

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

Responsibilities of the Board

About 90 percent of the board's staff is devoted to the administration of the state and local sales tax and several other excise taxes. Administration of these taxes includes registering taxpayers, processing tax returns, auditing accounts, and collecting delinquent taxes. The board also has constitutional and statutory responsibilities regarding the administration of local property taxes, and about 10 percent of its staff is engaged in those activities. The board's various responsibilities are described below.

Administration of State and Local Taxes. The board administers and collects the state's 4¾ percent sales and use tax, the local 1¼ percent sales and use tax, and a ½ percent sales and use tax for the San Francisco Bay Area Rapid Transit District, the Santa Clara County Transit District, and the Santa Cruz Metropolitan Transit District. The board either has or shares responsibility for the administration of five state excise taxes: (1) the alcoholic beverage tax, (2) the cigarette tax, (3) the motor vehicle fuel license tax (gasoline tax), (4) the use-fuel tax (diesel tax), and (5) the insurance tax. The board also administers (1) the private car tax, which is imposed on privately-owned railroad cars, (2) the surcharge on the consumption of electricity, and (3) since July 1, 1977, a telephone surcharge, which is used to fund the 911 emergency telephone systems.

Local Property Tax Monitoring. The board surveys the operation of county assessors' offices, issues rules governing assessment practices, trains property appraisers, and provides technical assistance and handbooks to county assessors' staffs.

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

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

Taxation of Timber. The board (1) collects a 3 percent yield tax on all timber, which is imposed at the time of harvest, (2) semiannually develops tables of timber value to be used in determining the taxable value of cut timber for yield tax purposes, (3) periodically audits timber owners to ensure payment of tax, and (4) develops schedules of timberland values to be certified to each county assessor.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$69,631,844 from various funds in support of the State Board of Equalization in 1981-82. This is an increase of \$1,678,961, or 2.5 percent, over the 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 document requests 86.1 new *positions* for 1981-82, primarily to accommodate expected increases in workload. The budget, however, also proposes a 1 percent special adjustment, which *reduces* the board's request by \$653,000 and 31 positions. The budget states that this reduction is to be distributed among the following program areas: sales tax, alcoholic beverage tax, local property tax monitoring, county assessment standards, and state-assessed property. At the time this analysis was written, a detailed breakdown of the specific reductions was not available.

The number of *personnel-years* associated with each program is shown in Table 1. Personnel-years are equal to authorized positions minus salary savings, so that the proposed addition of 86.1 positions translates into an increase of 81.6 personnel-years. Similarly, the special adjustment reduction of 31 positions represents a reduction of 29.9 personnel-years. Thus, the *net* increase in personnel-years from the current to the budget year is 51.7.

Table 2 displays the major changes in the board's program budget from the current year to the budget year. Included in the total baseline adjustment of nearly \$2.0 million are increases for merit salary and benefit costs, and the "special adjustment" which amounts to a 1 percent reduction. The program maintenance proposals include requested increases to handle workload changes in existing programs. The program change proposals include requests for expansion in the area of aircraft and vehicle registration compliance. Table 2 also shows an increase in reimbursements, which is attributable primarily to the increase in payments made by cities and counties to reimburse the board for the cost of collecting the local share of the sales and use tax.

Longer Replacement Cycle for Minor Equipment

We recommend a reduction of \$90,082 (General Fund) budgeted for replacement of minor equipment, because the board proposes to replace equipment sooner than called for by its own policy.

The board is requesting \$419,982 to cover the cost of equipment in 1981-82. Of this amount, \$238,136 (56.7 percent) would be used to replace 179 typewriters and 767 calculators. The board's total stock of these items is 850 and 1,765, respectively.

This year's request for new calculators and typewriters, coupled with last year's request, indicates an average replacement cycle of 2.6 years for calculators and 4.4 years for typewriters. This cycle conflicts with the board's *stated policy* of replacing calculators every five years and typewriters every 10 years. Moreover, staff at the Department of General Services indicates that the normal replacement cycle for minor equipment generally tends to range from five to seven years.

Consequently, we believe the request for replacement equipment is excessive, and recommend a reduction of \$90,082, based on a five-year life cycle for typewriters and calculators.

STATE BOARD OF EQUALIZATION—Continued

Table 1
Board of Equalization Budget Summary

	<i>Personnel-Years</i>			<i>Expenditures</i>		
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Requested 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Requested 1981-82</i>
1. Local property tax monitoring.....	47.3	46.8	45.2	\$1,788,898	\$1,907,695	\$1,908,661
2. County assessment standards	59.5	54.5	54.5	2,238,528	2,363,640	2,429,410
3. State assessed property	92.9	96.4	96.4	3,116,024	3,492,205	3,614,706
4. Timber tax	33.7	33.3	36.2	1,166,458	1,311,983	1,450,637
5. Sales and use tax	2,097.7	2,231.1	2,300.4	61,025,059	71,070,892	74,483,480
6. Litter assessment.....	7.6	—	—	249,620	—	—
7. Alcoholic beverage tax	32.0	31.1	31.1	779,904	885,800	911,215
8. Cigarette tax.....	12.4	12.7	12.7	1,195,722	1,275,889	1,403,878
9. Motor vehicle fuel license tax	13.2	13.1	13.1	435,681	481,733	498,522
10. Use fuel tax.....	86.6	87.0	87.0	2,319,135	2,601,715	2,692,386
11. Energy resources surcharge.....	1.5	1.5	1.5	44,179	49,456	51,093
12. Emergency telephone users surcharge.....	2.0	2.0	2.0	56,495	63,233	65,329
13. Insurance tax	2.5	2.5	2.5	91,474	99,808	102,672
14. Motor vehicle fuel conservation	—	—	9.1	—	—	240,286
15. Appeals from other governmental programs	12.4	12.4	14.3	481,662	533,134	624,869
16. Administration (undistributed)	1.4	—	—	191,109	137,000	137,000
Totals	2,502.7	2,624.4	2,706.0	\$75,179,948	\$86,274,183	\$90,614,144
Reimbursements	—	—	—	-16,512,011	-18,321,300	-20,329,300
Subtotals	2,502.7	2,624.4	2,706.0	\$58,512,011	67,952,883	\$70,284,844
Special adjustments	—	—	-29.9	—	—	-653,000
Totals from State Funds	2,502.7	2,624.4	2,676.1	\$58,512,011	\$67,952,883	\$69,631,844

New Automobile

We recommend a reduction of \$7,050 (General Fund) in the amount budgeted for the purchase of a new automobile for a member of the Board of Equalization.

The budget requests an appropriation of \$16,050 for the purchase of a new automobile for a member of the Board of Equalization. The board has informed us that these funds would be used to replace one of *two* board member cars which are eligible for replacement. The decision on which car is to be replaced has not yet been made. One car is a 1979 Buick with 64,000 miles and an estimated trade-in value of \$8,000. The other is a 1973 Continental with 66,000 miles and an estimated trade-in value of \$3,000. If the appropriation request is approved, it would bring the total amount available for purchase of the new car to between \$19,050 and \$24,000, depending upon which car is replaced.

According to the Department of General Services, there is no standard policy concerning when to replace the automobiles of elective constitutional officials. State *fleet cars* are generally kept until the mileage reaches 100,000 miles, in the absence of exceptional repair problems.

Section 3620.2 of the State Administration Manual states that elective constitutional officers and members of the Governor's cabinet "may be provided with the make and model of vehicle the officer deems necessary, equipped as he desires."

Table 2
Board of Equalization
Proposed 1981-82 Budget Changes

	<i>Cost</i>	<i>Total</i>
1980-81 Current Year Revised	—	\$67,952,883
1. Baseline Adjustments:		
A. Changes in cost of existing personnel		
(1) Salary adjustments	\$1,082,036	
(2) Staff benefits	361,007	
Total, Increases in Cost of Existing Personnel		\$1,443,043
B. Price increase		1,161,179
C. Special adjustment		-653,000
Total, Baseline Adjustments		\$1,951,222
2. Program Maintenance Proposals:		
A. Business taxes		
(1) Registration, processing, and collections	617,092	
(2) Audits	528,438	
B. Appeals from other agencies		
(1) Franchise and income tax appeals	76,439	
Total, Program Maintenance Proposals		\$1,221,969
3. Program Change Proposals:		
A. Business taxes		
(1) Foreign registered aircraft	57,665	
(2) Vehicle registration compliance	158,019	
(3) Motor vehicle fuel conservation	187,850	
(4) Office of administrative law	43,817	
B. Property taxes		
(1) Timber tax return processing system	66,419	
Total, Program Change Proposals		\$513,770
4. Reimbursements:		\$-2,008,000
Total, Support Budget Change		\$1,678,961
Total, 1981-82, Support Budget		\$69,631,844

We question whether this policy was intended to allow unlimited discretion in the selection of these automobiles. In addition, we question whether it is appropriate to spend between \$19,050 and \$24,000 for a new automobile in view of the state's current fiscal situation.

Reducing the amount budgeted by \$7,050 would provide a minimum of \$12,000 to cover the cost of a new car, an amount which should provide for more than adequate transportation. Accordingly, we recommend that the board's budget be reduced by \$7,050.

Potential Savings in Materials Management

We recommend a reduction of \$86,652 (General Fund) to reflect savings associated with more efficient materials management.

In February 1980, the Statewide Logistics and Materials Management (SLAMM) project staff at the Department of General Services issued a report on improved materials management at the Board of Equalization. In the report, the SLAMM staff made a number of recommendations for improving the maintenance of the board's inventory of supplies. They noted generally that the board lacked written guidelines for the management of supplies. More specifically, they recommended

STATE BOARD OF EQUALIZATION—Continued

that the board (1) adopt the Basic Statewide Inventory Management Procedure, (2) develop a program to identify surplus stock, and (3) dispose of surplus office equipment and relocate certain stored data processing equipment. The board has proceeded to implement these recommendations.

The report identified a savings of \$67,783 from reducing inventory levels. The other recommendations were expected to result in an additional savings of \$18,869.

To date, the board has not provided an adequate explanation of why these savings should not be reflected in the budget year. Unless the board can demonstrate that the estimated savings cannot be achieved, we believe a reduction in the board's budget is warranted. Accordingly, we recommend that the board's budget for operating expense and equipment be reduced by \$86,652 to reflect these savings.

SALES AND USE TAX PROGRAM

Sales Tax Auditing

We recommend that funding for 25 new tax audit positions be deleted due to the continued inefficient allocation of existing auditors, for a General Fund savings of \$528,438.

The board has requested \$74.5 million to administer the sales tax program in 1981-82. This is 4.8 percent more than the estimated current year expenditure for this program. Of this amount, \$35.5 million (47.7 percent) is proposed for auditing accounts of business firms subject to the sales and use tax.

Twenty-five new field audit positions are being requested for 1981-82 in order to *maintain the same coverage of accounts authorized for 1980-81*. As the number of eligible accounts increases, the board requests additional positions to ensure that the same percentage of eligible accounts will be audited.

The board's request is based on an estimated 4.3 percent increase in the number of accounts eligible for audit in 1981-82. Eligible accounts include all active accounts that have not been audited in the eight quarters prior to July 1 of a given year.

Allocation of Auditors. We do not believe that the board's request for additional auditors is justified, given the way existing audit resources are allocated. In a recent report on the state's major tax audit programs, we demonstrated the importance of allocating audit resources on the basis of the *marginal* benefits from conducting additional audits.

Our analysis of the board's audit selection system indicates that it does not allocate auditors on the basis of anticipated net assessments relative to costs *at the margin*. The board's current audit selection system initially ranks groups of accounts based on the *probability* of performing an audit that will produce a tax change—up or down—that exceeds the cost of the audit.

Our analysis indicates that the board could improve its audit selection system in the following ways:

1. **The board should devise some means of incorporating the relative productivity of past audits into the selection of accounts for future audits.** We noted in our Analysis of the 1980-81 Budget Bill that the board does not consider in its definition of a productive audit just *how* productive the audit is in terms of additional net assessments. We believe the relative productivity of audits can be incorporated in the board's selection system. The board, however, has not attempted to strengthen its selection system in this way.
2. **The board should consolidate the groups of accounts it uses to predict audit potential.** In a significant number of the groups used by the board as part of its audit selection system, the number of accounts is so low that it is not

possible to obtain statistically reliable information from past audits for use in guiding future audit activity.

3. The board should investigate the possibility of using industry-wide norms to predict audit potential. We have called attention to this means for improving audit selection on a number of occasions.
4. The board should revise its audit selection process to treat refund audits neutrally. Ranking accounts on the basis of net assessments alone would have a significant positive effect on audit recovery.

The board has initiated a study to test its belief that district audit selectors are able to select the relatively more productive accounts for audits. We believe that it may be possible to use the results of this study to set up a system for ranking accounts according to their estimated audit productivity.

In the meantime, we do not believe an increase in the number of auditors is warranted. The board's budget request, based as it is on the maintenance of a *level of audit coverage* rather than an analysis of the *marginal* benefits to be derived from additional audits, in effect, *assumes* that the existing allocation of audit resources is the most efficient possible. Hence, it does not provide adequate justification for the additional audit positions requested.

The board maintains that the approval of additional audit positions would result in significant additional revenues to the state. Its estimate of these revenues is misleading, however, because the estimate is based on the *average* recovery from existing audits, rather than on the likely return from additional audits. Moreover, the board's argument obscures the issue of whether those revenues could be generated without an increase in the number of auditors by reallocating *existing* resources. Our analysis suggests that this is highly probable.

For these reasons, we recommend a reduction of the 25 new positions requested for additional sales tax audits, for a General Fund savings of \$528,438. We further recommend that the Legislature direct the board to implement the recommendations for improving its audit program contained in our report. Specifically, we recommend that it adopt the following supplemental report language:

"It is the intent of the Legislature that the Board of Equalization implement the recommendations in the Legislative Analyst's audit effectiveness criteria report (Report No. 81-3, February 1981)."

Table 3
State and Local Revenues
Collected by the Board of Equalization
(in millions)

	Revenues			Percent Change from	
	Actual 1979-80	Estimated 1980-81	Projected 1981-82	Previous Year 1980-81	1981-82
State sales and use tax	\$6,623.5	\$7,135.0	\$8,140.0	\$7.7%	14.1%
Local sales and use tax	1,980.3	2,136.3	2,436.7	7.9	14.1
Alcoholic beverage tax	139.0	145.5	149.5	4.7	2.7
State cigarette tax	204.7	198.8	203.6	-2.9	2.4
Local cigarette tax	85.4	83.4	85.4	-2.3	2.4
Motor vehicle fuel tax (gasoline)	773.7	748.0	738.0	-3.3	-1.3
Use fuel tax (diesel)	79.1	82.0	89.0	3.7	8.5
Energy resources surcharge	19.0	26.4	30.1	38.9	14.0
Emergency telephone users surcharge	15.1	15.5	15.0	2.6	-3.2
Insurance tax	446.2	520.0	565.0	16.5	8.7
Timber yield tax	22.3	18.6	32.2	-16.6	73.1
Private railroad car tax	4.5	5.0	5.0	11.1	0.0
Totals	\$10,392.8	\$11,114.5	\$12,489.5	6.9%	12.4%

STATE BOARD OF EQUALIZATION—Continued**Revenues Administered by the Board.**

Table 3 summarizes estimated state and local revenue collections from programs administered by the board. Total revenues in the budget year are estimated at just under \$12.5 billion, which is an increase of 12.4 percent over estimated 1980-81 levels. The 73.1 percent increase in the timber yield tax for the budget year results from an increase in the reserve fund tax rate from zero in 1980 to 1.9 percent in 1981.

Sales Tax Compliance Program

This program involves registering taxpayers, filing enforcement, and collecting delinquent taxes. Table 4 presents the total staff and expenditure requirements for this program.

Table 4
Board of Equalization
Sales Tax Compliance Program

	<i>Personnel-Years</i>			<i>Proposed Expenditures</i>
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	
Registration	467.9	475.0	486.1	\$13,816,713
Return processing	414.8	440.0	460.3	16,593,634
Delinquent tax collections	248.3	282.8	297.0	8,612,246
Totals	1,131.0	1,197.8	1,243.4	\$39,022,593

New Taxpayer Accounts Up Significantly

We recommend approval of 10 new positions and associated expenditure requested for district registration of new sales tax permits.

The budget requests 10 new positions in 1981-82 to register new sales taxpayers. Registration of new sales and use tax accounts is a mandatory activity of the board. It must be performed before the potential taxpayer may lawfully engage in business. This program element includes processing new accounts, closeout and revocation activities, and revising registrations to reflect mergers and sales. The relevant workload indicators used by the board in estimating its requirements for the registration program are shown in Table 5.

Table 5
Sales Tax Compliance Program
Taxpayer Registration
1975-76 to 1981-82

	<i>New Accounts</i>	<i>New Accounts Processed Per Personnel-Year^a</i>
1975-76	152,254	400
1976-77	157,179	425
1977-78	159,267	433
1978-79	161,236	447
1979-80	168,749	445
1980-81 (est.)	168,120	445
1981-82 (est.)	176,200	445

^a This productivity level does not include distribution of administrative overhead.

As shown in Table 5, the budget estimate assumes that the number of new taxpayer accounts will increase from 168,120 in 1980-81 to 176,200 in 1981-82, an increase of 4.8 percent. More recent information, however, indicates that the number of returns received during the *current year* will probably exceed the 176,200 anticipated for the budget year.

Nevertheless, our analysis indicates that continued productivity gains made possible by the Business Taxes Consolidated Information System will enable the board to accommodate this workload growth. Accordingly, we recommend that the 10 new positions requested for this program in 1981-82 be approved.

Sales Tax Return Processing Workload Up

We recommend approval of the request for 13 new headquarters positions to process the anticipated increase in sales tax return workload.

The board requests 13 new positions to handle the increase in sales tax return workload expected in the budget year. Originally, the board had sought a larger increase in the number of positions, based on a projected increase in tax returns of 163,100, or 5.2 percent, in 1981-82. Table 6 summarizes recent workload history and the projections used by the board in putting together its budget.

Table 6
Sales Tax Compliance Program
Tax Return Processing

	<i>Actual</i> <i>1978-79</i>	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>
Sales tax returns	2,368,920	2,459,555	2,540,000	2,630,000
Other tax returns	505,005	552,491	581,300	654,000
Totals	2,873,925	3,012,046	3,121,300	3,284,400

The Department of Finance revised the 1981-82 estimate of returns downward to 3,239,909, or 3.8 percent more than the number of returns anticipated in the current year. This adjustment appears reasonable in light of the board's recent efforts to put a significant number of small accounts on a less frequent reporting schedule. Accordingly, our analysis indicates that the 13 new positions requested in the budget should be adequate to handle workload during 1981-82.

Clerical Positions Can Make Initial Collections Contact

We recommend that nine business tax representatives requested for collections be reclassified as office assistant I positions, for a General Fund savings of \$56,954.

The board has requested six office assistant I positions and nine business tax representative I positions to collect delinquent sales taxes. During the past three years, delinquent accounts have been growing at an average annual rate of over 10 percent. This trend is expected to continue through the budget year. The board has not been able to keep pace with the increasing number of delinquent returns, which has resulted in an increase in the inventory of delinquent items. The 15 positions requested are to stabilize the inventory of delinquent items.

Several years ago, the board encouraged district offices to use clerical personnel to make the initial telephone contacts with delinquent taxpayers. This practice is generally limited to accounts with relatively small amounts receivable. The use of clerical positions for this limited collection activity has been successful, according to the board staff we contacted. At present, however, the use of clericals for this purpose is limited to 12 of the board's 22 in-state district and subdistrict offices. In the remaining districts, business tax representatives make all initial contact with taxpayers. The board's request for additional staff is based on the *existing* distribution of work between professional and clerical staff.

STATE BOARD OF EQUALIZATION—Continued

Our analysis indicates that the board should extend the policy of using clerical staff in collection activity to the remaining business tax districts. By using clerical staff for tasks currently performed by professional personnel in these districts, professionals would be freed up to accommodate growth in more difficult delinquent accounts. Accordingly, we recommend that the 15 additional positions be approved, but that the nine business tax representatives be reclassified as office assistant I positions, for a General Fund savings of \$56,954.

Justification for Additional Use Tax Positions Inadequate

We withhold recommendation on six positions requested for the investigation of foreign registered vehicles, pending the receipt of additional workload information from the Department of Motor Vehicles.

Through a contract with the board, the Department of Motor Vehicles (DMV) collects use taxes from vehicle owners at the time ownership is transferred. An unknown, but potentially significant, number of California residents, however, avoid use taxes and license fees by registering their vehicles outside the state. The DMV, in combination with the board and the California Highway Patrol, has proposed an expanded program to locate foreign-registered vehicles that are kept in state by California residents. In support of this effort, the board has requested six positions to investigate the residency of owners of out-of-state registered automobiles, using voter registration listings, real property files, and business tax records.

This proposal is discussed in greater detail as part of our analysis of the DMV budget (Item 274-001-001). In that discussion, we note that the department has not provided adequate justification for the workload projections on which the requests for additional resources are based. Consequently, we are withholding our recommendation on the positions requested by the Board of Equalization until additional information has been obtained from the DMV.

Foreign Registered Aircraft

We recommend a reduction of one of the three positions requested to investigate foreign registered aircraft, for a General Fund savings of \$23,023.

The board has requested three positions to investigate aircraft that are registered to an out-of-state address but are operated within California.

The board's occasional sales unit levies the use tax on vehicles, vessels, and aircraft used in California in cases where a sales tax was not collected on the item by a California retailer. (The Department of Motor Vehicles actually collects the use tax on most vehicles.) Based on a survey of county assessors, the board estimates that there are 600 new aircraft owners statewide who avoid the use tax each year by registering their aircraft to an out-of-state address. The board is proposing to use three positions to: (1) establish contact with county assessors (who discover these aircraft for local property tax assessment purposes), (2) inspect public and private airports throughout the state to discover the aircraft, (3) investigate the ownership and residency of the aircraft, and (4) notify owners of potential use tax liability. From this effort, the board expects to generate over \$700,000 in state and local use tax revenues.

Marginal Benefit of Additional Position Not Demonstrated. The board currently receives Federal Aviation Authority data on a monthly basis which it uses to locate transfers of aircraft registered in California. The board, however, has not yet utilized a number of other sources of information which can help in locating foreign-registered aircraft.

Airport managers currently submit an annual report to county assessors that lists the aircraft located at their airports on or around March 1, the property tax

assessment lien date. In addition, county assessors currently submit a list of all aircraft assessed by the county to the Division of Aeronautics, Department of Transportation. With the additional positions requested, the board plans to begin using this information to locate out-of-state registered aircraft.

Our analysis of the board's proposal indicates that most of the 600 aircraft which the board expects to locate would be identified from one of these additional sources of information. Review of this information would generate sufficient additional workload to justify two of the three positions requested for the occasional sales unit. In addition, the board proposes to use 1.1 positions to make visits to the 994 public and private airports throughout the state to locate foreign registered aircraft. The board staff, however, have been unable to document the *additional* aircraft that they expect to locate *solely* through these airport visits. Thus, the *marginal* benefit from funding this additional position has not been established.

We believe that the board should first establish a "baseline" program for locating out-of-state registered aircraft, using the information which is already available. Once this baseline has been established, it may then be possible to add additional limited-term positions and track the amount of additional revenues they generate.

Given the absence of information justifying the cost-effectiveness of the third new position requested, we recommend a reduction of one business tax representative position and related expenses, including travel, for a General Fund savings of \$23,023.

ALCOHOLIC BEVERAGE TAX PROGRAM

Reports Underpriced

We recommend that the board set fees for the informational reports derived from the Alcoholic Beverage Tax program that reflect (1) the cost incurred to produce them and (2) their value to the liquor industry and other subscribers.

The board administers the excise taxes imposed on the manufacture, import, or sale of alcoholic beverages. The budget proposes that a total of 31.1 personnel-years and \$911,215 be used to support this program in the budget year.

Beverage tax audit activities involve a substantial amount of effort on the part of the board's data processing division to process information from distillers, vendors, common carriers, and other states concerning the production and transport of alcoholic beverages. A significant portion of this information is cross-referenced or "matched" to detect inconsistencies in the information reported by taxpayers. In this fashion, those taxpayers who are most likely to misreport information are selected for audit.

Because such an extensive effort is required to process this data, the recovery from the audit program per dollar of cost is low—projected at \$1.09 for the budget year. During 1979, the board evaluated the costs and benefits of the matching process. It reached the conclusion that eliminating the current process would result in even greater expenditures to identify accounts with the greatest audit potential.

In addition to identifying potential misreporting, the matching process produces information used by other public and private entities. The Alcoholic Beverage Tax program produces 23 informational reports, and 598 entities subscribe to one or more of these reports. These subscribers—primarily the liquor industry and other governmental agencies—use the reports for purposes of market research. Fees are charged for 4 of the 23 reports, and these fees generate yearly revenues of \$1,012. Our analysis indicates, however, that even where fees are charged, they are well below the cost incurred to produce the reports. We find no basis for this implicit subsidy to the liquor industry and other agencies, and recommend that it be eliminated. Specifically, we recommend that the Legislature adopt the following

STATE BOARD OF EQUALIZATION—Continued

supplemental report language:

"It is the intent of the Legislature that the Board of Equalization set fees for informational reports derived from the Alcoholic Beverage Tax program that reflect (1) the cost incurred to produce them and (2) their value to subscribers."

MOTOR VEHICLE FUEL CONSERVATION PROGRAM**Program May Experience Compliance Problems**

We recommend approval of 9.6 new positions requested for collecting monthly gasoline consumption information by county.

The budget requests nine full-time positions and 0.6 intermittent help positions to collect and process county-by-county gasoline consumption data on a monthly basis.

Chapter 1326, Statutes of 1980 (SB 1390), requires the board to collect this data and forward it to the state Energy Resources Conservation and Development Commission (Energy Commission) and each county board of supervisors. This measure also authorizes county boards to impose gasoline sales restrictions. In addition, if consumption for three consecutive months is above 95 percent of the "base period amount" established for each county by the Energy Commission, the Governor may impose odd-even or other sales restrictions.

The board proposes to use 5.6 permanent and 4 limited-term positions to establish the reporting system required to gather this consumption data. The system would process monthly reports, included as part of the sales tax reporting system, from some 16,000 retailers and fleet users of gasoline.

Our analysis indicates there may be some significant problems with this program, including:

Potentially Poor Quality Data. The quality of the data gathered by the board could be quite poor if retailers do not take the reporting requirement seriously. The board currently surveys retailers for price information and compliance with that survey is mixed. The board anticipates that compliance with the reporting requirements of Chapter 1326 could be significantly *less* than 100 percent in the beginning of the program, but that over time it may improve. Its budget request includes positions to make telephone contact with retailers who do not file reports and do not respond to delinquency letters. There is no assurance, however, that even these resources will be sufficient to achieve the level of compliance needed to produce reliable data. Moreover, this information would be received by county boards at least two months after the period to which it applies. Finally, there is some question about whether it is possible to develop base period data for each county that will permit meaning comparisons with current consumption rates.

Need for County-by-County Data Questionable. As discussed in detail in our analysis of the Energy Commission's budget (Item 336), it is not clear that there is a need for county-by-county consumption data. Trends in consumption are not likely to be limited to individual counties. Moreover, because this data will be at least two months old, it is not clear how it would be used for local decision-making.

Given the existence of these problems, and a lack of experience with the program to date, it is not possible for us to determine whether the board's requested level of staffing is appropriate. Our analysis indicates, however, that it should be adequate for an initial effort. Accordingly, we recommend approval.

APPEALS FROM OTHER GOVERNMENTAL PROGRAMS

Increase in Appeals from the Franchise Tax Board

We recommend approval of two positions to process the increase in taxpayer appeals of decisions made by the Franchise Tax Board.

The board hears taxpayer appeals of decisions made by the Franchise Tax Board. After a taxpayer files a notice of appeal, the board holds a hearing to resolve the issue presented by the appeal. The board has requested two legal staff positions to reduce the existing backlog and to handle the anticipated increase in the number of appeals from the Franchise Tax Board. The board's legal staff prepares memoranda concerning each appeal in preparation for oral hearings. After such hearings, the legal staff prepare a written opinion reflecting the views of the board members. The board's request is based upon an estimated 5.0 percent growth in the number of appeals filed for the current and budget years. This projection is conservative, in view of the 32.6 percent growth in appeals experienced for 1979-80. Accordingly, we believe the additional positions will be needed, and recommend that they be approved.

TIMBER TAX PROGRAM

Data Processing System Improvement Proposed

We recommend approval.

In our Analysis of the 1979 Budget Bill, we recommended that the verification of timber harvest values be done by computer. Pursuant to this recommendation, the board conducted a study of the adequacy of the current timber tax data processing system. The study identified a number of problems associated with the existing system, including redundant files, processing bottlenecks, duplication of effort, and limited flexibility in response to requests for information.

The board's study explored a number of alternatives to the current system, and on the basis of the costs and relative advantages of each, recommended conversion to a more fully automated system with a remote computer terminal. This system would provide the Timber Tax Division with the capability of on-line data entry and verification. This should improve the timeliness and reliability of the data and reduce the need for the involvement of professional staff in clerical activities.

To make this conversion, the board is requesting three limited-term data processing positions to establish user needs and develop software for the system. We recommend approval of these positions.

BOARD OF EQUALIZATION—CAPITAL OUTLAY

Item 086-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. LJE 114

Requested 1981-82	\$48,115
Recommended approval	2,000
Recommended reduction	46,115

ANALYSIS AND RECOMMENDATIONS**Minor Capital Outlay**

We recommend Item 086-301-036 be reduced by \$46,115 by deleting funds for two minor capital outlay projects.

The budget includes \$48,115 for three minor capital outlay projects for the State Board of Equalization. One project, with an estimated cost of \$2,000, would replace raised electrical/telephone outlets with flush-mounted outlets. The existing outlets constitute a hazard to employees who use the training/conference room. This project is needed and we recommend approval.

San Jose District Office. The budget includes \$42,300 to purchase movable office partitions to be used in the San Jose district office's quarters in the new San Jose state office building. We recommend that these proposed funds be deleted because (1) the San Jose state office building will not be completed during the 1981-82 fiscal year, and (2) the funds appropriated for construction of this building included adequate funds for the purchase of movable office partitions.

San Francisco District Office. The budget includes \$3,815 for a project to alter and enlarge the public interview area in the board's San Francisco district office. According to the information provided by the board, this project has an estimated cost of \$21,000. The budget, however, includes only \$3,815 which will augment \$4,000 approved in the Budget Act of 1979 for this work. We have not received any information which would indicate the work to be undertaken if the proposed funds are approved. In fact, the department's request indicates that "a down-scoping of the project was considered, however, there are no significant items which could be deleted to reduce costs." Given the fact that we have no information indicating the use of the proposed funds we recommend deletion of the requested \$3,815.

SECRETARY OF STATE

Item 089 from the General
Fund

Budget p. LJE 115

Requested 1981-82	\$11,302,709
Estimated 1980-81	12,118,237
Actual 1979-80	10,535,337
Requested decrease (excluding amount for salary increases) \$815,528 (-6.7 percent)	
Total recommended reduction	\$200,000

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
089-001-001—Support		General	\$10,479,209
089-101-001—Local Assistance		General	823,500
Total			\$11,302,709

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Debt Collection Effort. Recommend limited-term authorization for collection agent position. Further recommend supplemental report language requiring the Secretary of State to report on the cost-effectiveness of the collection program 130
2. *Registration by Mail Overbudgeting. Reduce Item 089-101-001 by \$200,000.* Recommend reduction based on historical trends and current cost data. 131
3. Voter File Purge. Recommend enactment of legislation shifting the responsibility for processing voter file purge claims from the Secretary of State to the State Controller and changing the due dates for such claims. Further recommend that supplemental report language be adopted directing the Secretary of State to evaluate and report to the Legislature by December 15, 1981 on the efficacy of the current purge systems. 131
4. Registration by Mail. Recommend enactment of legislation (1) establishing a formula to reimburse local government for the net costs of complying with Chapter 704, Statutes of 1975, and (2) shifting the responsibility for processing mail registration claims from the Secretary of State to the State Controller. Further recommend legislation repealing the "voter outreach" component of Chapter 704, which would result in estimated annual savings of approximately \$250,000. 132

GENERAL PROGRAM STATEMENT

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

SECRETARY OF STATE—Continued**Corporate Filings**

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

Elections

Responsibilities in the area of elections include overseeing and coordinating statewide election activities, producing various statistical reports required by the Elections Code, producing the state ballot pamphlet, compiling a semiofficial and official canvass of election results, and serving on the Commission on Voting Machines and Vote Tabulating Devices.

Political Reform

Under the Political Reform Act of 1974, the Secretary of State is responsible for reviewing all campaign receipts and expenditure statements from candidates, committees and ballot measure proponents and opponents and their committees. The office is also required to register lobbyists, review and publish lobbyist employer expenditure reports, and publish and make available to the public all registrations of qualified lobbyists.

Uniform Commercial Code

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

Notary Public

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

Archives

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes various appropriations totaling \$11,302,709 from the General Fund for support of the Office of the Secretary of State. This amount is \$815,528, or 6.7 percent, below estimated current year expenditures. The proposed level of expenditures will increase by the amount of any salary or staff benefit increase approved for the budget year.

The Secretary of State also anticipates receiving \$894,085 in reimbursements from special handling fees. Thus, the Secretary of State is proposing a total expenditure program of \$12,740,901 for 1981-82, which is \$503,579, or 3.8 percent, below the current year level. Expenditures by budget item for 1979-80, 1980-81 and 1981-82 are shown in Table 1.

Secretary of State Operations

The budget proposes a net expenditure of \$6,796,420 for support of Secretary of State operations. This represents proposed total expenditures of \$8,234,612 for personal services, operating expenses and the Oral History project minus \$1,338,192 from fee reimbursements and the Political Reform Act of 1974.

This proposed appropriation is an increase of \$617,722, or 10 percent, over the estimate for the current year. The increase would provide \$101,673 for six new positions in the Corporate Filing program, \$119,750 for 3.5 new positions in the Notary Public program, \$51,734 for two new archivists and \$21,205 for a collection agent. Due to increased efficiency in central administration, three key data operator positions are proposed for elimination, resulting in estimated savings of \$40,911.

Table 1
Secretary of State
Comparative Budget Statistics
1979-80 to 1981-82

Schedule	Actual Title	Estimated 1979-80	Proposed 1980-81	1981-82	Change 1980-81 to 1981-82	
					Amount	Percent
Secretary of State, Support (089-001-001)						
(a,b,c)	Secretary of State Operations	\$7,097,287	\$7,304,891	\$8,234,612	\$929,721	12.7%
(d)	Printing State Ballot Pamphlet.....	1,406,200	2,103,715 ^a	2,103,000	-715	0.0
(e)	Mailing State Ballot Pamphlet.....	1,367,000	801,227	932,766	131,539	16.4
(f)	Printing, Registration by Mail	^b	249,700	296,173	46,473	18.6
(g)	Postage, Registration by Mail.....	^c	454,096	350,850	-103,246	-22.7
—	Presidential delegate mileage	—	2,000	—	-2,000	-100.0
Local Assistance (089-101-001)						
(a)	Filing fees	29,659	319,191	23,500	-295,691	-92.6
(b)	Registration by mail	800,000	800,000	800,000	0	0
—	Voter file purge.....	—	1,300,712	—	-1,300,712	-100.0
—	Subtotals, Expenditures	\$10,700,146	\$13,335,532	\$12,740,901	-\$594,631	-4.5%
—	November 1979 Special Election.....	\$1,660,000	—	—	—	—
—	Allocation for Employee Compensation ..	530,281	481,300	unknown	-\$481,300	-100.0
—	Estimated Savings	-1,308,654	-842,795	—	678,170	100.0
—	Savings 27.2 Budget Act of 1979	-198,224	—	—	—	—
—	Legislative Mandate Chapter 102/1980	172,992	—	—	—	—
—	Legislative Mandate Chapter 1241/1980 ..	—	270,443	—	-270,443	-100.0
—	Totals, Expenditures.....	\$11,556,541	\$13,244,480	\$12,740,901	-\$503,579	-3.8%
Secretary of State, Support (Item 089-001-001)						
(h)	Political Reform Act of 1974.....	-411,471	-515,033	-544,107	-29,074	5.7
(i)	Reimbursements	-609,733	-611,210	-894,085	-282,875	46.3
—	Totals, Appropriations	\$10,535,337	\$12,118,237	\$11,302,709	-\$815,528	-6.7%

^a Appropriated amount. Current year expenditure estimate is \$1,500,000. The \$603,715 in savings is included in the "Estimated Savings" category.

^b Included in Secretary of State Operations at \$223,875.

^c Included in Secretary of State Operations at \$391,146.

State Voter Pamphlet

The budget includes \$2,103,000 for printing the state voter pamphlet for the June 1982 primary election. This is an increase of \$603,000, or 40 percent above the current-year estimate. The increase is due to rising printing costs and a projected increase in the size of the ballot pamphlet. It also appropriates \$932,766 for the cost of mailing the June 1982 ballot pamphlet to the voters. This is an increase of \$131,539, or 16.4 percent over the current-year estimate. This increase results from

SECRETARY OF STATE—Continued

an anticipated increase in the weight of the pamphlet which will result in a higher per pamphlet postage rate.

Registration by Mail

Chapter 704, Statutes of 1975, redesigned the voter registration program to provide for "self-registration" through the use of postage-paid registration cards. The budget provides \$296,173 and \$350,850, respectively, for the printing and postage costs of the "self-registration" cards.

The cost for printing the cards is projected to increase by \$46,473, or 18.6 percent, because of rising printing costs. Postage for the "self-registration" cards consists of \$208,400 for mailing the cards to the voter and \$142,450 for return postage. This funding level is \$103,246, or 22.7 percent, below the current-year estimate. The decrease is due to an anticipated reduction in voter registration activities because the next election will be a gubernatorial, rather than a presidential, election.

Local Government Subventions

The budget includes \$23,500 to reimburse counties for costs incurred in checking signatures submitted by candidates for public office in lieu of filing fees. This funding level is \$295,691, or 92.6 percent, less than the amount appropriated for the current year. Although candidates only file signatures in those years containing primary elections, counties generally submit reimbursement claims during the following year. Therefore, the cost of this function will increase significantly in 1982-83.

The budget also makes \$800,000 available for reimbursing net local government costs resulting from Chapter 704, Statutes of 1975, which authorizes voter registration by mail. This is the same amount appropriated in the current year.

The budget includes no funds to reimburse local governments for net costs incurred in purging voter registration files. During the current year, \$1,300,712 was provided for this function although only \$1,136,087 is expected to be expended. The voter file purge system results in costs to counties in those years containing a primary election, and savings in those years containing a general election. For this reason reimbursement to the counties is budgeted for a two-year period. Funds for reimbursing counties for purge costs incurred during 1981-82 will be included in the 1982-83 budget.

Proposed Collection Program

We recommend that the proposed collection agent position be authorized on a limited-term basis through June 30, 1983. We further recommend that the Legislature adopt supplemental report language requiring the Secretary of State to report to the Legislature by March 31, 1982 on the cost effectiveness of this position and the collection program.

The Secretary of State extends credit for services performed such as duplicating records in the Corporate Filing and Uniform Commercial Code programs. Outstanding accounts receivable for 1977-78, 1978-79 and 1979-80 total \$122,739. An additional \$29,663 is outstanding for the fiscal years prior to 1977-78, bringing the total amount of outstanding accounts receivable as of June 30, 1980 to \$152,402. The budget includes \$21,205 to establish a collection agent position to initiate and carry out a collection program to recover these debts.

It is possible that the program will not need to be continued on an ongoing basis if the backlog of outstanding accounts is eliminated. It is also possible that the program may cost more than it collects. Because this is a new program, we have no basis for assessing its cost-effectiveness. Accordingly, we recommend that the program be conducted on a trial basis, and that the collection agent position be

authorized for a two-year period only. We further recommend that supplemental report language be adopted requiring the Secretary of State to report to the Legislature by March 31, 1982, on the status and cost-effectiveness of the program.

Overbudgeted County Subvention Program

We recommend a reduction of \$200,000 in Item 089-101-001 because of overbudgeting in the Registration by Mail County Subvention Program (Chapter 704, Statutes of 1975).

The Governor's Budget provides \$800,000 to reimburse counties for the net costs of complying with Chapter 704. The total amount reimbursed to counties has been declining since the program's inception in 1976. This decline is primarily due to the adoption and implementation by the Secretary of State of a standardized claim form and written guidelines which clarify the various activities and related costs which are reimbursable. The Secretary of State continues to monitor county reimbursement claims and revise the program guidelines as necessary.

The total amount reimbursed to counties for 1976-77, 1977-78 and 1978-79 are respectively as follows: \$1,063,953, \$750,325, \$580,000 (estimated). Claim forms and program guidelines have not yet been distributed to counties for their 1979-80 claims.

Information from the Secretary of State indicates that the level of reimbursement is expected to stabilize at or possibly below the 1978-79 level. Therefore, we recommend that the item providing reimbursement to the counties for the Registration-by-Mail program be reduced from \$800,000 to \$600,000 for a savings of \$200,000 from the General Fund.

Streamlining Purge Activities

We recommend that legislation be enacted requiring that voter file purge claims be submitted to and processed by the Office of the State Controller, and that the deadline for filing claims be changed to October 31 of even-numbered years. Further, we recommend that supplemental report language be adopted requiring the Secretary of State to evaluate the current method of purging voter files and report her findings to the Legislature by December 15, 1981.

Legislation adopted in 1974 (and revised in 1976, 1977 and 1978) substantially altered the procedure used to purge voter registration files. The system in use prior to 1974, known as the "positive purge" system, essentially served to remove from the rolls those registrants who failed to vote in a statewide general election.

Current law authorizes two different systems of purging voters from the rolls, and counties are free to use either one. These systems are known as the "Marks Plan" (Chapter 1401, Statutes of 1976) and the "Residency Confirmation Plan" (Chapter 3, Statutes of 1978). The two plans are similar. Both essentially establish a procedure for permanent registration whereby a registrant is purged only upon either (1) moving outside the county or (2) moving without leaving a forwarding address and failing to vote at a statewide primary or general election. Both of these plans require an increased level of service by counties, and therefore the costs of providing the higher level of service are reimbursable as a local mandate under the provisions of SB 90.

The state expends approximately \$1.1 million on a biennial basis to reimburse counties for the net costs of purging voter files in accordance with current law. Interviews with 12 county election officers conducted by our office and a review of cost data indicate that the current purge system is more costly and may be less effective than the "positive purge" system used prior to 1974. The Secretary of State has been unable to evaluate the efficacy of either purge system presently in use because of the excessive amount of time needed to process reimbursement claims. Accordingly, we recommend that supplemental report language be adopted directing the Secretary of State to evaluate the current purge systems and make

SECRETARY OF STATE—Continued

recommendations for improvements or changes. This evaluation should also consider the feasibility and desirability of returning to the purge method used prior to 1974. A return to the "positive purge" would remove the state's obligation to reimburse local government for their costs in purging voter files, thereby resulting in a savings of up to \$1.1 million biennially.

Legislation Establishes Formula. Chapter 936, Statutes of 1980 (AB 2326), an urgency measure which took effect on September 18, 1980, changed and simplified the method for reimbursing counties for costs incurred in purging voter registration files by establishing a reimbursement formula. This formula reimburses each county at a flat rate not to exceed 10 cents per registered voter. The flat rate is determined by the Secretary of State as the statewide average cost per voter. The rate is based on information submitted by counties in their 1978 purge claim forms.

Current law specifies that claims for purge costs incurred in 1980, and all subsequent statewide election years, must be filed with the Secretary of State for review and processing by March 31 of the odd-numbered year following the election. The provisions of Chapter 936 are repealed effective December 31, 1985.

Chapter 936 allows for reimbursing counties on the basis of a simple formula. Election expertise is not needed to process a claim. Therefore, we recommend legislation which would require that voter file purge formula claims be submitted to and processed by the Office of the State Controller rather than the Secretary of State, and that the deadlines for claim submission be moved up from March 31 of odd numbered years to October 31 of even numbered years. This will bring the processing of purge claims into conformance with other local mandated claims. It will also enable these reimbursement claims to be processed a year earlier.

Mail Registration Program

We recommend that legislation be enacted establishing a formula for reimbursing local government for the net costs of complying with the voter registration provisions of Chapter 704, Statutes of 1975, and that reimbursement claims be submitted to and processed by the State Controller's Office. Further, we recommend that legislation be enacted repealing the "voter outreach" provision of Chapter 704, which would result in estimated annual savings of approximately \$250,000.

Chapter 704 redesigned the voter registration program to provide for "self-registration" through the use of postage paid registration cards. In addition, it required the Secretary of State to adopt regulations directing each county to design and implement programs to identify and register qualified electors who are not registered voters. The latter requirement is referred to as the "outreach component."

Reimbursement Procedures. Counties are reimbursed annually for the *net* costs of complying with the various provisions of Chapter 704. The method used to determine the net costs is an onerous and time-consuming procedure for both local government and the Secretary of State. It involves a 7-page claim form and 31 pages of guidelines which counties must follow in calculating the difference between the cost of complying with Chapter 704 and the estimated cost of registering voters in 1975-76 (pre Chapter 704).

Field visits to 12 counties of various sizes indicated that, despite the use of extensive guidelines, it is difficult, if not impossible, to accurately establish the 1975-76 costs which must be used to calculate the net costs for the fiscal year in which reimbursement is claimed.

The complexity of the present reimbursement process also serves to create an inequitable distribution of state monies to local agencies. For 1978-79, 15 counties (primarily small and/or rural counties) did not submit claims, thereby relinquishing any potential reimbursement. The counties we interviewed which did not

submit claims cited the cumbersome claim process as the primary deterrent. For small counties, the cost of compiling the claim may exceed the amount of reimbursement ultimately available.

This claim process also requires an inordinate amount of time on the part of the Secretary of State's staff. The Secretary of State has not yet completed processing the 1978-79 claims, and claim forms for 1979-80 have not yet been distributed, despite a filing deadline for these claims of August 31, 1980.

For these reasons, we recommend that legislation be enacted to establish a *formula* for reimbursing counties for the net costs of complying with the voter registration provision of Chapter 704. Such claims should then be received and processed by the State Controller's Office. This would be similar to the method specified in Chapter 936, Statutes of 1980, which established a formula for reimbursing purge claims.

Voter Outreach. Our survey of 12 counties revealed that the level of effort and cost of various outreach programs vary significantly from county to county. Some counties have developed elaborate programs which include extensive advertising, assistance from local business and the participation (in some cases paid) of various citizen groups. Other counties conduct very minimal programs and some have developed no specific outreach activities at all. Of the \$580,000 that will be spent to reimburse counties for their 1978-79 claims under Chapter 704, approximately 43 percent, or \$250,000, is for outreach activities.

A review of voter statistics for general elections between 1970 and 1980 does not indicate that the election reform programs contained in Chapter 704 have had an impact on either (1) the number of persons registered to vote, or (2) the number of persons who actually vote. An accurate assessment of the outreach program's impact is difficult to make because the procedures by which voter registration lists are purged have changed several times in recent years. However, even if it could be demonstrated that more citizens were registered to vote, it would be difficult to ascertain how many of those persons who register through outreach efforts would have registered anyway.

In the absence of evidence that the program has significantly increased voter registration, we recommend that legislation be enacted to repeal the provisions of Chapter 704 that provide for discretionary outreach activities. This would result in estimated annual savings of \$250,000. If the Legislature chooses to continue funding voter outreach activities, we would recommend that legislation be enacted to establish an outreach program that is conducted on a uniform basis throughout the state.

COMMISSION ON VOTING MACHINES AND VOTE TABULATING DEVICES

Item 091 from the General
Fund

Budget p. LJE 122

Requested 1981-82	\$10,850
Estimated 1980-81	9,226
Actual 1979-80	3,461
Requested increase (excluding amount for salary increases) \$1,624 (+17.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on Voting Machines and Vote Tabulating Devices is responsible for approving the use of new machines or devices, and is empowered to employ expert electronic technicians to assist it in doing so. Membership consists of the Governor, Secretary of State and Attorney General. The Governor is the chairman of the commission and the Secretary of State serves as secretary. The secretary furnishes complete reports of all findings and has the ongoing responsibility for verifying that equipment used in elections is operable in every election.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$10,850 from the General Fund to support the commission's activities in 1981-82. This is an increase of \$1,624, or 17.6 percent over current year expenditures. The increase results from additional investigatory activities by the commission including the review of alleged malfunctions or other problems with voting machine equipment.

STATE TREASURER

Item 095 from the General
Fund

Budget p. LJE 128

Requested 1981-82	\$3,192,492
Estimated 1980-81	2,977,504
Actual 1979-80	2,134,253
Requested increase (excluding amount for salary increases) \$214,988 (+7.2 percent)	
Total recommended reduction	\$75,273

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Special Adjustment. Reduce Item 95 by \$5,253.* Recommend reduction to reflect actual salary, benefits, and operating expenses and equipment associated with position eliminated. 136
2. *Lease/Purchase of Computer Hardware. Reduce Item 95 by \$57,220.* Recommend computer hardware purchase request be eliminated. 137
3. *Temporary Help. Reduce Item 95 by \$12,800.* Recommend dele- 138

- tion of one new temporary help position not justified by workload
4. Federal Low Income Energy Assistance Program Positions. Recommend that 3.0 new positions be limited to one-year term. 138
 5. *Reimbursement of Staff Support. Reduce Item 95 by \$13,744 and increase reimbursements by \$13,744.* Reallocate funding to represent workload distribution. 139

GENERAL PROGRAM STATEMENT

The State Treasurer has the following responsibilities:

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

These responsibilities are implemented through the six program elements shown in Table 1.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total expenditure of \$4,367,944 from the General Fund and reimbursements in support of the Treasurer's Office in 1981-82. This is \$282,763, or 6.9 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 budget request consists of (1) \$3,192,492 in General Fund support, which is a \$214,988 or 7.2 percent increase over the current year, and (2), \$1,143,205 in reimbursements, which is a 3.2 percent increase over the current year. Table 1 shows personnel-years and expenditures for the Treasurer's Office, by program element, for the past, current, and budget year.

Table 1
State Treasurer
Budget Summary

<i>Programs</i>	<i>Actual 1979-80</i>	<i>Authorized 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Authorized 1980-81</i>	<i>Proposed 1981-82</i>
Bond sales and services.....	17.8	19.8	19.8	537,907	637,639	662,065
Investment services	7.5	10.4	10.4	449,830	551,163	575,447
Paying and receiving	46.7	53.3	53.3	1,420,918	1,738,821	1,924,006
Trust services	18.6	19.7	19.7	649,951	756,733	801,919
District securities division	7.4	8.5	8.5	333,706	400,825	404,507
Administration (distribution to other programs)	15.2	16.9	16.9	(633,744)	(745,879)	(777,930)
Totals	113.2	128.6	128.6	3,392,312	4,085,181	4,367,944
Reimbursements	—	—	—	1,258,059	1,107,677	1,143,205
Special Adjustments	—	—	-1.0	—	—	-32,247
General Fund.....	—	—	—	2,134,253	2,977,504	3,192,492

The budget requests that five new positions be authorized, all of which will be supported with increased reimbursements. The budget also requests an increase in operating expenses and equipment for the acquisition of some computer components. In addition, a "special adjustment" to the budget deletes one position and \$32,247.

STATE TREASURER—Continued**Special Adjustment Miscalculated**

We recommend that the "special adjustment" in the State Treasurer's budget be increased by \$5,253 to reflect the full savings that will result from eliminating one position.

The "special adjustment" of \$32,247 involves the elimination of one full-time Associate Treasury Program Officer. The Treasurer states that the reduction would result in savings of \$24,686 for salary and \$7,561 for staff benefits. According to the salaries and wages supplement, however, the 1981-82 salary for this position is budgeted at \$28,308, with staff benefits costing \$8,492. Thus, the proposed reduction for salary and staff benefits understates the actual savings to be realized by \$4,553. In addition, the budget reduction does not reflect the savings in operating expenses and equipment that will result from the reduction in staff. Our analysis indicates that \$700 would be a conservative estimate of these savings. Accordingly, we recommend that the State Treasurer's budget be reduced by \$5,253 to reflect the actual savings in personnel services and expenses that will result from eliminating an associate treasury program officer.

BOND SALES AND SERVICES

The responsibilities of this program element include issuing, selling, servicing and redeeming the state's general obligation and revenue bonds. Reimbursements of approximately \$267,000 will be received from individual bond funds. The remaining \$395,065, or about 60 percent of the program element cost, will be supported by the General Fund. Table 2 summarizes the Treasurer's bond marketing activities.

Table 2
Bond Marketing Activities

<i>General Obligation Bonds</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>
Number issued	10	12	12
Amount (millions)	\$625	\$725	\$625
<i>Revenue Bonds</i>			
Number issued	48	67	61
Amount (millions)	\$765	\$1,065	\$1,005

INVESTMENT SERVICES

This program element has the responsibility for investing the temporary surplus cash of the General Fund, other state funds, and the Local Agency Investment Fund. The program's objective is to maximize the earnings of these funds within the statutory limitations and policy decisions of the Pooled Money Investment Board.

Earnings from the Pooled Money Investment Account are distributed to the General Fund and to the approximately 200 other special funds to which interest can accrue. The earnings are apportioned to the participants on the basis of the amount and length of time the funds are in the pooled money account.

Investment Earnings Increase in 1979-80

The results of the investment program are summarized in Table 3. In 1979-80, the interest earnings on an average daily investment of \$8,286 million were \$895.0 million. This was a 29 percent increase over the 1978-79 level. The percentage yield for 1979-80 was 10.54 percent.

For the first six months of the current year, the average daily investment has

been \$8,072 million and the percentage yield has averaged 10.22 percent. The average investment balance is projected to decrease to about \$7,600 million by June 30, 1981, and interest rates are expected to average 10.6 percent for the year as a whole. On this basis, interest earnings of about \$800 million are projected during the current fiscal year, of which approximately \$450 million will be credited to the General Fund.

Table 3
Investment Results
Pooled Money Account
(in millions)

	<i>Average Daily Investment Balance</i>	<i>Earnings</i>	<i>Percent Yield</i>
1973-74	\$2,587.2	\$231.2	8.94%
1974-75	2,740.1	236.3	8.62
1975-76	3,209.1	204.3	6.37
1976-77	4,460.5	261.7	5.87
1977-78	6,843.9	458.6	6.70
1978-79	8,123.0	692.4	8.52
1979-80	8,286.0	895.0	10.54
1980-81 (est.)	7,600.0	800.0	10.60

PAYING AND RECEIVING

The State Treasurer provides banking services for state agencies. These services include depositing state funds and redeeming warrants issued by the Controller and other state agencies. In addition, this program element provides information to the Investment Division on the state's daily cash position. Activities of this element are summarized in Table 4.

Table 4
Paying and Receiving

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
Dollars Deposited (millions)	\$93.1	\$96.4	\$99.1
Total Program Expenditures	\$1,420,918	\$1,738,821	\$1,924,006
Reimbursements	375,872	391,449	396,705
General Fund Total	1,045,046	1,347,372	1,527,301
Number of Warrants Paid (millions)	41.7	48.7	57.0
Personnel-years	46.7	53.3	53.3

Lease Vs. Purchase of Computer Components

We recommend deletion of \$57,220 for purchase of computer hardware. We further recommend that the State Treasurer be directed to lease this equipment with an option to buy.

Currently, the Treasurer's data processing operations are supported by a Burroughs 4700 computer owned by the state and a leased Burroughs 3890 series computer. The budget proposes expenditure of \$108,000 for the acquisition of additional memory and other peripheral computer equipment. The request includes funds for (1) the *purchase* of two terminals and the lease of dual disk drive unit to be added to the Burroughs 3890 system, and (2) the *purchase* of additional disk drives, associated equipment, and expanded memory capacity for the Burroughs 4700 system. The Treasurer's request is based upon a significant increase in the utilization of computer resources in the current year, due to a general increase in the number of state warrants issued and the development of computer

STATE TREASURER—Continued

applications for the Trust and Cash Management Division.

Our analysis indicates that there has been sufficient growth in the demand for computer services to warrant the acquisition of the requested equipment. We also discovered, however, that the Treasurer's Office had not performed a lease-purchase analysis relative to the acquisition. The State Administrative Manual (SAM) states that "agencies must perform a lease vs. purchase analysis prior to initiating the purchase of any computer equipment." The manual further states that "The decision to rent or buy should be the result of a careful analysis of all factors involved, especially the total cost to the state for the expected period of use."

Computer memory is normally purchased because it becomes an integral part of the system. Peripheral computer hardware, such as disk drives, terminals, and associated equipment is typically leased with an option to buy. This type of equipment is often quickly outdated, and tends to decrease in price over time due to competitive factors. A lease arrangement permits the user some flexibility to respond to these changing conditions, while allowing the user to accommodate changes in its own demand for the resources.

Due to the absence of the lease-purchase analysis required by the SAM, and the likelihood of future changes in the Treasurer's need for this type of equipment, we recommend that the State Treasurer be provided with sufficient funds to lease with a purchase option rather than to purchase outright, the disk drive and associated equipment for the B4700 system and the additional terminals for the B3890 system. This would result in a General Fund savings of \$57,220.

Temporary Help Not Needed

We recommend the elimination of one of the two new temporary help positions requested, for a reduction of \$12,800 in reimbursements.

The Treasurer's Office is requesting 2.0 new temporary help positions, funded through increased reimbursements, to accommodate a workload increase in the warrant reconciliation process.

As part of the reconciliation process, all warrants are processed through a high-speed computerized reader-sorter. Due to the sensitivity of this equipment, damaged or abnormal warrants are rejected and must be key entered by hand. Recently, the rejection rate has increased from 3 percent to 5 percent, forcing a corresponding increase in the key entry and clerical workload. The office claims that the increased rejection rate is a result of (1) an overall increase in the number of warrants, (2) changes in the size and quality of paper stock used for some warrants, and (3) sloppy printing.

Our analysis shows that a majority of the problems with warrant quality will be remedied prior to the commencement of the budget year. Furthermore, the increased computer capabilities provided in the budget proposal will enable the reader-sorter to process the anticipated warrant workload with fewer passes through the system and thus further decrease the rejection rate. The combined impact of these two changes will significantly reduce the workload. Our analysis indicates that the reduction is sufficient to eliminate the need for one of the two proposed temporary help positions. Consequently, we recommend a reduction of \$12,800 in reimbursements to the personnel services account and the elimination of one of the new temporary help positions.

Federal Low Income Energy Assistance Program

We recommend that 3.0 new positions requested to accommodate the Federal Low Income Energy Assistance Program be limited to one year.

The budget proposes the establishment of 3.0 new positions (funded through reimbursements) to accommodate an increased workload resulting from the Fed-

eral Low Income Energy Assistance Program (LIEAP). This program provides the state with funds to assist approximately 1.3 million eligible households in meeting energy expenses. The provision of this assistance will require the Treasurer's Office to process an additional 3 million warrants per year.

Federal funding for this program will expire at the end of the current federal fiscal year (September 30, 1981), and there is no clear indication at this time that any additional funding will be provided. Given the uncertainties surrounding this program's future, we recommend that the request be approved but that the 3.0 new positions be limited to a one-year term.

TRUST SERVICES

The trust services program element is responsible for the safekeeping of securities owned by or pledged to the state. These securities are held in the Treasurer's vault or in approved depositories. As of June 1980, the Treasurer was responsible for over \$27.1 billion in securities.

Many of the trust services are provided to other state agencies such as the retirement systems, and the Insurance Commission. The Treasurer is reimbursed for trust services provided to other agencies. Such reimbursements will amount to \$479,500 in 1981-81, or 60 percent of the trust services program.

DISTRICT SECURITIES DIVISION

The primary function of this division is to provide technical and fiscal evaluation of construction projects proposed by water, irrigation, school, and certain other districts. By promoting sound financial programs for those districts, the division seeks to protect the public from unsound securities as well as to protect the credit standing of the state and its local jurisdictions.

Although the division is budgeted from the General Fund, it is expected to recover an equal amount through fees charged for its services. In recent years this requirement has been more than successfully met.

ADMINISTRATION

The administration element is comprised of the executive offices and the general services section, and is responsible for the budgeting, personnel, and accounting functions. The executive offices consist of the State Treasurer, the assistant treasurer, the chief deputy treasurer, and the assistant deputy treasurer.

Reimbursement of Staff Support

We recommend a reduction of \$13,744 in General Fund support and corresponding increase in reimbursements to reflect legislative intent that new bond advisory commissions and financial authorities reimburse the State Treasurer for supportive staff.

Beginning January 1, 1981, the Treasurer's Office is required to provide staff support to a number of new bond advisory commissions and financing authorities to which the State Treasurer was appointed and named chairman.

The budget proposes the utilization of 1.0 existing position, an assistant treasury program officer presently assigned to the administrative division, as staff to these commissions. The position is currently supported by the General Fund.

The statutes require that the staff support provided to the various commissions is to be financed entirely through reimbursements.

There is some doubt as to when the commissions will become operational. The Treasurer's Office, however, indicates that it expects to begin receiving sufficient reimbursements to support the position by January 1, 1982. The position will be filled and assisting in the establishment of the commissions by July 1, 1981. Therefore, for approximately six months there will be little or no reimbursements available to pay for the expenses of this position.

STATE TREASURER—Continued

In light of this, we recommend that funding for this position in the budget year be equally divided between the General Fund and reimbursements. This will enable the Treasurer's Office to provide staff to these commissions until they become fully operational and reimbursements are sufficient to assume full support of the position.

We, therefore, recommend a decrease of \$13,744 in General Fund support and an increase of \$13,744 in reimbursements.

**State and Consumer Services Agency
MUSEUM OF SCIENCE AND INDUSTRY**

Item 110 from the General
Fund

Budget p. SCS 1

Requested 1981-82	\$4,497,337
Estimated 1980-81	3,456,767
Actual 1979-80	2,827,604
Requested increase (excluding amount for salary increases) \$1,040,570 (+30.1 percent)	
Total recommended reduction	\$349,006

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Museum of Afro-American History and Culture. Withhold recommendation on \$211,895 in support and \$410,000 of special item of expenditure 110-001-001 (c), pending development of exhibit plans. 142
2. *Space Science Center. Reduce by \$62,255.* Recommend deletion of proposed staff for unjustified new program. 143
3. *Office of Development. Reduce by \$71,751.* Recommend deletion of staff, due to lack of workload justification. 143
4. *Refurbishment of exhibits. Reduce by \$150,000.* Recommend deletion pending review of potential use of display space for other exhibits. 144
5. *Special Repairs. Reduce by \$65,000.* Recommend deletion of funds for repair projects, due to lack of supporting information. 144

GENERAL PROGRAM STATEMENT

The Museum of Science and Industry is an educational, civic and recreational center located in Exposition Park in Los Angeles. It is administered by a nine-member board of directors appointed by the Governor. The museum's exhibits feature scientific accomplishments, and its education program is designed to stimulate students' interests in science and the arts. A portion of the program is financed by the Museum Foundation Fund which is supported by private contributions. Several facilities of the museum are available to public and private groups for education, recreational and civic functions. The museum also owns and operates 26 acres of public parking for both its patrons and those of the adjacent coliseum, sports arena and swimming stadium. These facilities are all located in Exposition Park, which is owned and maintained by the state through the museum. In addition to providing security for its own facilities, the museum is responsible for security in Exposition Park.