

3. Bilingual Teacher Grant Program

We recommend approval.

The Bilingual Teacher Grant Program provides financial assistance to certain low-income students pursuing an approved bilingual teaching certificate. In 1981-82, a total of 1,700 awards are authorized for tuition and fees up to \$3,600 annually for periods not to exceed three years. The maximum award is a \$600 increase over the 1980-81 award maximum of \$3,000.

The budget proposes program funding (including awards and administrative support) of \$3,049,463 in 1981-82, which is an increase of \$1,831,885 over estimated current year expenditures. This increase in support is due to recent legislation which merges the commission's program with the Department of Education's Bilingual Teacher Corps program. Consequently, this increase represents a transfer among agencies, and not an increase in state funds.

Program Consolidation

The Legislature enacted Chapter 1261, Statutes of 1980, which:

- consolidated the Bilingual Teacher Corps program administered by the Department of Education and the commission's Bilingual Teacher Development Grants Program, and
- provided that the management responsibilities of the new program be assigned to the commission.

This statute was based on a study prepared by the agencies which concluded that the merger would provide more effective administration at a lower state cost. Based on planning estimates from the Department of Finance, our analysis indicates that the consolidation of programs will result in a state savings of \$343,770 for the budget year.

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 810 from the General Fund and Indemnity Fund

Budget p. GG 1

Requested 1981-82	\$14,262,539
Estimated 1980-81	11,952,193
Actual 1979-80	5,139,008
Requested increase (excluding amount for salary increases) \$2,310,346 (+19.3 percent)	
Total recommended reduction	\$5,760,783

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
810-001-001	Support and cash match	General	\$2,081,035
810-001-214	Support	Indemnity	449,514
810-101-001	Local Assistance—various programs	General	4,870,138
810-101-214	Local Assistance—various programs	Indemnity	6,861,852
Total			\$14,262,539

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. <i>Administrative Overhead.</i> Reduce Item 810-001-001 by \$304,288. Recommend reduction to eliminate double-funding for part of administrative program.	1467
2. <i>Urban Emergency Training Program.</i> Reduce Item 810-101-001 by \$500,000. Recommend elimination of Urban Emergency Training Program grants because the program is not authorized by statute.	1467
3. <i>Career Criminal Apprehension Program.</i> Reduce Item 810-101-001 by \$1,750,000. Recommend no program expansion prior to evaluation of existing projects	1468
4. <i>Community Crime Resistance Program.</i> Reduce Item 810-101-001 by \$1,187,500. Recommend deletion of funds requested to expand the Community Crime Resistance Program because the program has just begun and no evaluation of its impact has been completed.	1469
5. <i>Career Criminal Prosecution Program.</i> Reduce Item 810-001-214 by \$88,069 and Item 810-101-214 by \$1,930,926. Recommend funding for the Career Criminal Prosecution Program only through December 31, 1981, when the authorization contained in existing law expires. Funding for the balance of 1981-82 should be considered in connection with legislation extending the program.	1470

GENERAL PROGRAM STATEMENT

The Office of Criminal Justice Planning (OCJP) was created by Chapter 1047, Statutes of 1973, as the staff arm of the California Council on Criminal Justice (CCCJ). It is administered by an executive director appointed by the Governor. The council, which acts as the supervisory board to OCJP, consists of 37 members: the Attorney General, the Administrative Director of the Courts, 19 members appointed by the Governor and 16 members appointed by the Legislature.

Organization

OCJP is divided into five program areas:

1. *Planning and Operations.* This program, with a staff of 20.5 personnel-years, administers four main activities: (1) planning, which analyzes crime data and the criminal justice system; (2) evaluation, which analyzes grant programs and projects to determine whether a causal relationship exists between grant-funded activities and the reduction or control of crime; (3) monitoring, which seeks to insure that projects are being performed within the terms of the grant contract; and (4) technical assistance, which provides staff to assist grantee agencies in carrying out funded projects and encourage the use of proven crime control methods.

2. *Administration.* This program, which utilizes 41.5 personnel-years, provides executive and management services for OCJP, including CCCJ liaison, personnel, accounting, business services and budgeting. It also provides technical guidance on legal, fiscal and affirmative action questions to grantees.

3. *Crime Resistance Task Force.* The program, through a staff of one, provides support for the Crime Resistance Task Force, which was created by executive order and then authorized by statute. The objective of the task force is to encourage citizen involvement with police in local crime prevention programs.

4. *State and Private Agency Awards.* This program provides grants to state and private agencies to stimulate improvements within the criminal justice system.

5. *Local Project Awards.* This program provides grants for planning and ac-

tion projects undertaken by local jurisdictions to improve law enforcement and the criminal justice system.

Changes in Federal Grant Program

In past years, OCJP has administered funds provided to California by the Law Enforcement Assistance Administration (LEAA) under the Federal Omnibus Crime Control and Safe Street Act of 1968, as amended in 1976.

In December 1979, a new federal law, the Justice System Improvement Act of 1979, reauthorized LEAA and changed the provisions under which criminal justice grants are awarded to state and local entities. Federal fiscal year 1980 was designated a transition year between the old program and the new law.

The federal budget for fiscal year 1981 appropriated no funds for grants to state and local governments under the Justice System Improvement Act. However, OCJP indicates that through 1982-83, it will continue to administer federal funds awarded in prior years. OCJP advises that the prior-year funds, estimated at approximately \$37 million, have already been allocated through contracts to various state and local programs. OCJP will also continue to administer federal funds, estimated at approximately \$6 million annually, allocated to California by the federal Office of Juvenile Justice and Delinquency Prevention.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure program for the Office of Criminal Justice Planning is \$50,553,947, consisting of \$6,951,173 from the General Fund, \$7,311,366 from the Indemnity Fund, and \$36,291,408 in federal funds. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 shows the proposed funding, by source, for each of OCJP's five programs.

Table 1
Office of Criminal Justice Planning
Program Expenditures
1981-82

	<i>General Fund</i>	<i>Indemnity Fund</i>	<i>Federal Funds</i>	<i>Totals</i>
1. Planning and operations	\$1,091,111	\$449,514	\$457,239	\$1,997,864
2. Administration	874,635	—	431,331	1,305,966
3. Crime resistance task force	65,289	—	65,289	130,578
4. State and private agency awards	50,000	—	7,860,619	7,910,619
5. Local project awards	4,870,138	6,861,852	27,476,930	39,208,920
Totals	\$6,951,173	\$7,311,366	\$36,291,408	\$50,553,947

Table 2 summarizes total OCJP expenditure levels for the current and budget years, indicating sources of funding, expenditures for each program area, and proposed changes from the current year. While it appears from Table 2 that OCJP's General Fund requirements are decreasing by 22 percent, much of the decrease is attributable to OCJP's method of accounting for funds available for expenditure in the current year. This accounting method differs from that of many departments because OCJP receives federal grant funds which are available for three fiscal years. State matching funds are appropriated for the same period. In preparing the budget, all presently available state and federal grant funds, including prior-year balances still available for expenditure, are shown as current-year expenditures. Therefore, the current-year column includes more than one year's funding.

Several major program changes are reflected in OCJP's General Fund request.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

The budget proposes a \$1 million increase in grants to local governments under the Crime Resistance Program, \$500,000 for the Urban Emergency Training Program, a \$2.5 million expenditure for the Career Criminal Apprehension Program, and \$770,138 for a Rape Victim Counseling Center Program. These increases are offset by a fund shift from the General Fund to the Indemnity Fund for support of the Career Criminal Prosecution Program (\$4.1 million in the budget year), and a decrease of \$1.1 million because no new state funds are required to match LEAA grant funds in the budget year.

Table 2
Office of Criminal Justice Planning
Budget Summary

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Funding</i>				
1. General Fund	\$8,917,193	\$6,951,173	-\$1,966,020	-22.0%
2. Indemnity Fund	3,035,000	7,311,366	4,276,366	140.9
3. Federal Trust Fund	40,011,348	36,291,408	-3,719,940	-9.3
Totals	\$51,963,541	\$50,553,947	-\$1,409,594	-2.7%
<i>Program</i>				
1. Planning and operations	\$1,704,554	\$1,997,864	\$293,310	17.2%
Personnel-years	20.5	20.5	—	—
2. Administration	1,391,476	1,305,966	-85,510	-6.1
Personnel-years	41.5	34.5	-7	-16.9
3. Crime resistance task force	131,524	130,578	-946	-0.7
Personnel-years	1	1	—	—
Subtotals	\$3,227,554	\$3,434,408	\$206,854	6.4%
Personnel-years	63	56	-7	-11.1
4. State and private agency grants	\$9,825,812	\$7,910,619	-\$1,915,193	-19.5
5. Local project awards	38,910,175	39,208,920	298,745	0.8
Totals	\$51,963,541	\$50,553,947	-\$1,409,594	-2.7%
Personnel-years	63	56	-7	-11.1

Legislation Expands OCJP's Responsibilities

Prior to the 1977-78 legislative session, OCJP's primary function was to administer federal Safe Streets Act funds. Since that session, the Legislature has enacted a number of bills which have expanded OCJP's responsibilities. These new programs are discussed below.

Youth and Family Programs

Chapter 1103, Statutes of 1977, established a program to reduce the administrative complexity confronting joint-funded, multi-service youth and family programs involving at least three federal grant sources and two or more state agencies. Under this legislation, OCJP coordinates the processing of grants for such activities. The two positions established to administer this program were deleted in 1980-81 because the workload did not develop as anticipated. No program activity is anticipated in the budget year.

Victim and Witness Assistance Centers

Chapter 1256, Statutes of 1977, established a program within OCJP through which public or private nonprofit agencies can help crime victims and witnesses relate more effectively to the criminal justice system. It prescribes services to be provided and establishes a funding schedule which is intended to reduce gradually

state support for the program by transferring increasing percentages of the costs to local governments over a period of years.

Chapter 713, Statutes of 1979, increased penalty assessments for felonies and included assessments in bail deposits. The additional revenue is deposited in the Assessment Fund and an established percentage of the money in that fund is transferred monthly to the Indemnity Fund. Revenues received by the Indemnity Fund are divided equally between OCJP (for allocation to local centers aiding crime victims and witnesses) and the Board of Control's Indemnification of Private Citizens Program which provides direct assistance to crime victims and citizens who sustain injuries while aiding crime victims. The provisions of this law terminate on January 1, 1982.

In the budget year, OCJP proposes expenditures of \$3,184,023 from the Indemnity Fund, consisting of \$184,023 for program administration and \$3,000,000 for grants to local victim and witness assistance centers. OCJP estimates that sufficient revenues resulting from Chapter 713, will be available to fund the program throughout the budget year.

Career Criminal Apprehension Program

Chapter 1167, Statutes of 1978, established a career criminal apprehension program. Participating local law enforcement agencies are required to concentrate enhanced management efforts and resources on career criminals (serious repeat offenders). Such efforts include crime analysis and improved management of patrol and investigative operations. The act states that this program is to be supported with federal funds made available to CCCJ. These provisions of law terminate on January 1, 1983.

OCJP indicates that the program has been supported with a total of \$1.9 million of federal LEAA funds during the past and current years. Eight local projects have been established. As required by the enabling legislation, OCJP has begun to evaluate the eight existing projects. The Governor's Budget indicates that the final report will be completed by the end of 1981.

In 1981-82, the Governor's Budget proposes to expend \$2.5 million from the General Fund to (1) assist the existing projects' transition to local funding and (2) create additional projects in local law enforcement agencies.

Crime Resistance Task Force

Chapter 578, Statutes of 1978, gave statutory status within OCJP to a California Crime Resistance Task Force originally created on August 5, 1977, by executive order. Its purpose is to assist the Governor and OCJP in furthering citizen involvement in local law enforcement and crime resistance efforts. This measure also established a California crime resistance grant program, and encouraged CCCJ to make federal funds available to implement it. The provisions of the law will sunset on January 1, 1983.

OCJP indicates that \$1 million, consisting of 50 percent federal and 50 percent state funds, was made available in the spring of 1979-80 to establish eight local task forces. An additional \$500,000 (50 percent federal and 50 percent state) is available in the current year. OCJP advises that these funds will support the existing projects through the spring of 1981.

In the budget year, OCJP proposes to expand the program and distribute \$1,125,000 (General Fund) to eight existing and 15 additional local crime resistance projects. The budget also requests \$130,578, consisting of \$65,289 from the General Fund and \$65,289 of federal funds, to administer the program.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**Career Criminal Prosecution Program**

Chapter 1151, Statutes of 1977, created a program to aid district attorneys' offices in prosecuting career criminals. The law provides that the career criminal prosecution units shall perform "vertical" prosecution, whereby one prosecutor follows a particular case to its conclusion. The act also establishes guidelines for prosecutors to follow in seeking sentences for individuals considered to be career criminals. The statute's provisions terminate on January 1, 1982.

OCJP received \$3.2 million from the General Fund which it allocated to 13 district attorney's offices in the current year. An additional \$100,000 was provided from the General Fund for program administration.

In 1981-82, OCJP proposes to increase the funding level to \$3,861,852 for awards to local projects and \$230,491 for OCJP's administration. These expenditures would be made from the Indemnity Fund.

Rape Victim Counseling Centers Program

Chapter 917, Statutes of 1980, transferred the Rape Victim Counseling Centers Program from the Department of Social Services to OCJP. This program provides grants to local rape victim counseling centers which meet criteria specified in the act.

OCJP requests \$150,000 from the General Fund to administer the program and to establish permanently 1.5 staff positions. The proposed grant program will total \$620,138 from the General Fund in the budget year. This consists of \$207,638, which is the level of funding previously appropriated to the Department of Social Services, and \$412,500, which was the funding level appropriated in the enabling legislation to offset a decline in LEAA grant support to the program.

Administrative Overhead

We recommend a General Fund reduction of \$304,288 (Item 810-001-001) to eliminate double-budgeting for administrative overhead.

OCJP requests \$1,305,966 for its central administration program in 1981-82. The budget for this program supports the executive director, deputy directors, budget personnel, related staff, and operating expenses.

For 1981-82, OCJP submitted five budget change proposals requesting (a) increased funding for various programs, and (b) an additional \$304,288 or 82.2 percent of the increased program administration costs, to fund part of the costs of OCJP's central administration. Staff indicates that the administrative overhead charge is necessary because the amount of federal support available to offset the central administration program will decrease in the budget year.

Our analysis reveals that the costs of the central administration program are funded directly with state and federal funds in OCJP's proposed budget for personal services, operating expenses, and equipment. Thus, the request for additional overhead funds represents double-budgeting for part of OCJP's administrative costs.

Because OCJP has requested double-funding for part of its administrative program, we recommend a General Fund reduction of \$304,288.

Urban Emergency Training Program

We recommend that funds for the proposed Urban Emergency Training Program be deleted because the program has not been explicitly authorized in statute, for a General Fund savings of \$500,000 (Item 810-101-001).

OCJP requests \$500,000 from the General Fund to create an Urban Emergency Training Program and provide grants to at least three law enforcement agencies

in major urban areas. The program would assist the agencies to perform civil disorder planning based on training which their personnel receive at the California Specialized Training Institute (CSTI). CSTI, which is administered by the Military Department, provides training in such subjects as civil emergency management, anti-terrorism, and officer survival.

The proposed program would represent a departure from OCJP's statutory responsibilities. All of the other programs which we discuss in this analysis are specifically established and delegated to OCJP by law. The authorizing legislation generally specifies program guidelines, establishes criteria for entities receiving grants, and frequently requires periodic reports to the Legislature. In contrast, neither the Urban Emergency Training Program nor the program on which it is based, CSTI, has been authorized by statute. Thus, no guidelines or program requirements have been established that the Legislature could use in overseeing the expenditure of state funds.

In our analysis of the Military Department's budget (Item 894-001-001), we recommend a reduction in the proposed funding of CSTI because the Legislature has not authorized the program by statute. We propose six-months funding for CSTI in the budget year to insure its continuation until January 1982, which is the earliest that legislation enacted to authorize the program could take effect.

Because (a) the Urban Emergency Training Program does not fall within OCJP's statutory responsibilities, (b) no legislative guidelines for the program have been established, and (c) CSTI's future is uncertain, we cannot recommend approval of this request. Accordingly, we recommend that funds for the Urban Emergency Training Program be deleted from the Budget Bill, for a General Fund savings of \$500,000 (Item 810-101-001). If the Legislature wishes to establish this program, funds for the budget year could be included in the authorizing legislation.

Career Criminal Apprehension Program

We recommend that funds requested to expand the Career Criminal Apprehension Program be deleted because evaluations of existing projects have not been completed and the program is scheduled to terminate six months after the end of the budget year, for a General Fund savings of \$1,750,000 (Item 810-101-001).

The Career Criminal Apprehension Program was established by Chapter 1167, Statutes of 1978, and it is scheduled to terminate on January 1, 1983. The law requires participating local law enforcement agencies to develop projects which concentrate management efforts and resources on serious repeat offenders.

The Governor's Budget requests \$2,500,000 from the General Fund for the program in 1981-82. OCJP indicates that most of the funds (\$1,750,000) would be used to create additional projects in local law enforcement agencies. In addition, approximately \$675,000 would be used to assist in transferring eight existing projects to local budget support. The existing projects have been supported by a special award of approximately \$1.9 million in federal LEAA funds during the past and current fiscal years.

Our analysis of this proposal indicates that:

1. *The enabling legislation provides that the Career Criminal Apprehension Program shall be federally funded.* While the availability of federal anti-crime funds to continue the program in 1981-82 is unlikely, the Legislature has made no commitment to continue funding it at state expense in the event federal funds are no longer available.

2. *An evaluation of the existing projects has not been completed.* OCJP has contracted with MetaMetrics, Inc., to perform a two-year evaluation of the eight existing Career Criminal Apprehension projects. The Governor's Budget indicates that the results of the study will not be available until late 1981. It would be

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

premature to expand the program to additional law enforcement agencies prior to a complete evaluation of the existing projects. The results of the study could have a significant impact on the Legislature's decisions regarding continuation of the program, modification of the program design, or expansion of the program to additional local law enforcement agencies.

3. *Under existing law, funding for new projects could only continue for six months beyond the budget year.* The statute authorizing the program will sunset in January 1983, six months after the end of the budget year. Consequently, the appropriateness of expanding the program at this time is questionable.

It is unlikely that federal funds will be made available to support the Career Criminal Apprehension Program in the budget year. Although the Legislature has indicated in statute that the program should be supported with federal funds, California could lose the potential benefits from the substantial investment of LEAA funds made in past years if some state support is not provided. Therefore, in order to protect the investment made in prior years, we recommend approval of OCJP's request for \$750,000 from the General Fund to assist the existing projects' transition to local budget support (\$675,000) and to complete the evaluation process (\$75,000). In the absence of evaluation data and in view of the fact that the program is scheduled to terminate on January 1, 1983, we do not believe expansion of the program at General Fund expense is warranted at this time, and accordingly recommend a reduction of \$1,750,000—the amount proposed for program expansion (Item 810-101-001).

Community Crime Resistance Program

We recommend that funds to expand the Community Crime Resistance Program be deleted because the program has just begun and no evaluation of program accomplishments has been prepared. This will result in a General Fund savings of \$1,187,500 (Item 810-101-001).

The Community Crime Resistance Program was established by Chapter 578, Statutes of 1978 and it is scheduled to terminate on January 1, 1983. Its purpose is to encourage citizen involvement in local law enforcement and crime resistance efforts. It also urges CCCJ to make federal funds available for its purposes through grants to local government agencies.

The Governor's Budget proposes an appropriation of \$1,250,000 from the General Fund to insure support for eight existing crime resistance task forces through the budget year, and to expand the program to 15 additional law enforcement agencies. In addition, OCJP proposes to spend \$130,578, consisting of 50 percent federal funds and 50 percent state funds, to administer the program.

OCJP indicates that a total of \$1.5 million, was allocated during 1979–80 and 1980–81 to finance local crime resistance task forces. Half of this amount came from federal funds, and the balance came from the state General Fund. OCJP advises that these funds will support eight existing task forces for a two-year period. Based on OCJP documents, we estimate that the earliest the eight programs could have been started was June 1980. (Confirmation of these start-up dates was requested, but had not been received at the time this analysis was written.) Thus, the available two-year funding should support the eight task forces until June 1982. We estimate an additional \$62,500 may be required to continue the programs at the budgeted level through the last month of the budget year.

The statute authorizing the crime resistance task forces requires the executive director of OCJP to report annually to the Legislature on the operations and results of the program. OCJP advises that no reports have been submitted because the program has just recently begun.

We do not believe it is appropriate to expand the crime resistance program at

this time because (a) the statute authorizing the program will sunset six months after the end of the budget year, (b) the existing task forces have just recently started operations, and (c) evaluation reports required by the Legislature have not been submitted. In view of these factors, we recommend a General Fund reduction of \$1,187,500 (Item 810-101-001) proposed for expansion of the program. We further recommend approval of OCJP's request for \$62,500 from the General Fund, which we estimate will insure funding for the existing eight local programs through the budget year.

Career Criminal Prosecution Program

We recommend that Item 810-101-214 be reduced by \$1,930,926 and Item 810-001-214 be reduced by \$88,069 in order to limit funding for the Career Criminal Prosecution Program to the six-month period (July 1, 1981 through December 31, 1981) for which funding is authorized under existing law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1981, support funds be included in the legislation.

The Career Criminal Prosecution Program was established by Chapter 1151, Statutes of 1977. The act provides funding to district attorney's offices to establish legal units that concentrate on prosecuting career criminals. The statute's provisions terminate on January 1, 1982.

In the budget year, OCJP proposes expenditures of \$4,092,343 for grants to district attorneys' offices and for administration of the program. In contrast to past years, the budget proposes to finance these expenditures from the Indemnity Fund rather than the General Fund. Under current law, revenues collected from fines and penalty assessments levied for convictions of certain crimes are deposited in the Assessment Fund and an established percentage is then transferred to the Indemnity Fund.

Our analysis of this request indicates that:

1. Government Code Section 13967 authorizes use of Indemnity Fund revenues only to pay claims awarded under the Board of Control's Indemnification of Private Citizens program, and, for a two-year period ending January 1, 1982, to support local victim-witness assistance centers. Thus, use of the Indemnity Fund to support the Career Criminal Prosecution program, as the budget proposes, is not authorized by law.

2. The statute authorizing the program includes a sunset clause which terminates the program on December 31, 1981. The Budget Bill, however, includes funding for the program through June 30, 1982.

The Legislature generally has followed the policy that appropriations in the budget should be based on existing statutory authority, and that any costs attributable to new legislation should be included in the new legislation. Accordingly, we recommend that funding for the period January 1, through June 30, 1982, be deleted from the Budget Bill. Specifically, we recommend that Item 810-001-214 be reduced by \$1,930,926 and that Item 810-001-214 be reduced by \$88,069. This would leave adequate funds to support the program for the period of time authorized by existing law (July 1, 1981, through December 31, 1981). We recommend that if the Legislature enacts a bill to continue the program beyond the statutory termination date, funds for the remaining six months of 1981-82 be provided in the legislation itself.

The Indemnity Fund amount recommended for approval (\$2,018,995) would provide support for the program during the first six months of 1981-82. It does not reflect any "wind-down" savings that would occur if the Legislature allowed the program to terminate as provided by existing law. Approval of our recommendation would provide funding continuity if the program is extended beyond December 31, 1981.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 812 from the Peace Officers' Training Fund

Budget p. GG 7

Requested 1981-82	\$19,297,154
Estimated 1980-81	19,090,275
Actual 1979-80	13,984,859
Requested increase (excluding amount for salary increases) \$206,879 (+1.1 percent)	
Total recommended reduction	None

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
812-001-268	Commission on Peace Officer Standards and Training (Support)	Peace Officers' Training	\$3,876,957
812-101-268	Assistance to Cities and Counties for Peace Officer Training	Peace Officers' Training	15,420,197
Total			<u>\$19,297,154</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Job-Specific Training Study. Recommend positions be limited to December 31, 1982. 1473

GENERAL PROGRAM STATEMENT

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

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$19,297,154 from the Peace Officers' Training Fund for support of the POST Commission in 1981-82. This is an increase of \$206,879, or 1.1 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The commission and its local assistance program are supported by the Peace Officers' Training Fund, which derives its revenues from penalty assessments on criminal and traffic fines.

Two measures were enacted in 1980 which affected the distribution of penalty assessments. First, Chapter 530 created an Assessment Fund in which revenues from penalty assessments would be deposited before being distributed to the specific penalty assessment-supported programs, such as driver training, peace officer training, and corrections training. In addition, Chapter 530 changed the

penalty assessment on criminal and traffic fines, penalties, and forfeitures from \$5 for each \$20 of fine, or fraction thereof to \$3 for each \$10, or fraction thereof. Under Chapter 530, the Peace Officers' Training Fund (POTF) receives 28.96 percent of the amount deposited in the Assessment Fund. Chapter 530 is effective until December 31, 1983.

Second, Chapter 1047 increased for calendar year 1981, the POTF's share of the Assessment Fund from 28.96 percent to 33.03 percent, and reduced the allocation to the Driver Training Penalty Assessment Fund by a like amount.

The adjustments in the penalty assessment and the distribution rates for traffic fine revenues are reflected in the increased revenues to the POTF in the current and budget years.

Table 1 shows commission revenue from all sources.

Table 1
Peace Officers' Training Fund Revenues

	<i>Penalties on</i>		<i>Other Income^a</i>	<i>Total</i>
	<i>Criminal Fines</i>	<i>Traffic Fines</i>		
1977-78	\$3,983,816	\$8,947,593	\$436,932	\$13,368,340
1978-79	4,184,848	9,507,005	527,875	14,219,728
1979-80	5,094,182	10,214,477	703,480	16,012,139
1980-81 (est.)	5,472,096	10,972,239	755,665	17,200,000
1981-82 (est.)	5,472,096	12,972,239	755,665	19,200,000

^a Earnings from Surplus Money Investment Fund and miscellaneous income.

The total funding requirements for the commission are shown in Table 2.

Table 2
**Commission on Peace Officer Standards and Training
Budget Summary**

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Funding</i>				
Peace Officers' Training Fund	\$19,090,275	\$19,297,154	\$206,879	1.1%
Reimbursements	91,243	—	-91,243	-100.0
Totals	\$19,181,518	\$19,297,154	\$115,636	0.6%
<i>Program</i>				
Operations	\$1,442,064	\$1,916,421	\$474,357	32.9%
Administration	1,685,840	1,960,536	274,696	16.3
Assistance to Cities and Counties	16,053,614	15,420,197	-633,417	-4.0
Totals	\$19,181,518	\$19,297,154	\$115,636	0.6%
Personnel-years	72.3	77.4	5.1	7.1

1. Operations Division

This program consists of the following elements:

- a. **Standards and Training.** This unit establishes the basic criteria for commission certification of police training courses at police academies, community colleges, state colleges, universities and other institutions. It gives advice and assistance to instructors in the preparation of courses and training programs, and conducts periodic field inspections to monitor instructional standards. Failure to meet established standards can lead to course decertification, thereby making costs incurred by participating law enforcement agencies in connection with the course ineligible for reimbursement.
- b. **Management Services.** This program element provides, on a request basis,

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

counseling to local law enforcement agencies relative to resolving specific administrative or operational problems. It also conducts inspections of local law enforcement agencies receiving POST reimbursements to ascertain their compliance with POST standards for the selection and training of personnel. Counseling services are provided to improve selection and training procedures.

Table 2 shows total expenditures of \$1,916,421 for this program in the budget year. This is an increase of \$474,357, or 32.9 percent, over estimated current year expenditures of \$1,442,064.

Job-Specific Training Study

We recommend that the 1.5 positions proposed for a job/task analysis of job-specific training be limited to December 31, 1982.

The proposed increase in expenditures in management services is due primarily to a request for \$450,000 to provide for job analysis and validation of job-specific training, such as juvenile justice and burglary, homicide, and narcotic investigations. The request includes one law enforcement consultant and a half-time steno, plus related operating expenses (primarily contractual and consultant services) and equipment.

According to POST, there are approximately 117 POST-certified courses being taught in California that fall within job-specific course categories. Because of the large amount of local assistance funds devoted to job-specific training (over \$1.8 million in 1979-80) we agree that a job/task analysis should be performed to insure that the curriculum of these courses is appropriate and valid. POST anticipates that 60 percent of the study will be completed in the budget year, with the entire project finished in 18 months. We, therefore, recommend that the requested positions be limited to December 31, 1982.

2. Administration

This program executes commission policies and assures the organization's compliance with state regulations through its two elements: Executive and Support Services (which provides overall administrative support) and the Center for Police Management (which provides research assistance to the commission and to local law enforcement).

The 1981-82 proposed expenditure level for this program is \$1,960,536, which is \$274,696, or 16.3 percent, over estimated current year expenditures.

The increase includes routine merit salary and price adjustments, and full-year costs of the Research and Evaluation Bureau. Seven federally financed positions were established administratively in 1979-80 to establish job-related employee selection standards for local law enforcement agencies. Last year, the Legislature approved the continuation of six of these positions as a POTF-supported function to establish a permanent Research and Evaluation Bureau. Subsequently, additional federal funding, amounting to \$91,243, was obtained for part of the current year. The federal reimbursement is included in the current year budget along with an increase in salary savings to reflect the savings to the POTF.

3. Assistance to Cities and Counties

This program provides qualifying local governments with partial reimbursement of training costs from the Peace Officers' Training Fund. Total reimbursements for training costs are projected at \$15,420,197 in the budget year, a decrease of \$633,417, or 4.0 percent, below estimated current year reimbursements. Budgeted reimbursements, however, are expected to increase by \$3,788,957, or 32.6 percent, above actual reimbursements in 1979-80. The large increase in current year

reimbursements is due to (1) a carry-over of \$1,400,000 in local claims for reimbursement from the prior fiscal year, (2) an increase of 2,941, or 5 percent, in the number of officers trained, and (3) increased training costs.

Peace Officers' Training Fund

The unexpended balance in the Peace Officers' Training Fund is expected to decline by 3.1 percent during the budget year. The fund, which supports the operations of the commission, will have an estimated balance of \$3,101,464 at the start of the budget year. Projected revenues of \$19,200,000 will be more than offset by anticipated expenditures of \$19,297,154 leaving a balance of \$3,004,310 on June 30, 1982.

STATE PUBLIC DEFENDER

Item 814 from the General
Fund

Budget p. GG 11

Requested 1981-82	\$7,585,955
Estimated 1980-81	7,306,428
Actual 1979-80	5,559,732
Requested increase (excluding amount for salary increases) \$279,527 (+3.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The office of State Public Defender was created by Chapter 1125, Statutes of 1975 (operative January 1, 1976), primarily to provide legal representation for indigents before the Supreme Court and courts of appeal, either upon appointment by the court or at the request of the person involved. Such services may also be provided by private attorneys appointed by the courts. The responsibilities of the office include the following, the first four of which take precedence over all others:

1. Handling appeals, petitions for hearing or rehearing before any appellate court, petitions for certiorari to the United States Supreme Court or petitions for executive clemency from a judgment relating to criminal or juvenile court proceedings.

2. Engaging in proceedings for extraordinary writs, injunctions or declaratory relief relating to final judgments of conviction or wardship or to the punishment or treatment imposed thereunder.

3. Handling appellate or other legal procedures after imposition of a death sentence.

4. Defending state prison inmates in court proceedings relative to alleged commission of crimes within state prison facilities whenever the county public defender refuses to represent the accused because of conflict of interest or other legal reason. This function was added by Chapter 1239, Statutes of 1976.

5. Providing representation in a proceeding of any nature where a person is entitled to representation at public expense.

6. Representing any person in cases in which the local public defender, because of conflict of interest or other reason, refuses to provide such services. This authorization is permissive, excludes prison conflict cases under No. 4 above, and provides for a contract of reimbursement between the county and the state for services rendered.

STATE PUBLIC DEFENDER—Continued

7. Providing representation at commitment extension hearings for inmates incarcerated in state hospitals as mentally disordered sex offenders or after being found not guilty by reason of insanity. These requirements were added by Chapters 164, Statutes of 1977, and Chapter 1114, Statutes of 1979.

The State Public Defender is appointed by the Governor to a term of four years, subject to Senate confirmation. Although he is authorized to contract with county public defenders, private attorneys and nonprofit corporations to provide authorized legal services to eligible indigents, he has elected to perform all of his responsibilities with state employees. Accordingly, he has established offices in Los Angeles, Sacramento, San Diego and San Francisco.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$7,585,955 from the General Fund for the support of the State Public Defender in 1981-82. This is an increase of \$279,527, or 3.8 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The requested increase is due to (1) routine merit salary adjustments, (2) price increases in operating expenses, and (3) new equipment needed to bring the San Diego office complement in line with the other three offices.

San Diego Office Staffing

From the inception of the State Public Defender operation in 1976 through the first four months of the current fiscal year, the State Public Defender's criminal appellate defense for indigents in the Fourth District Court of Appeal (San Diego) was handled by a private law firm, Appellate Defenders Inc., under contract with the state. This contractual arrangement was terminated because the Department of General Services refused to approve renewal of the contract on the grounds that, according to the State Personnel Board, the function should be performed by civil service employees rather than by private parties on an ongoing basis.

The 1980 Budget Act appropriated \$389,717 for operation of the San Diego office by civil service personnel, but limited the terms of the positions to June 30, 1981. The proposed budget requests that the 11 positions be approved on a permanent basis. Our analysis indicates that sufficient workload exists in the fourth district to justify these positions. Therefore, we recommend approval.

Growth in Workload Shifted to Appointed Private Counsel

In prior years, the State Public Defender has indicated that the goal of the office was to handle 50 percent of the appeals by indigent criminal appellants. In its initial year of operation, the office was assigned 1,050 criminal appeals in the courts of appeal, which represented 33 percent of the total. The percentage of State Public Defender appointments increased to 38.3 percent in 1977-78 and to 45.2 percent in 1978-79. In 1979-80, however, the percentage declined to 37.4 percent. It probably will decline to 36.8 percent in the current year, and still further in the budget year because the number of appeals will increase while the office's staffing level will remain the same.

The office of State Public Defender advises that it is postponing requests for the additional staff needed to increase its percentage of appointments because of the anticipated financial condition of the state in the budget year.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTSItem 816 from the General
Fund

Budget p. GG 13

Requested 1981-82	\$1,775,000
Estimated 1980-81	1,775,000
Actual 1979-80	1,702,170
Requested Increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Under Section 987.6 of the Penal Code, the state reimburses counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in the trial courts or involuntarily detained under the Lanterman-Petris-Short Act. The reimbursements may not exceed 10 percent of a county's expenditures for such purposes.

Under Chapter 1048, Statutes of 1977, the state reimburses counties for the costs of investigative services and expert witnesses necessary for the defense of indigents in capital cases.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes appropriations of \$1,775,000 from the General Fund for assistance to counties for defense of indigents in 1981-82. The requested amount is equal to estimated current year expenditures.

Public Defender Assistance

The \$775,000 requested is the traditional level of state support for this program, and represents approximately 1 percent of county costs. The state has never contributed the full 10 percent authorized by existing law.

Capital Case Defense

The \$1,000,000 requested for this program is equal to estimated current year expenditures, and 7.9 percent above actual 1979-80 expenses of \$927,170. Based on prior experience, the request appears reasonable and we have no basis for recommending any adjustment.

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS

Item 817 from the General
Fund

Budget p. GG 13

Requested 1981-82	\$1,835,989
Estimated 1980-81	1,835,989
Actual 1979-80	1,396,311
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item reimburses counties for increased costs mandated by Chapter 1357, Statutes of 1976. That legislation revised procedures, terminology and definitions relating to guardianship and conservatorship, and required additional local expenditures to (1) provide appointed counsel and court investigators to represent the interests of proposed wards or conservatees under specified circumstances and (2) provide court investigators to conduct periodic reviews of guardianships and conservatorships.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$1,835,989 from the General Fund to reimburse local governments for the mandated costs of the Conservator and Guardianship Program in 1981-82. This amount is equal to estimated current year expenditures.

Actual costs, as shown in the Governor's Budget, were \$1,396,311 in 1979-80. However, this amount reflects disbursements by the State Controller after adjustments have been made for prior-year over- and under-payments, rather than actual county costs. These costs have ranged from approximately \$1.3 million to \$1.9 million over the last three years. Based on this experience, the amount requested appears reasonable.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 818 from the General
Fund

Budget p. GG 14

Requested 1981-82	\$100,000
Estimated 1980-81	1,515,000
Actual 1979-80	1,208,724
Requested decrease \$1,415,000 (—93.4 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item provides \$100,000 to reimburse counties for costs resulting from homicide trials to the extent that such costs exceed the revenue derived from a five cent local property tax rate. Expenditures for this program since 1971-72 are shown in Table 1.

Table 1
Reimbursement to Counties for Cost of Homicide Trials
1971-72 to 1981-82

	<i>Expense</i>
1971-72	\$95,964
1972-73	370,105
1973-74	164,824
1974-75	55,000
1975-76	199,727
1976-77	1,182
1977-78	—
1978-79	424,842
1979-80	1,208,724
1980-81 (estimated)	1,515,000
1981-82 (proposed)	100,000

The Governor's Budget shows estimated current year and proposed budget year expenditures of \$1,515,000 and \$100,000, respectively. The current year amount includes funding for the Corona (Sutter County) and, Hittson (Siskiyou County) cases. Whether this amount will cover the state's share of the costs for these trials will not be known until after the trials are completed.

There is no way to forecast the number and dollar value of claims that will be filed in the budget year. Consequently, we have no basis for recommending any change in the budgeted amount.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 819 from the General
Fund

Budget p. GG 14

Requested 1981-82	\$500,000
Estimated 1980-81	1,170,000
Actual 1979-80	1,283,490
Requested decrease \$670,000 (—57.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Eliminate Discretionary Tort Liability Insurance Policies. Recommend control language (Item 819-001-001) to prohibit expenditure of funds appropriated in the Budget Act for discretionary tort liability insurance policies unless 30-days prior notice is given to the Joint Legislative Budget Committee. This notice should be accompanied by a cost-benefit analysis.

1480

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

2. Potential Underbudgeting. Recommend the Department of Finance report to legislative fiscal committees, prior to budget hearings, on the adequacy of the amount budgeted to pay state tort liability claims. 1482

GENERAL PROGRAM STATEMENT

Under existing law, the Board of Control is the primary agency responsible for management of tort claims against the state. The board processes all such claims by referring them to the appropriate agency for comment, and subsequently conducting an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred by the board to that agency for investigation and litigation. The Attorney General investigates all other claims to determine their validity, provides legal services to the board for the program and, with the board's approval, directly settles claims up to \$15,000.

This item provides funds for payment of claims for all General Fund agencies except the University of California (claims against the University are funded under Item 644-001-001).

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$500,000 from the General Fund for payment of tort liability claims in 1981-82. This amount is \$670,000, or 57.3 percent, less than estimated current-year expenditures. This results from legislation enacted during the current-year (Chapters 1296 and 1225, Statutes of 1980) which appropriated a total of \$670,000 from General and special funds to pay large tort claims. These appropriations augmented the 1980 Budget Act appropriation of \$500,000.

Table 1 summarizes statewide tort liability claims in the current and budget years.

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. Staff Services				
a. Department of Justice				
General Fund	\$2,216,076	\$2,555,779	\$339,703	15.3%
Special Fund	1,327,822	1,611,696	283,874	21.4
b. Department of Transportation.....	3,250,000	4,000,000	750,000	23.1
c. Board of Control	74,214	74,215	1	—
Subtotals	\$6,868,112	\$8,241,690	\$1,373,578	20.0%
2. Claim Payments				
a. Department of Justice	\$1,170,000	\$500,000	-\$670,000	-57.3%
b. Department of Transportation.....	5,500,000	5,500,000	—	—
Subtotals	\$6,670,000	\$6,000,000	-\$670,000	-10.0%
3. Insurance Premiums				
a. General Fund	\$131,471	\$131,471	—	—
b. Special Fund	594,837	594,837	—	—
Subtotals	\$726,308	\$726,308	—	—
Totals.....	\$14,264,420	\$14,967,998	\$703,578	4.9%

Table 2 shows total tort claims workload (excluding Caltrans) from 1976-77 through 1979-80. While the number of claims has increased steadily since 1976-77, the rate of increase in tort claims payments has fluctuated widely. Administrative costs have increased at a faster rate than have the number of claims filed with the Board of Control.

Table 2
Summary of Tort Claims Activity
(Excluding Department of Transportation)

	1976-77	1977-78	1978-79	1979-80
1. Tort Claims filed with Board of Control ^a	1,327	1,424	1,536	1,636
Change from prior year	6%	7%	8%	7%
2. Total Claims payments	\$722,038	\$1,541,542	\$1,951,779	\$1,965,491
Change from prior year	-65%	114%	27%	1%
3. Administrative costs	\$1,705,528	\$2,657,577	\$2,862,714	\$3,184,959
Change from prior year	44%	56%	8%	11.3%

^a This amount does not include automobile tort claims, which are processed by the Insurance Office, Department of General Services.

Tort Claims Payments

The \$500,000 identified in Table 1 for claims payments (Department of Justice) represents the anticipated level of claims of up to \$50,000 against General Fund agencies. The funds are administered by the Department of Justice, but approval of the Department of Finance must be obtained for the payment of any claim between \$15,000 and \$50,000. Claims above \$50,000 generally are introduced as separate bills requiring appropriation by the Legislature. Special fund agencies reimburse the General Fund for payments made under the program on their behalf. The Department of Transportation, which investigates and pays its own claims, proposes budget-year claim payments totaling \$5,500,000. Thus, the state anticipates total claim payments of \$6 million next year, excluding the cost of claims exceeding \$50,000.

Tort Liability Insurance

In past years, this item provided funds to cover the cost of premiums charged by private insurance carriers to insure the state against tort liability for claims between \$5 million and \$50 million. This insurance coverage was terminated May 20, 1978, because the administration, with the concurrence of the Legislature, determined that it was no longer cost-beneficial for the state to buy this type of insurance at existing market rates.

Historically, the state also has purchased a number of small liability policies, some of which are required to fulfill equipment lease or revenue bonding requirements, and others which are discretionary. The state currently is paying \$726,308 for these policies, with the amount expected to remain the same in the budget year.

Eliminate Discretionary Tort Liability Insurance Policies

We recommend the adoption of budget language to prohibit the expenditure of funds appropriated in the Budget Act for discretionary tort liability insurance policies unless 30 days' advance notice is provided to the Joint Legislative Budget Committee, along with a cost-benefit analysis of the proposed policy.

Despite the state's policy of self-insuring or carrying no insurance wherever possible, a number of agencies continue to purchase commercial tort liability policies on a discretionary basis (that is, when no contractual obligation to do so

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

exists). For example, in 1981–82, the state expects to spend \$30,100 to provide insurance for state-owned aircraft. The Insurance Office of the Department of General Services estimates that the costs of such discretionary policies will total \$307,554 in 1981–82.

In December 1980, we requested that the Insurance Office provide us with a detailed description of the cost-benefit analyses which the office performed on each of the discretionary insurance policies included in the 1981–82 budget. The office was unable to provide cost-benefit analysis in response to our request, and instead described various reasons for purchasing 10 of the policies. For example, in describing the Highway Patrol's purchase of aircraft liability insurance, the office explained that the risks of operating the aircraft are great and therefore the potential benefits of commercial insurance are great. The office also pointed out that existing law allows the purchase of various insurance policies.

We find the office's explanations inadequate as well as inconsistent with existing state policy. For example, the state has adopted a policy of self-insuring state-owned automobiles. Clearly, an argument similar to that used by the Insurance Office regarding aircraft could be made in the case of insuring automobiles: that the risks of operating automobiles are great and therefore, the potential benefits of commercial insurance are great. However, the state chose the self-insurance alternative for its automobiles because it was economically advantageous to do so. We would also note that the various statutes allowing the purchase of commercial insurance were enacted prior to the state's decision to self-insure or carry no insurance. None of these statutes requires such policies to be purchased if the policies are not cost-effective.

In 1977, the Department of Finance performed a study of tort liability insurance coverage. It determined that "the State of California cannot expect a commercial insurance policy to be cost-beneficial over the long run. Premium setting, to a large extent, is a trial and error and experience adjustment process, so that if the insured's past experience involves high payments by the insurer, then, these payments will be subsequently shifted back onto the insured in the form of a higher premium. Moreover, the premium paid by the insured includes not only coverage for expected losses, but also other administrative costs and profits to the insurer. It is only in the short run that commercial insurance may be cost-beneficial; for example, a catastrophe could happen in any one year, the cost of which far exceeds the cost of the premium for that year."

Because of concern about the impact of a catastrophe or large loss in any one year on a special fund, the Legislature adopted Supplemental Language to the 1979 Budget Act requesting the Department of Finance to develop procedures to be followed if a special fund sustains loss in excess of its available resources. The department's response indicated that existing state policies are sufficient to deal with this potential problem, whether it is caused by adverse court judgments, claim payments, or settlements. The Department of Finance described several mechanisms by which a special fund could be protected.

In view of (a) the state's policy to self-insure in some cases and carry no insurance in others, (b) the mechanisms that exist to protect special funds from large and unexpected losses, and (c) the fact that the Insurance Office has provided no cost-benefit analysis demonstrating the economic advantage of commercial insurance in particular cases, we recommend control language prohibiting the expenditure of funds appropriated in the Budget Act for discretionary tort liability insurance policies unless 30 days' advance notice is provided to the Joint Legislative Budget Committee. This notice would have to be accompanied by a cost-benefit analysis supporting the proposed policy. The 30-day notification procedure would provide state entities with the flexibility needed to purchase those discre-

tionary insurance policies that could be justified on a cost-benefit basis.

The Insurance Office advises that one discretionary policy (estimated to cost \$221,000 in the budget year), for District Agricultural Associations is currently being analyzed and may be replaced with a self-insurance program by 1981-82. This insurance policy would not be affected by the recommended control language because funds to purchase the policy are not appropriated in the Budget Act, but instead are continuously appropriated from the Fair and Exposition Fund.

Potential Underbudgeting

We recommend that the Department of Finance report to the legislative fiscal committees prior to budget hearings on the ability of the state to pay tort liability claims with the amount budgeted for that purpose.

The amount required to pay tort liability claims against the state has increased in each of the last three years. In 1978-79 and 1979-80, it was necessary for the Department of Finance to allocate additional funds from the reserve for contingencies or emergencies (\$250,000 in 1978-79 and \$316,000 in 1979-80) to the tort liability item because the \$500,000 appropriated to pay such claims was not sufficient.

In view of the cost trend, and the fact that the \$500,000 appropriated in this item was inadequate in 1978-79 and 1979-80, we question whether the proposed \$500,000 appropriation for 1981-82 is a realistic projection of funding needs. Therefore, we recommend that the Department of Finance report prior to budget hearings on the ability of the state to pay anticipated tort liability claims with the amount budgeted for that purpose.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 820 from the General
Fund

Budget p. GG 16

Requested 1981-82	\$325,621
Estimated 1980-81.....	320,039
Actual 1979-80	271,616
Requested increase (excluding amount for salary increases) \$5,582 (+1.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission for Economic Development was established in 1972 to provide guidance on statewide economic development. It is composed of 17 members, and is chaired by the Lieutenant Governor. The commission's statutory responsibilities include recommending economic development programs for improving the state's economy.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$325,621 from the General Fund for support of the commission in 1981-82. This is \$5,582, or 1.7 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 proposed increase is the result of minor staff adjustments and nominal growth in operating expenses.

For the budget year, the commission proposes to convert one permanent staff

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

analyst position to temporary help, in order to provide more flexibility for handling the changing research workload in a cost-effective manner. In addition, the budget proposes to increase operating expenses by \$18,500 for increased production of the commission's two publications (*Doing Business in California*, and the *California Energy Almanac*), and for increased use of the commission's copying machine by other state agencies. These increased costs, however, are proposed to be fully offset by increased reimbursements from the sale of the publications, and from lease revenues provided by other state agencies for use of the copying machine. Consequently, implementation of these changes will have no net impact on the General Fund.

Also, the budget proposes a "special adjustment" reduction of \$3,300 in the equipment line item of the commission's operating budget.

Table 1 summarizes the past, current and budget-year requirements of the commission, and Table 2 shows the changes proposed in the budget year.

Table 1
Budget Requirements of the
Commission for Economic Development

	<i>Staff 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>
Personal Services.....	6.1	6.0	6.8	\$153,754	\$179,778	\$176,293
Operating Expenses	—	—	—	118,324	140,261	171,128
Total Costs	6.1	6.0	6.8	\$272,078	\$320,039	\$347,421
Reimbursements	—	—	—	-462	—	-18,500
Special Adjustment	—	—	—	—	—	-3,300
Net Total Cost				\$271,616	\$320,039	\$325,621

Table 2
Budget-Year Changes

	<i>Staff Year</i>	<i>Expenditures</i>
1980-81 Revised Budget	6.0	\$320,039
1. Workload Changes		
a. Deletion of analyst position	-1.0	-21,237
b. Addition of temporary help	1.8	21,237
2. Increased Operating Costs		
a. Printing		6,700
b. Postage		1,300
c. Facilities operations		10,500
3. Other changes		8,882 ^a
4. Reimbursements		-18,500
5. Special Adjustment		-3,300
1981-82 Proposed Budget	6.8	\$325,621
Net Total Changes	0.8	\$5,582

^a Consists of minor staff adjustments and nominal growth in operating expense and equipment. Subsequently, the equipment budget was reduced as a result of a "special adjustment".

Funding of Commission Should Continue

In past years, we recommended against continued funding of the commission on the basis that economic development guidance furnished by the commission was also available through an advisory council to the Department of Economic and Business Development at a lower General Fund cost.

We are not making the same recommendation this year for three reasons:

1. The Legislature has made a clear policy decision to continue providing state funding for both the commission and the advisory council.

2. During 1980, the commission became more active in (a) assessing regional and state economic problems; (b) making recommendations for alleviation of these problems, and (c) providing useful economic development information.

Specifically, the commission held regular, quarterly meetings and formed advisory committees on the state's economy, agriculture, energy, taxation and governmental regulations. Through fact-finding hearings and research, these committees provided information used for evaluating economic problems and recommending administrative and legislative changes at no additional state cost. Also, by publishing and distributing *Doing Business in California* and the *California Energy Almanac*, the commission provided useful economic development tools unavailable from other state agencies.

3. During 1980, the activity of the advisory council to the Department of Economic and Business Development declined, because of infrequent, poorly attended meetings. Subsequently, Chapter 520, Statutes of 1980 (SB 722), terminated, effective January 1, 1981, the terms of all council members appointed prior to that date. At the time this analysis was written, no new members have been appointed by the Governor to the advisory council.

As a result, the Commission for Economic Development is the only advisory body currently providing an active platform for ongoing dialogue among representatives of business, labor, academia, and government for improving the state's economy.

Commission Needs More Specific Responsibilities

In our *Analysis of the 1980 Budget Bill* (page 1382), we recommended that the commission's broad statutory responsibilities be changed to avoid duplication with the responsibilities of the advisory council to the Department of Economic and Business Development. We suggested several alternative responsibilities which were more specific in nature and were not being actively pursued by other state agencies, such as (1) assessing specific regional or local economic development problems and making recommendations for solving these problems; (2) evaluating state economic and job development programs and making recommendations to improve their effectiveness, and (3) providing a platform for ongoing dialogue on economic issues between state government and the private sector.

In response, the commission sponsored legislation to achieve this recommended change in statutory responsibilities (AB 76 of the 1979-80 Session), but this legislation was not enacted.

Our analysis still indicates that enactment of such legislation would result in more effective and efficient economic development programs for California.

MOTION PICTURE COUNCIL

Item 822 from the Motion Picture Council Account of the Special Deposit Fund

Budget p. GG 17

Requested 1981-82	\$244,733
Estimated 1980-81	268,573
Actual 1979-80	143,240
Requested decrease (excluding amount for salary increases) \$23,840 (-8.9 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Overestimated Revenues. Withhold recommendation, pending receipt of a revised budget that more accurately estimates the council's current and budget year revenues. 1485

GENERAL PROGRAM STATEMENT

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

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

A staff of six positions is presently budgeted for administering the council's functions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$244,733 from the Motion Picture Council Account of the Special Deposit Fund for support of the council in 1981-82. This is \$23,840, or 8.9 percent, less than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

No position or program changes are proposed in the budget. The decrease in proposed budget year expenditures is the net result of normal merit salary and cost increases and a \$35,000 decrease in the council's equipment allotment.

Budget Overestimates Current- and Budget-Year Revenues

We withhold recommendation, pending receipt of accurate information on the council's financial condition and plans.

Table 1 summarizes the council's budgeted fee revenues and expenditures for the past, current, and budget years. The council generates its fee revenues by charging for the information services that it provides to film companies. We understand that due to (1) a reduction in the council's fee schedule and (2) a

virtual halt to filming activity during the actor's strike in the summer and fall of 1980, current-year revenues will fall significantly below the \$209,097 estimated in the budget. While the demand for council services varies seasonally to some degree because of weather and television schedule constraints, revenues for the first six months of the year should have been approximately half of the total amount budgeted, or \$104,548. The council staff estimates, however, that actual receipts for the first six months of 1980-81 were only \$42,000.

Table 1
Motion Picture Council
Summary of Revenues and Expenditures

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
Beginning surplus	\$93,712	\$87,912	\$28,346
Fee revenues	137,426	209,097	216,297
Total resources	<u>\$231,138</u>	<u>\$297,009</u>	<u>\$244,733</u>
Expenditures	<u>143,226</u>	<u>268,573</u>	<u>244,733</u>
Ending surplus	\$87,912	\$28,436	—

In response to the revenue shortfall during the current year, the commission has abandoned plans to purchase a smaller computer and is eliminating a public information officer position, reducing the staff to five people. These changes, however, are not reflected in the budget. The commission is also reviewing its fee policy with the intention of switching from a flat rate to a graduated fee schedule. The council has been drawing on the Motion Picture Council Fees Account surplus to meet its remaining expenses. Our analysis indicates that the surplus will be exhausted by the end of the current year.

The council's budget consistently overestimates fee revenues. Past year actual revenues were \$63,169 below the amount estimated, and our analysis indicates that current-year revenues could be as much as \$100,000 below the estimate shown in the 1981-82 budget. Information from staff suggest that the budget may overestimate 1981-82 revenues by as much as \$65,000. A revenue shortfall would lead to a deficit in the account by the end of the budget year because current-year operations will leave the council almost no surplus on which to draw. In addition, a Director's Guild contract expires in June 1981, raising the possibility that another protracted strike and further revenue losses for the council could occur.

Our analysis indicates that the Governor's Budget does not present realistic estimates of the council's current or prospective revenues, or planned expenditures. We withhold recommendation on the council's budget until the Department of Finance has prepared a revised revenue and expenditure plan which accurately reflects the council's financial situation.

CALIFORNIA ARTS COUNCIL

Item 826 from the General
Fund

Budget p. GG 19

Requested 1981-82	\$12,155,533
Estimated 1980-81	10,335,632
Actual 1979-80	6,940,206
Requested increase (excluding amount for salary increases) \$1,819,901 (+ 17.6 percent)	
Total recommended reduction	\$1,018,119

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
826-001-001—Support/Grants		General	\$10,005,533
826-101-001—Local Assistance		General	1,400,000
Chapter 1258, Statutes of 1980—Local Assistance		General	750,000
Total			\$12,155,533

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Staffing Increase. Reduce Item 826-001-001 by \$104,731.* Recommend deletion of four proposed positions that are not justified by workload. 1492
2. *Consulting Funds. Reduce Item 826-001-001 by \$82,203.* Recommend reduction of unjustified consulting funds. 1493
3. *County Planning Grants. Reduce Item 826-101-001 by \$684,000.* Recommend elimination of start-up grants for counties in their second year of participation in State and Local Partnership program. 1494
4. *Alternatives in Education Sites. Reduce Item 826-001-001 by \$147,185.* Recommend elimination of two sites that are not required for the evaluation project and further recommend that overbudgeted funds be reappropriated from current year to budget year. Further recommend that council not fund any sites if evaluation design is not completed by July 1, 1981. 1494

GENERAL PROGRAM STATEMENT

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

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

CULTURAL PARTICIPATION

Artists in Schools and Communities

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

Artists in Social Institutions

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

Alternatives in Education

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

ORGANIZATIONAL GRANTS

Local Organization Development

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

Expanding Public Participation

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

Touring Programs

This element reimburses up to 50 percent of the fees paid to touring artists employed by nonprofit organizations as a means of encouraging public performances and programs throughout the state.

Support of Prominent Arts Organizations

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

Technical Assistance

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

DIRECT SUPPORT AND TRAINING FOR ARTISTS

Maestro-Apprentice

Designed to have experienced master artists and craftsmen provide apprenticeship training for young artists, this element provides living allowances for both the master and apprentice.

CALIFORNIA ARTS COUNCIL—Continued**STATEWIDE PROJECTS****Services to the Field**

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

Statewide Arts Service Organizations

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

State/Local Partnership

Designed to decentralize state grant programs for the arts, this element provides a \$12,000 planning grant to each county and program grants based on population and local financial support of the arts.

Interagency Arts

This element provides coordination in arts programs between the California Arts Council and other state departments.

Exemplary Arts Education

Created by Chapter 1258, Statutes of 1980 (SB 1735), this element (new in the budget year) will promote, in conjunction with the Department of Education, the integration of arts onto the curricula of elementary and secondary educational programs. Chapter 1258 appropriated \$2,250,000 for this program, consisting of \$750,000 for each fiscal year from 1981–82 to 1983–84.

Art in Public Buildings

This element commissions original works of art for state-owned facilities. Chapter 493, Statutes of 1980 (SB 1667), transferred this element from the Department of General Services to the council.

ADMINISTRATION

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes General Fund expenditures of \$12,155,533 for the California Arts Council in 1981–82. This is an increase of \$1,819,901, or 17.6 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.

In addition to General Fund support, the council anticipates receiving federal funds totaling \$945,000 in 1981–82, the same amount as in the current year. Also, the Interagency Arts program expects to receive \$16,301 in reimbursements. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$13,116,834, an increase of \$1,821,349, or 16.1 percent, over estimated current-year expenditures.

Table 1
California Arts Council
Budget Summary

<i>Funding</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
General Fund	\$10,335,632	\$12,155,533	\$1,819,901	17.6%
Federal funds	945,000	945,000	—	—
Reimbursements	14,853	16,301	1,448	9.7
Totals	\$11,295,485	13,116,834	\$1,821,349	16.1%
<i>Program</i>				
Cultural Participation	\$2,248,746	\$2,325,603	\$76,857	3.4%
Grant expenditures	(2,025,703)	(2,025,703)	(—)	—
Administrative costs	(223,043)	(299,900)	(76,857)	34.5
Personnel-years	6.3	6.3	—	—
Organizational grants	6,094,803	6,302,850	208,047	3.4
Grant expenditures	(5,800,000)	(5,800,000)	(—)	—
Administrative costs	(294,803)	(502,850)	(208,047)	70.6
Personnel-years	7.6	11.6	4	52.6
Direct support and training for artists	160,555	90,974	—69,581	—43.3
Grant expenditures	(130,000)	(80,000)	(—50,000)	—38.5
Administrative costs	(30,555)	(10,974)	(—19,581)	—64.1
Personnel-years	1.5	0.6	—0.9	—60.0
Statewide projects	2,058,080	3,204,327	1,146,247	55.7
Grant expenditures	(1,405,093)	(2,560,493)	(1,155,400)	82.2
Administrative costs	(652,987)	(643,834)	(—9,153)	—1.4
Personnel-years	9.6	9.2	—0.4	—4.2
Administration (Division)	733,301	1,193,080	459,779	62.7
Personnel-years	18.2	29.3	11.1	61.0
Totals (All Funds)	\$11,295,485	\$13,116,834	\$1,821,349	16.1%
Grant expenditures	(9,360,796)	(10,466,196)	(1,105,400)	11.8
Administrative costs ^a	(1,934,689)	(2,650,638)	(715,949)	37.0
Personnel-years	43.2	57	13.8	31.9

^a Includes both central administration and direct program management.

Increases for Grants

The General Fund increase consists of \$714,501 to augment the council's administrative program and \$1,105,400 for its grant program. The increase in grant expenditures, as detailed in Table 2, amounts to 12.9 percent above the \$8,540,796 allocated for this purpose in 1980-81. The net increase is attributable to:

- Addition of the Exemplary Arts Education program (\$750,000).
- Transfer of the Art in Public Buildings program to the council from the Department of General Services (\$200,000).
- Termination of the state performing arts center project (\$25,000). A study conducted by the council revealed that using state-owned facilities for a performing arts center was not appropriate at this time.
- Transfer of the grants evaluation and public arts documentation element to administrative services (\$169,600). This element monitors the council's grant programs and assists the council in planning and project evaluation. Expenditures for these efforts are shown under the administrative program.
- Expansion of the state and local partnership program (\$350,000). This program is discussed later.

CALIFORNIA ARTS COUNCIL—Continued

Table 2
California Arts Council
General Fund Grants Program

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. Cultural Participation				
Artists in schools and communities	\$1,125,703	\$1,125,703	—	—
Artists in social institutions	400,000	400,000	—	—
Alternatives in education	120,000	120,000	—	—
2. Organizational Grants				
Local organization development	2,085,000	2,085,000	—	—
Expanding public participation	300,000	300,000	—	—
Touring programs	550,000	550,000	—	—
Support to prominent organizations	2,150,000	2,150,000	—	—
Technical assistance	300,000	300,000	—	—
3. Direct Support and Training for Artists				
State performing arts center	25,000	—	—\$25,000	—100.0%
Maestro-apprentice	80,000	80,000	—	—
4. Statewide Projects				
Grants evaluation and public arts documenta- tion ^a	169,600	—	—169,600	—100.0
Statewide arts service organizations	65,493	65,493	—	—
State/local partnership	1,050,000	1,400,000	350,000	33.3
Interagency arts	120,000	120,000	—	—
Exemplary arts education ^b	—	750,000	750,000	N/A
Art in public buildings ^c	(200,000)	200,000	200,000	N/A
Totals	\$8,540,796	\$9,646,196	\$1,105,400	12.9%

^a Beginning in 1981-82, this activity will be considered an administrative function.

^b Funds appropriated by Chapter 1258, Statutes of 1980.

^c Previously shown in budget for Department of General Services.

Increases for Personnel

The budget proposes \$2,650,638 for direct program management and central administrative services in 1981-82. This is an increase of \$715,949, or 37.0 percent, over estimated expenditures in the current year. Personnel-years are proposed to increase from 43.2 in 1980-81 to 57 in the budget year, an increase of 31.9 percent.

Administrative Services Division Initiated

The council proposes to establish a division to coordinate all central administrative services, such as personnel and office, contract, and data management. Direct program management tasks will continue to be performed by other units. Six new positions and a salary savings adjustment are requested for central administration, bringing staffing availability in the new division to 29.3 personnel years in 1981-82.

Our analysis indicates that some of the council's past management problems have resulted from the fragmentation of central management functions among three different units. The proposed reorganization appears to be an improved approach to managing council functions.

Two of the six new positions (management services technicians), aided by a small data processing system, would relieve the program staff of the technical reviews of grant applications (for example, ensuring that all the documents have been completed correctly and that all the supporting materials have been received) that now take up nearly all of their time. This would allow the program staff to perform analytical reviews of grant applications, which is the primary function for which they were originally authorized.

Two of the other new positions would work in the contract administration section. Currently, the council has a five-to-six-week backlog in unpaid invoices. Such delays are a particular problem for the low budget organizations that are often funded by the council.

The remaining two positions would provide clerical support for the division.

Other Justified Staffing Requests

The budget also proposes the addition of the following three positions at a cost of \$99,437: (1) an Associate Arts Grants Administrator to supervise the Touring programs, (2) an Associate Arts Grants Administrator to staff the Interagency Arts program, and (3) an Assistant Arts Advisor for the program evaluation unit. Our analysis indicates that these positions are justified on a workload basis, and we recommend approval.

Increased Staffing Not Justified

We recommend deletion of four new positions (three for the Local Organizations program and one for the Services to the Field program) and related expenses because the positions are not justified on the basis of workload, for a General Fund savings of \$104,731 (Item 826-001-001).

Table 3 summarizes our recommended reductions in the council's request for new staff and related expenses for the Local Organizations and Services to the Field programs. A discussion of the specific recommendations follows.

Table 3
California Arts Council
Analyst's Recommended Staffing Reductions

<i>Program</i>	<i>Positions</i>	<i>Amount</i>
Local Organizations	3	\$89,247
Services to the Field	1	15,484
Totals	4	\$104,731

Local Organizations. The council proposes to add three program arts analysts to the Local Organizations program to handle an expected increase in grant application workload. The positions would be responsible for analyzing applications and assisting in the application selection process. However, the council states that formation of the central administration division, and particularly the addition of two new management services technicians, would virtually eliminate the current workload of the five existing program arts analysts. Because the arts analysts would no longer be responsible for the technical review of applications, they would be able to perform the analytical tasks for which they had previously had no time. Instead of adding more staffing, the council should evaluate the post-reorganization productivity of the program arts analysts. Therefore, we recommend deletion of the proposed positions and the related operating expenditures on a workload basis, for a savings of \$89,247.

Services to the Field. Through redirection of existing positions, the council proposes to establish within the Services to the Field program a Special Constituencies unit to promote employment and grant opportunities among all population groups. A new position is proposed to provide clerical support. Because the new unit will be staffed by transferring a position from other program activities, the council should experience no need for additional clerical support. Furthermore, should an imbalance occur in clerical workload as a result of reorganization, the problem could be resolved through more effective utilization of two clerical positions which are being added to the central administration division. The addition of these two positions increases the council's clerical staff by 50 percent (from four to six). For these reasons, our analysis indicates that the addition of a third clerical

CALIFORNIA ARTS COUNCIL—Continued

position is not warranted on a workload basis. Therefore, we recommend deletion of one position, for a General Fund savings of \$15,484.

Summary. Our recommended deletions would result in a council staff of 53 personnel-years for 1981-82. This is an increase of 9.8 personnel-years, or 22.7 percent, over the staffing level authorized by the Legislature for the current year.

Unjustified Consulting Funds

We recommend a reduction of \$82,203 in General Fund support (Item 826-001-001) to eliminate unjustified consulting projects.

The budget request for the Arts Council includes \$512,536 for consulting and professional services. Our analysis of the proposed projects indicates that \$82,203 of this amount is not justified. Table 4 summarizes the projects that are not justified.

Table 4
California Arts Council
Consulting Reductions Recommended by Analyst

<i>Project</i>	<i>Amount</i>
Graphic design package	\$28,000
Sponsor development program evaluation	15,000
Economic impact study	16,667
Unspecified	22,536
Total	\$82,203

Graphic design package. The Governor's Budget includes \$47,000 to acquire a graphic design package for use in the council's newsletter, guidelines, and other mailings. Since the budget was published, the council has revised the estimated cost of these services to \$19,000, a decrease of \$28,000.

Sponsor development program evaluation. In 1981-82, the council proposes to alter the touring programs, and fund sponsors of the touring groups, rather than support the touring groups directly. Under the new concept, nonprofit organizations that provide public performances at locations such as community centers, parks, and fairs would be eligible to receive from the council up to 50 percent of the artists' fees. In past years, the council has provided support to the touring companies, which then had to promote themselves.

The council proposes to evaluate the new funding method in 1981-82 at a cost of \$15,000. We believe an evaluation of the new process in the year following such a fundamental change in the program would be premature. It would be difficult to draw meaningful conclusions from the results of such an evaluation, due to problems caused by the transition. We recommend that the council delay this evaluation until at least 1982-83.

Economic impact study. The council proposes to embark on a three-year program to study the economic impact of music, theatre and dance organizations on their communities. Although the council does not have any detailed plans, it expects to study three organizations in 1981-82.

This project would require \$25,000 for consultant assistance and data processing costs. Staff support would be provided by the program evaluation unit. Because of the pioneering nature of the study, we recommend that it be limited to one organization in the budget year, for a savings of \$16,667. The value of the project can then be assessed before additional funding is committed to it.

Unspecified expenditures. The council has not specified the use of \$22,536 of proposed consultant and professional services funds. Without documentation of need or purpose, we cannot recommend approval.

Summary. Our recommended reductions would result in expenditures of \$430,333 for consulting and professional services in 1981-82. This is a decrease of 15.6 percent from estimated current-year expenditures for these activities.

Start-up Grants Should Be Awarded Once

We recommend the council eliminate start-up grants for counties in their second year of participation in the State and Local Partnership program, for a General Fund savings of \$684,000 (Item 826-101-001).

Under the State and Local Partnership program, participating counties receive a nonmatched grant of \$12,000 for developing an arts plan or a mechanism for reviewing local grants programs.

When the program was initiated in 1980-81, the council stated in its Budget Change Proposal that the grants were intended as "start-up" money. The council now anticipates making the grants available each year for annual revisions of the local plans.

The council's proposal represents a reversal of the original intent behind this program. Having funded the preparation of these plans, the state should leave it to the counties to maintain them. These plans, after all, are of local, rather than statewide significance. Furthermore, if the counties are unwilling to support the modest cost of maintaining *their* plans, it is difficult to believe that they would utilize these plans in decisionmaking. If the council held to its original intent, the grants should be awarded only once. We recommend that the council eliminate the grant in the second year of a county's participation in the program. This action would terminate the grants of the 57 repeating counties, for a total General Fund savings of \$684,000 in 1981-82.

Fewer Sites for Alternatives in Education (AIE) Research

We recommend that the number of sites for the Alternatives in Education program be reduced to four, and that unneeded grant funds in 1980-81 be reappropriated to the budget year, for a total General Fund savings of \$147,185. We further recommend that the council fund sites in 1981-82 only if the research methodology has been completed by July 1981.

The Alternatives in Education (AIE) program was started in 1976 as a three-year pilot project to research and demonstrate the effects on children's learning abilities of integrating arts into regular school curricula. It is the council's hypothesis that creative expression on a regular basis improves all learning skills. The council funded six school sites in 1976-77, 10 sites in 1977-78 and 1978-79, and nine sites in 1979-80.

An evaluation of the AIE program by California Learning Designs, Inc., during 1978-79 found that while participants' behavior and their attitudes concerning themselves and school seemed to improve, there was no empirical evidence of improved academic achievement. The majority of students and adults that were interviewed felt that the program had positive impacts on academic achievement, although they could not specify how or in what areas.

The council states that the evaluation failed to demonstrate a statistical relationship between arts and children's learning abilities because (1) there was insufficient time to conduct pre- and post-tests and (2) there was restricted access to student achievement tests. In addition, the council believes that school achievement tests do not capture the types of cognitive gains that it believes are gained through the AIE program.

To improve the program and evaluate its effects, the council continued the program in 1980-81 at seven sites. The council revised the guidelines for participating in AIE to take into account the recommendations of the evaluation team. Specifically, the guidelines now require that (1) arts activities take place on the school grounds, rather than at a neighborhood arts center, (2) sites provide a minimum of four hours of in-service teacher training each week, and (3) schools

CALIFORNIA ARTS COUNCIL—Continued

demonstrate the availability of appropriate facilities and equipment. In addition, the council contracted for a consultant to monitor the sites and determine (1) the consistency of actual program goals with those outlined by the council and (2) differences and similarities between AIE sites. The information will be used in accessing results of the planned empirical evaluation.

Little progress has been achieved in evaluating the program on a rigorous basis. Although the council stated in its 1980–81 Budget Change Proposal (BCP) that the evaluation design would be completed by February 15, 1980, a testing instrument is not yet available. Furthermore, the BCP stated that the evaluation would run from July 15, 1980, through August 1, 1981. The council now proposes that the evaluation *begin* in September 1981.

We are concerned that the development of the research design will fall further behind schedule, and that the program will run for another year without an empirical evaluation. Therefore, we recommend that the council fund sites in 1981–82 only if the complete research design has been developed by July 1, 1981–16 and one-half months after the date the council advised the Legislature it would have the design completed.

The council proposes to fund six sites in 1981–82. The team developing the research design has advised the council, however, that only four sites are required to evaluate the program adequately. At an average cost of \$30,000 per site (each site received an average grant of \$25,800 in 1980–82), four sites would result in an expenditure of \$120,000, allowing a reduction of \$135,000 (\$97,500 in General Funds and \$37,500 in federal funds) from the \$255,000 in grants budgeted for the program sites. Further, the council indicates that it will spend only \$180,630 of the \$270,000 in grants budgeted for 1980–81, which represents a savings of \$89,370 (\$49,685 in General Funds and \$39,685 in federal funds). In order to insure that the current-year General Fund savings are realized, we recommend that the Legislature reappropriate the unneeded General Fund amount to 1981–82. Reducing the number of sites to four, and reappropriating the excess current-year funds to the budget year, would result in a General Fund savings of \$147,185. We further recommend that the council examine the possibility of redirecting the unneeded federal funds allocated to this program to other programs as a substitute for General Fund support.

NATIVE AMERICAN HERITAGE COMMISSION

Item 828 from the General
Fund

Budget p. GC 28

Requested 1981–82	\$219,605
Estimated 1980–81	205,075
Actual 1979–80	173,257
Requested increase (excluding amount for salary increases) \$14,530 (+7.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission was established on January 1, 1977, by Chapter 1332, Statutes of 1976. Commission members are appointed by the Governor and serve without compensation but are reimbursed for actual and necessary expenses. The commission's responsibilities and powers are directed toward the identification, cataloging and preservation of places of special religious or social significance to Native Americans in order to ensure the free expression of Native American religion. Staff for the commission include an executive secretary, a resource coordinator, a two-year limited-term state archaeologist (expires June 30, 1982), one clerical position and temporary help on a half-time basis.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$219,605 from the General Fund for support of the commission in 1981-82, which is an increase of \$14,530, or 7.1 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase reflects rising operating expenses, and appears to be reasonable.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 829 from the General
Fund and Environmental Li-
cense Plate Fund

Budget p. GG 29

Requested 1981-82	\$2,344,616
Estimated 1980-81	802,138
Actual 1979-80	691,686
Requested increase (excluding amount for salary increases) \$1,542,478) + 192.3 percent)	
Total recommended reduction	\$584,297

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
829-001-001—California Public Broadcasting Com- mission (for transfer to Public Broadcasting Fund)	General		\$2,244,616
829-001-140—California Public Broadcasting Com- mission—Support	California Environmental Li- cense Plate		100,000
829-011-907—California Public Broadcasting Com- mission—Support	California Public Broadcast- ing		(2,244,616)
Total			\$2,344,616

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|--|--------------------------|
| | <i>Analysis
page</i> |
| 1. <i>Television: live events. Reduce by \$100,000.</i> Recommend deletion of \$100,000 in coverage of live events because the program is unnecessary. | 1502 |
| 2. <i>Television: special documentaries. Reduce by \$158,000.</i> Recom- | 1503 |

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

- mend deletion of funds for producing new documentaries (\$150,000) and captioning them for the hearing impaired (\$8,000) because sufficient funds are included in the base budget for documentaries.
3. **Television: environmental programming.** Recommend the adoption of supplemental report language directing the California Public Broadcasting Commission and the Resources Agency to evaluate the effectiveness of this programming in protecting the environment. 1503
 4. **Radio: California Public Radio. Reduce \$35,000.** Recommend reductions for cost-of-living adjustments (\$15,000), savings resulting from interconnection delay (\$5,000), and reduced program assignments (\$15,000). 1503
 5. **Radio: environmental reporter.** Recommend funding on a one time basis and the adoption of supplemental report language directing the CPBC and the Resources Agency to evaluate the cost-effectiveness of this activity. 1504
 6. **Telecommunications within state government: demonstration projects. Reduce by \$168,278.** Recommend deletion of agency pilot demonstrations (\$133,078) and technical assistance to 10 agencies (\$35,200) because these activities are outside the commission's mandate. 1506
 7. **Telecommunications within state government: telematics. Reduce by \$50,000.** Recommend deletion of this program as unjustified and outside the commission's mandate. 1506
 8. **Telecommunications within state government: training public information officers in the use of cable television community service channels. Reduce by \$15,000.** Recommend deletion of program as unjustified. 1507
 9. **Administrative costs. Reduce by \$58,019.** Recommend reduction of \$58,019 to reflect recommended program reductions. 1507

GENERAL PROGRAM STATEMENT

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

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

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

For the first time, the 1981-82 Governor's Budget presents the CPBC budget on a program basis. The five programs are: (a) Statewide Programming for Public

Broadcasting Audiences, (b) Interconnection, (c) Telecommunications Applications within State Government, (d) Public Broadcasting Facilities, and (e) Administration.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$2,344,616 for support of the Public Broadcasting Commission in 1981-82, consisting of \$2,244,616 from the General Fund and \$100,000 from the California Environmental License Plate Fund. The proposed expenditures are \$1,542,478, or 192.3 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 summarizes commission expenditures by program.

Table 1
California Public Broadcasting Commission
Budget Summary by Program

<i>Funding Sources</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
General Fund.....	\$775,266	\$2,244,616	\$1,469,350	189.5%
California Environmental License Plate Fund	—	100,000	100,000	—
California Public Broadcasting Fund	26,872	—	-26,872	-100.0
Totals	\$802,138	\$2,344,616	\$1,542,478	192.3%
<i>Programs</i>				
1. Statewide programming.....	\$621,669	\$1,559,062	\$937,393	150.8%
Grant expenditures	(532,782)	(1,419,721)	(886,939)	(166.5)
Administrative costs	(88,887)	(139,341)	(50,454)	(56.8)
Personnel-years.....	2.0	3.4	1.4	70.0
2. Interconnection	—	250,096	250,096	—
Hardware	—	(125,182)	(125,182)	—
Consultants	—	(74,796)	(74,796)	—
Administrative costs	—	(50,118)	(50,118)	—
Personnel-years.....	—	1.3	1.3	—
3. State government telecommunications	—	281,710	281,710	—
Consultants	—	(240,384)	(240,384)	—
Administrative costs	—	(41,326)	(41,326)	—
Personnel-years.....	—	1.3	1.3	—
4. Administration (undistributed)	180,469	253,748	73,279	40.6
Personnel-years.....	4.0	6.2	2.2	55.0
Totals.....	\$802,138	\$2,344,616	\$1,542,478	192.3%
Grant expenditures and hardware	(532,782)	(1,544,903)	(1,012,121)	(190.0)
Consultants	—	(315,180)	(315,180)	—
Administrative costs	(269,356)	(484,533)	(215,177)	(79.9)
Personnel-years.....	6.0	12.2	6.2	103.3%

The increase consists of \$1,012,121 in grant expenditures and hardware, \$315,180 for special consultants, and \$484,533 to augment the administrative program (including 6.2 new positions). Of the total proposed grant expenditures, \$100,000 would be funded by the California Environmental License Plate Fund to support an environmental radio news reporter and a television documentary. The remainder of the budget is supported from the General Fund. In past years, funds were available for expenditure from the accumulated surplus in the California Public Broadcasting Fund. The last of the surplus \$11,205, is proposed to be used in 1980-81 to cover a projected deficiency.

Table 2 presents the proposed 1981-82 budget changes by element within the programs. The largest single increase is proposed for statewide programming: \$937,393. The increase consists of \$724,000 for additional television programming

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued
and \$178,606 for expansion of radio programming.

Table 2
California Public Broadcasting Commission
Proposed 1981-82 Budget Changes

	<i>Cost</i>	<i>Total</i>
1980-81 Current Year Revised.....		\$802,138
1. Statewide Programming		
a. Television:.....	(\$724,000)	
1. Sacramento News Center	416,000	
2. Live events	100,090	
3. Special documentaries	150,000	
4. Captioning	8,000	
5. Environmental programming.....	50,000	
b. Radio:.....	(178,606)	
1. Expansion of California Public Radio	128,606	
2. Environmental reporter	50,000	
c. General	(34,787)	
1. Administration support.....	50,454	
2. Reduction of California Public Broadcasting Fund	-15,667	
Subtotal, Programming.....		937,393
2. Interconnection		
a. Systems integration study.....	74,796	
b. Microwave link from KQED to Sutro Tower	43,000	
c. Microwave link from State Capitol to KVIE.....	82,182	
d. Administrative support	50,118	
Subtotal, Interconnection.....		250,096
3. Telecommunications within State Government		
a. Demonstration projects in state agencies.....	175,384	
b. Telematics	50,000	
c. Training public information officers in the use of cable television	15,000	
d. Administrative support	41,326	
Subtotal, Telecommunications		281,710
4. Direct Aid		—
5. Administration		73,279
Total Proposed Budget Changes.....		(\$1,542,478)
1981-82 Proposed Expenditures		\$2,344,616

Proposed New Programs

For 1981-82, the commission proposes two new programs: (1) Interconnection and (2) Telecommunications within State Government. Interconnection was included as a commission duty in the enabling legislation, but has not been funded in the past. Telecommunications within state government is an entirely new area of commission activity.

Proposed Program Expansion

Three current activities are proposed for expansion in the budget year and are discussed below.

Television Programming. The commission currently funds occasional documentaries and a weekly half-hour public affairs program on Sacramento news. The budget proposes expansion in five areas: (1) the creation of a Sacramento News Center which would produce biweekly news programs, (2) coverage of live news

events, (3) three additional television documentaries, (4) captioning the new documentaries for the hearing impaired, and (5) one environmental documentary.

Radio Programming. The budget proposes to add a California Public Radio bureau in San Francisco to supplement the current Sacramento facility and to increase weekly programs by 50 percent. In addition, an environmental reporter is requested for the Sacramento bureau.

Administration. Total administrative costs are scheduled to increase by \$530,357. Of this amount, \$73,279 is contained in the Administration program and the remainder is distributed among the other programs. The budget proposes to more than double current staffing.

Program Funding Eliminated

Direct commission support for public broadcast facilities (direct aid grants to stations) is not budgeted for either 1980-81 or 1981-82. In past analyses, we have pointed out that this program lacked measurable indicators of station need, audience participation, and general benefits. Although the program evaluator added in the current year is developing a management information system to respond to these concerns, the results will not be available during this year's budget deliberations.

The commission's enabling legislation mandated that 25 percent of nonadministrative funds be distributed among public broadcasting stations. This requirement was suspended for the current year by Chapter 1014, Statutes of 1980, in order to allow the commission to fund statewide programming. Proposed budget language in Item 829-011-907 would suspend this requirement in the budget year as well.

Proposed New Positions

The commission proposes to augment its current staff of six by 6.5 positions (5 professional and 1.5 clerical). The total budgeted personnel-years of 12.2 reflects an adjustment for salary savings. This is a 103.3 percent increase in personnel-years. Table 3 lists the new positions.

Table 3
California Public Broadcasting Commission
Proposed New Positions
1981-82

	<i>Number</i>	<i>Salaries and Wages</i>
Staff services manager I (assistant director)	1	\$25,788
Associate program analyst	2	46,944
Staff services analyst	2	39,024
Stenographer	1	10,356
Program analyst (continuation of limited term position)	(0.5)	(12,300)
Totals	6.0	\$122,112

In addition, the expenditures for consultants is proposed at \$192,548, an increase of \$175,698, or 1,042.7 percent over the estimated current year expenditures of \$16,850.

Funding History

Table 4 shows the growth in commission expenditures from its start in 1975-76 to 1981-82. The first three years witnessed large increases as start-up activities progressed. Expenditures in 1977-78 included funding for television and radio

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

Sacramento news bureaus as well as direct aid for stations. A 16.7 percent reduction in funding followed the passage of Proposition 13 in 1978-79 and resulted in the closure of the television bureau. The radio bureau was not eliminated.

In 1979-80, the budget of the commission was increased by 2.8 percent over the previous year. The 1980-81 estimated expenditures in the current year—\$802,138—are 16.0 percent above the actual expenditures for 1979-80. This level of support is slightly less than expenditures during the peak funding year, 1977-78.

Table 4
California Public Broadcasting Commission
Annual Growth in Expenditures
1975-76 to 1981-82

	<i>Amount</i>	<i>Percent Change</i>
1975-76	\$29,138	—
1976-77	325,358	1,016.6%
1977-78	807,182	148.1
1978-79	672,748	-16.7
1979-80	691,686	2.8
1980-81 (estimated)	802,138	16.0
1981-82 (proposed)	2,344,616	192.3

Future Implications

The CPBC's initial 1981-82 budget request was for over \$6.2 million, which would have been a 680 percent increase over current year expenditures. While the Governor's Budget requests an increase of 192 percent, many of the programs proposed for expansion or initiation during the budget year carry the potential for significant increases in future years. The commission sees this year's increase as the first step of a major program expansion similar to the recent expansion in support for the California Arts Council. A draft Long Range Plan prepared in early 1980 outlines the directions for growth in commission activities. The Legislature should be aware that this year's proposed increase is likely to be followed by requests for large increases in the future.

Past Deficiencies Being Corrected

In last year's *Analysis*, we pointed out that the commission had selectively implemented the duties outlined in its enabling legislation. It had emphasized grant-making over research, demonstration projects, application for nonstate funds and interconnection. This year's budget proposal attempts to address this concern and includes specific proposals for interconnection, demonstration projects, and additional administrative activity in research, policy formulation, and preparation of federal grant requests.

Concern About Program Effectiveness

Since the inception of the California Public Broadcasting Commission in 1975-76, we have expressed concern that data was not available that demonstrated the effectiveness of commission activities or established the need for direct aid to broadcasting stations.

In the current year, the commission has developed a set of indicators to judge the financial health of public broadcasting stations, and has incorporated evaluation components into all new budget proposals and contract requirements. While these procedures are an improvement, the results will not be available to the

Legislature when it considers the commission's 1981-82 budget.

Ability to Administer Proposed 1981-82 Programs

We believe the improvements cited above indicate that the commission is improving its basic management skills and is able to undertake an expanded program in 1981-82. However, we believe that the magnitude of the proposed increase—192 percent—is excessive for a number of reasons. First, an expansion of this magnitude could easily overtax the administrative capabilities of the commission. Even the most efficient agency experiences significant problems when its programs are increasing. Problems are all the more likely to arise when the agency has demonstrated managerial weaknesses in the past.

Second, the commission's mandate is primarily in the area of public broadcasting; cable television is only a secondary concern of the commission. The proposed demonstration projects, however, are concerned with telecommunication applications such as teleconferencing and telematics (interactive computer communications). These activities are not part of the commission's current mandate, and should be deferred until such time as legislation is enacted which provides that mandate and sets forth legislative priorities, guidelines and expectations so that the Legislature can hold the commission accountable for its expenditure of state funds.

Third, we believe that the magnitude of the proposed increase cannot be justified in 1981-82, given the fiscal pressures facing the state and the significant reductions in *existing* service levels that are proposed in the budget.

Summary of Recommended Reductions

The recommendations that follow would eliminate or reduce certain programs that our analysis indicates have a relatively lower priority or lack clear legislative authorization. The funding levels which we are recommending would still provide not only a substantial increase in state support to public broadcasting—119 percent—but would also provide the commission with an opportunity to demonstrate that it can effectively manage and evaluate its programs. The recommendations are presented by program with the exception of administrative costs. The distribution of administrative costs between programs is arbitrary, and is not based on workload measures. Therefore, we will discuss the commission's administrative costs in one place.

A. STATEWIDE PROGRAMMING

The budget proposes \$1,515,462 for statewide programming for public broadcasting audiences in 1981-82. This is an increase of \$937,393, or 61.7 percent over estimated current-year expenditures. (The \$50,118 increase in administrative costs will be discussed later in this analysis.) The commission staff produces no programs directly. The programs are either produced by independent producers or through contracts with the Associations of Public Television and Radio Stations.

1. Television

Current Expenditures

In 1980-81, the commission has awarded contracts to the Association of Public Television Stations in the amount of \$284,782 for the production and distribution of television programming: \$179,668 for Sacramento Week in Review and \$105,114 for documentaries. Sacramento Week in Review was started in May 1980, and is carried on a weekly basis by all 12 California public television stations. The topics for the current year's documentaries have not yet been chosen. Past subjects included bilingual education, water and the peripheral canal, health care for the

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

poor, and alternatives in education including the voucher system. The proposed budget does not provide an inflationary increase for these projects.

Sacramento News Center*We recommend approval.*

The budget includes \$416,000 to establish a news bureau for coverage of statewide issues. This would permit the hiring of a four person staff: executive producer, reporter, unit manager, and secretary. Equipment, technical facilities, and production crew would be obtained, as needed, on a contracted basis. The center is proposed to be associated with KVIE, the Sacramento public television station, although funding would be awarded through the Association of Public Television Stations.

For three years, from 1976-77 to 1978-79, the commission funded a television Sacramento news bureau. The program was favorably evaluated by the commission and the stations, but was eliminated in the budget reductions which were made following the passage of Proposition 13.

The commission maintains that statewide news programming needs to be increased, not decreased, during a period of state fiscal stress because it is during such periods that decisions become even more critical and important to the people of the state. The proposed budget would fund 21 half-hour segments of Capitol news coverage during 1981-82. It assumes a biweekly schedule, some start-up time and periods without significant news activity. If the News Center is successful, the commission has stated it would most likely request funds to expand programming to a weekly basis.

Our analysis indicates that the public television stations are in a unique position to produce and distribute statewide news coverage on a cost-effective basis. No comparable commercial system exists to cover statewide news. There are many areas in the state where commercial television stations provide no statewide news coverage. We recommend that the funds requested for expansion be approved. At the same time, we recommend that a thorough evaluation of audience and program quality be undertaken before the program is continued or expanded in future years.

Live Coverage of Capitol Events

We recommend a reduction of \$100,000 for live coverage of Capitol news events because the \$100,000 as proposed is unnecessary.

In addition to the establishment of a Sacramento News Center, the budget proposes an augmentation of \$100,000 to cover live news events. The commission has not provided sufficient documentation that commercial television coverage of Capitol news events is inadequate or that public stations need to duplicate that coverage.

For example, background information provided by the commission, included the Governor's State of the State Address as one of the live events it proposed to broadcast. However, most commercial stations in the state carry this address each year.

In addition, most Capitol events occur during daytime working hours. Live coverage would have a limited daytime audience, and we do not believe it warrants the additional costs of live broadcasting. Therefore, we recommend the deletion of the \$100,000 proposed for live coverage.

Documentaries and Special Reports

We recommend elimination of \$158,000 proposed for new documentaries (\$150,000 for production and \$8,000 for captioning) because sufficient funds are available in the base budget.

In the current year, the commission awarded \$105,114 for television documentaries. The budget proposes to add \$150,000 for expanded documentary production and \$8,000 to caption them for the hearing impaired.

There is no analytical basis for establishing the number of documentaries to be produced; this is a discretionary activity that can be increased or decreased within a wide margin. The commission has not justified the need for additional documentaries or demonstrated that the subjects of these documentaries could not be covered by Sacramento Week in Review, News Center programs, or documentaries already funded in the base budget. Consequently, we have no basis on which to recommend that this activity be expanded in the budget year.

Environmental Documentaries

We recommend approval for one-year funding for documentaries concerning environmental issues. We further recommend the adoption of supplemental report language directing the CPBC and the Resources Agency to evaluate this activity and report to the Legislature by March 1, 1982.

The budget proposes \$50,000 from the Environmental License Plate Fund to support one or more television documentaries concerning environmental issues. The funds will be awarded through the commission's grant making process, and matching funds will be sought. The number and subject matter of the program is unknown at this time.

Use of license plate funds for the purpose of environmental education is authorized by statute. It is not clear, however, that a documentary is a cost-effective means for protecting the environment. We recommend, therefore, that the program be funded in 1981-82 on a one-time basis.

We also recommend that its continuation be dependent on a favorable evaluation in the report called for in the following recommended supplemental report language:

"The California Public Broadcasting Commission and the Resources Agency are directed to submit a report by March 1, 1982, to the Joint Legislative Budget Committee and the fiscal committees evaluating the cost-effectiveness of television documentaries as a means for protecting the environment."

2. Radio

California Public Radio

We recommend that the budget be reduced by \$35,000 consisting of: funds proposed for a cost-of-living increase (\$15,000); savings resulting from a three-to-six month delay in establishing interconnection from Sacramento to San Francisco, (\$5,000); and reduced program assignments (\$15,000).

The budget includes \$336,606 for California Public Radio (CPR) an increase of \$128,606, or 61.8 percent, over current-year expenditures. Currently, CPR produces two weekly half-hour programs, California Close-Up and Sacramento Update, which are broadcast by all 19 public radio stations in the state. In addition, daily news stories are provided to the six stations with regular news programs.

The proposed budget includes funding for a San Francisco Bureau which would concentrate on science issues and the arts and humanities. It would also cover news of statewide interest originating in the Bay Area, including the actions of the California Supreme Court and the Public Utilities Commission. The San Francisco bureau is opening in February 1981 on a startup basis with full operations depend-

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

ent on the increase approved in this budget.

Our analysis suggests that the proposed expenditures for California Public Radio should be reduced for the following reasons:

(1) *Cost-of-Living Increase.* The CPR budget request includes approximately \$15,000 to provide salary and operating expenses cost-of-living increases. The television and joint program grants include no such increase. For consistency, we recommend the reduction of \$15,000.

(2) *Delay in Interconnection.* The budget includes funding for a full-time engineer, based on the assumption that interconnection links would be available between Sacramento and San Francisco beginning on July 1, 1981. The commission foresees a delay of at least three months for installation of this equipment. Therefore, we recommend a reduction of \$5,000 to recognize a three-month delay in hiring the full time engineer and associated operating costs.

(3) *Program Assignments.* The budget also includes \$30,000 to pay independent producers and public radio stations to produce additional programs for CPR. This is an increase of \$25,000, or 500 percent above current-year expenditures of \$5,000. CPR plans to use most of these funds for southern California news program assignments. We see the need for some additional funds for program assignments, however, the commission presented no data justifying such a large increase for this item. We recommend the reduction of \$15,000 for program assignments.

Our recommendations would permit an increase in spending of \$93,606, which is a 45 percent increase over current-year funding.

Environmental Radio Reporter

We recommend approval for one-year funding for an environmental news reporter. We further recommend the adoption of supplemental report language directing the CPBC and the Resources Agency to evaluate this activity and report to the Legislature by March 1, 1982.

The budget requests \$50,000 from the Environmental License Plate Fund to support an environmental reporter for California Public Radio who would produce weekly and special reports on environmental issues. This position has been initiated in the current year on a trial basis, using funds diverted from other CPR activities.

Although we recognize that there are a number of environmental issues which are not covered by existing radio news services we question the impact this coverage has on the environment. We recommend approval, but as before in the television environmental documentaries, we recommend a thorough evaluation by both the CPBC and the Resources Agency before the program is continued. We also recommend the adoption of the following supplemental report language:

"The California Public Broadcasting Commission and the Resources Agency are directed to submit a report by March 1, 1982, to the Joint Legislative Budget Committee and the fiscal committees, evaluating the cost-effectiveness of the environmental radio reporter as a means for protecting the environment."

3. Joint Programs**Joint Programming with the California Council for the Humanities**

We recommend approval.

The budget contains \$43,600 for a joint grant program with the California Council for the Humanities (CCH) which began in 1978. This amount includes \$3,600 in distributed administrative costs, which will be discussed later in this analysis. No increase is proposed for 1981-82. The \$40,000 in CPBC grant expenditures is matched by both the grant recipients and the CCH, resulting in expenditures of

\$120,000 for humanities programming. The CCH receives and distributes federal funds from the National Endowment for the Humanities.

The proposed amount appears to be reasonable and we recommend approval.

B. INTERCONNECTION

Interconnection is the technology and management structure which provides the links in a telecommunications system. The budget contains \$250,096 for interconnection, a new program. This amount includes \$50,118 in administrative costs, which are discussed later in this analysis. The program consists of two activities: (1) a survey of existing and proposed interconnection systems and (2) completion of a microwave link between the State Capitol and a satellite uplink in San Francisco to allow immediate distribution of programming originating in Sacramento.

Systems Integration Study

We recommend approval.

The budget includes \$74,796 to inventory and analyze current state telecommunications resources, and to determine the degree to which integration of a public broadcasting interconnection system with a broader based state system is feasible and desirable. The plan would also recommend and document a specific interconnection configuration for northern California, including cost estimates, coordination requirements, and a timetable for implementation.

The commission has prepared a request for \$158,000 in federal funds from the National Technology and Information Administration (NTIA) to expand the scope of the study to include more input from current and potential users and to design a specific interconnection configuration for southern California.

The complete study would then be used to request federal construction grant funds. There is some question on the future availability of federal funds. In the current year, the NTIA had \$24 million available for the planning and construction of noncommercial telecommunication facilities. The NTIA funds up to 75 percent of each project approved. The remaining 25 percent must be matched by the state and/or the public broadcasting stations.

Numerous telecommunication systems are owned and operated by public entities in California. Many school systems, all three branches of higher education, and the Department of General Services operate microwave systems. No complete inventory has been conducted of the technical resources available within each established system and the potential for shared use of underutilized capacity.

The proposed study would take advantage of existing state and station facilities whenever possible and seems to be a cost-effective approach to exploring telecommunications integration. On this basis, we recommend approval.

Microwave Links

We recommend approval.

Currently, all public broadcasting stations in the state have the technical capacity to *receive* satellite transmission. However, the ability to *initiate* transmissions is limited to the San Francisco radio and television station and one Los Angeles radio station. A microwave system currently links KVIE, the Sacramento public television station, to KQED in San Francisco. The link is one-directional and suffers from numerous technical deficiencies.

The budget includes \$125,182 for the purchase and installation of interconnection hardware. First, the link between KVIE and KQED would be made dependable and two-directional at a cost of \$43,000 which would allow for interactive programming between the two cities. It would also reduce the statewide distribution costs for both television and radio programming.

Secondly, for \$82,182 a two-way link would be built between the State Capitol

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

and KVIE. This would allow for live coverage of legislative hearings and other Capitol events. In addition, hearings or events originating in other locations could be received at the Capitol using this system. Our analysis shows that both links would lower the unit cost of programming and encourage expanded coverage of state news.

The commission indicates that these proposed links do not duplicate interconnection resources of other state agencies. We recommend approval.

C. TELECOMMUNICATIONS APPLICATIONS WITHIN STATE GOVERNMENT

The budget includes \$281,710 for demonstrations of telecommunications applications within state government, a new program. The \$41,326 allocated for administrative costs is discussed later in this analysis. The proposed use of the remaining \$240,384 is shown in Table 5. The purpose of this program is to encourage state agencies to improve their operations through innovative uses of telecommunications technology.

Table 5
Proposed Telecommunications Applications Within State Government
1981-82

	<i>Governor's Budget</i>	<i>Recommended Reduction</i>
Demonstrations in state agencies	\$175,384	— \$168,278
Pilot Tests (3 agencies)	(133,078)	(— 133,078)
Technical Assistance (10 agencies)	(35,200)	(35,200)
Technical Assistance (31 stations)	(7,106)	—
Telematics	50,000	— 50,000
Public Service Cable	15,000	— 15,000
Totals	\$240,384	— \$233,278

1. Demonstration Projects

We recommend a reduction of \$168,278 from the demonstration projects for pilot tests (\$133,078) and technical assistance (\$35,200) because the commission has no legislative mandate in this area.

The CPBC's mandate is limited to public broadcasting and cable television. The Division of Communications in the Department of General Services is mandated to develop and oversee telecommunications usage by state government. The proposed agency pilot tests (\$133,078) and technical assistance to state agencies (\$35,200) are therefore inappropriate commission activities, and we recommend funds for them be deleted.

Technical Assistance for Public Broadcasting Stations

We recommend approval.

The budget requests \$7,106 to assist stations in identifying their underutilized telecommunications capacity. Our analysis indicates that this is an appropriate commission activity, that the costs are reasonable, and that it may complement the systems integration study discussed later. We therefore recommend approval.

2. Telematics

We recommend deletion of \$50,000 requested for consulting and equipment in the area of telematics as unjustified and premature.

The budget proposes \$50,000 to initiate state activity in the field of telematics. Telematics is a general term for computer-based communications technology. It

is newly emerging technology and is still limited in its applications. The commission proposes to (1) ascertain possible state government uses, (2) determine the cost of equipment and training, (3) work with the private sector to implement pilot demonstrations, (4) implement pilot demonstrations, (5) study costs and productivity benefits, and (6) report its findings.

Our analysis indicates that this program is premature and unjustified. No evidence has been presented indicating that the potential benefits from the use of telematics in state government would justify the expenditure of \$50,000 to study the issue. In addition, we believe it is more appropriate for the manufacturers and distributors of telematics technology to fund demonstrations of their products rather than the state. We recommend deletion of \$50,000 for telematics.

3. Public Service Cable

We recommend deletion of \$15,000 proposed for the training of public information officers in the use of cable television community access channels.

The budget proposes the expenditure of \$15,000 for public service uses of cable television: \$5,000 to train public information officers and \$10,000 to ascertain the availability of community access cable channels. No background material justifying these expenditure amounts was made available to us during the preparation of this analysis. Nor is there any evidence that the audiences available through community access channels would be significant enough to justify its use by public information officers.

We recommend the deletion of this program as unjustified. Some of the new staff resources included in the budget could work with the California Community Television Association to obtain a basic inventory of available channels and audience estimates. This basic assessment might then form the basis in future years for some state action in the area.

D. ADMINISTRATION

The budget proposes \$484,533 for administrative costs, \$230,785 distributed to programs and \$253,748 that is not distributed. The commission has not analyzed personnel workload by program. The distribution of costs to programs are estimates, based on the proportion of total funding contained in that program and may not reflect actual workload needs.

The number of positions is proposed to increase from 6 to 12.5, with an adjustment for salary savings resulting in 12.2 personnel-years.

Staffing Reductions

We recommend the deletion of two proposed positions and associated operating expenses, for a savings of \$53,019.

The budget assumes that only four commission meetings will be held in 1981-82, as opposed to one per month in the current year. This would release staff for other activities. In the current year, the commission staff has incurred significant amounts of overtime. This is due to: (1) increased frequency of commission meetings, (2) a new director and his reorganization of staff resources, (3) a vacancy in one of four professional staff positions, and (4) preparation of major new budget initiatives.

Our recommendations discussed above result in a reduction of \$526,278 in the programming and telecommunications area. While the proposed new positions were not assigned to specific program areas, our analysis indicates that the decreased workload justifies the elimination of two of the 6.5 new positions, an associate program analyst and a staff services analyst, for a savings of \$58,019. This reduction assumes a \$1,500 allowance for operating expenses for each position.

Our recommended deletions will result in a staff of 10.5 positions: seven manage-

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

ment and technical, two clerical, and one and a half position equivalents of temporary help. This is an increase of 4.5 positions over current authorized levels.

Extension of Limited Term Program Evaluator

We recommend approval.

The budget includes a six-month extension for the Program Review Analyst established in the current year and assigned to evaluate the commission's grant programs. The extension to June 30, 1982 allows for delays encountered this year in obtaining a civil service classification for the position. It also recognizes the lead time involved in obtaining data from the stations. The six-month extension appears to be reasonable and we recommend approval.

AGRICULTURAL LABOR RELATIONS BOARD

Item 830 from the General

Fund

Budget p. GG 35

Requested 1981-82	\$9,270,793
Estimated 1980-81	9,059,385
Actual 1979-80	7,101,453
Requested increase (excluding amount for salary increases) \$211,408 (+2.3 percent)	
Total recommended reduction	\$512,760

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Salary Savings. Reduce by \$223,771.* Recommend that projected salary savings be increased to reflect past experience. 1510
2. *Operating Expenses. Reduce by \$288,989.* Recommend deletion of overbudgeted funds in operating expenses. 1511

GENERAL PROGRAM STATEMENT

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

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

1. *General administration*, which provides budget, accounting, personnel and support services to the board, the general counsel, and four regional offices.
2. *Board administration*, which includes the five-member board and its executive secretary. The board establishes policy, procedures, and regulations for purposes of carrying out the Agricultural Labor Relations Act, and holds hearings to adjudicate disputes between farm workers and their employers involving such matters as representation elections and unfair labor practice charges filed by employers or workers. The board also reviews decisions of

- hearing officers when requested by either party.
3. *General counsel administration*, through the office of the general counsel:
 - a. conducts secret ballot elections to enable farm workers to select representatives of their own choosing;
 - b. investigates and prosecutes unfair labor practice charges before the board or hearing officers; and
 - c. defends all ALRB actions in the courts and obtains court orders when necessary to carry out decisions of the board regarding such matters as providing remedies for unfair labor practices.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$9,270,793 from the General Fund for support of the ALRB in 1981-82. This is an increase of \$211,408, or 2.3 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 shows personnel-years and expenditures for the board in the current and budget years.

Table 1
Agricultural Labor Relations Board
Budget Summary

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Administrative services (distributed).....	(\$645,336)	(\$649,917)	(\$4,581)	0.7%
Personnel-years	18.2	17.9	-0.3	—
Board administration				
a. Representation cases	962,659	980,900	18,241	1.9
Personnel-years	18.2	17.5	-0.7	—
b. Unfair labor practice cases.....	2,220,965	2,263,052	42,087	1.9
Personnel-years	41.9	40.5	-1.4	—
c. Policies, procedures, and motions	421,839	433,636	11,797	2.8
Personnel-years	7.9	7.7	-0.2	—
General counsel administration				
a. Representation cases	190,887	195,762	4,875	2.6
Personnel-years	4.2	4.0	-0.2	—
b. Unfair labor practice cases.....	4,352,230	4,463,378	111,148	2.6
Personnel-years	96.1	91.4	-4.7	—
c. Court litigation	910,805	934,065	23,260	2.6
Personnel-years	20.1	19.1	-1.0	—
Totals	\$9,059,385	\$9,270,793	\$211,408	2.3%
Personnel-years	206.6	198.1	-8.5	—

The increase in General Fund support results primarily from merit salary adjustments and inflation in the cost of ongoing activities. The reduction in personnel-years reflects an assumption that salary savings will be higher in 1981-82 than in the current year. As discussed below, our analysis indicates that the ALRB's assumption is faulty because the projection of salary savings in both years does not reflect the board's actual experience.

Rising Workload. The ALRB has experienced a sharp, continuous increase in workload since January 1979 when the lettuce strike started. Since that time, unfair labor practice charges have averaged 103 per month. This compares to approximately 61 per month in 1977-78 and 42 per month during the first half of 1978-79. The increase in workload has created a backlog which should fully occupy the ALRB well into the budget year. The ALRB has not requested an increase in staff to reduce the backlog because it is not known how long the heavy workload will last or whether the workload will return to the 1977-78 levels.

AGRICULTURAL LABOR RELATIONS BOARD—Continued**Salary Savings**

We recommend that the estimate of salary savings in the Agricultural Labor Relations Board's budget be increased to 10 percent to reflect past experience, for a savings of \$223,771.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate and that all positions will not be filled for a full 12 months. Experience shows that savings will accrue due to the following factors: vacant positions, leaves of absence, turnover, delays in the filling of positions, and the refilling of positions at the minimum step of the salary range. Therefore, to prevent overbudgeting, an estimate of salary savings is included in each budget as a percentage reduction in the gross salary and wage amount.

The ALRB is requesting \$6,774,094 for personal services in the budget year. This includes \$1,445,525 for staff benefits and \$5,328,569 for salaries and wages, after a reduction of \$396,387 (6.9 percent) for salary savings.

As shown in Table 2, the ALRB has overbudgeted personal services for several years because it has understated salary savings.

Table 2
Agricultural Labor Relations Board
Salary Savings Experience

<i>Fiscal Year</i>	<i>Budgeted Salary Savings^a</i>		<i>Estimated Unexpended Personal Services</i>	<i>Estimated Total Savings</i>	
	<i>Amount</i>	<i>Percent of Salaries and Wages</i>		<i>Amount</i>	<i>Percent</i>
1977-78	\$156,882	2.8%	\$1,139,152	\$1,296,034	21.4%
1978-79	174,018	3.0	787,264	961,282	16.3
1979-80	259,488	4.6	601,357	860,845	14.8
1980-81 (estimated)	\$177,265	3.2%			
1981-82 (proposed)	\$396,387	6.9%			

^a Adjusted for legislative changes and staff benefits.

Our analysis indicates that the ALRB's higher rate of salary savings in comparison to other state agencies results from a high turnover rate in both its 53 attorney positions and its clerical support staff. The ALRB has failed to reflect this higher turnover in its budget because it has not followed budgeting instructions in the State Administrative Manual (SAM). The SAM requires state agencies to base salary savings on past years' actual experiences.

Our analysis indicates that ALRB salary savings should be not less than 10 percent in the budget year, as opposed to the 6.9 percent included in the Governor's Budget. On this basis, salary savings should be \$572,496, rather than the \$396,387 contained in the budget, as shown in Table 3.

Table 3
Recommended Changes in Personal Services
Based on Ten Percent Salary Savings Factor

	<i>Proposed</i>	<i>Analyst's Recommendations</i>	
		<i>Amount</i>	<i>Reduction</i>
Total salaries and wages	\$5,724,956	\$5,724,956	—
Estimated salary savings	—396,387	—572,496	—\$176,109
Net Totals, Salaries and Wages	\$5,328,569	\$5,152,460	—\$176,109
Staff benefits	\$1,445,525	\$1,397,863	—\$47,662
Total Personal Services	\$6,774,094	\$6,550,323	—\$223,771

To reflect actual experience, we recommend that the ALRB's personal services be reduced by \$223,771.

Operating Expenses Overbudgeted

We recommend a reduction of \$288,989 in operating expenses to eliminate overbudgeting.

The ALRB is requesting \$2,496,699 for operating expenses and equipment in 1981-82. As shown in Table 4, such expenditures have been overbudgeted for at least three years.

Table 4
Agricultural Labor Relations Board
Operating Expenses and Equipment Costs

	<i>Budgeted</i>	<i>Expended</i>	<i>Percent Spent</i>
1977-78.....	\$2,519,500	\$2,021,736	80.2%
1978-79.....	2,811,000	2,032,549	72.3
1979-80.....	2,356,114	1,871,487	79.4

Our analysis indicates that this overbudgeting has occurred primarily because the ALRB has failed to relate its budget estimates to prior-year actual expenditures.

In budgeting operating expenses, state agencies traditionally apply price increase factors developed by the Department of Finance, as set forth in the department's annual price letter. Where key items of expense are not specifically covered by such guidelines, the agency may increase prior-year expenses by a set percentage, in order to adjust these costs for inflation. The general increase was 7 percent for 1980-81 and 1981-82. If, instead, an agency elects to apply the specific price letter guidelines to some items of expense, it is required to use a percentage factor of 5 percent for goods and services which are not specified in the guidelines.

An application of the general increase factor to the ALRB's 1979-80 actual expenditures (except as discussed below) indicates that the ALRB's operating expenses are overbudgeted by \$288,989, as shown in Table 5.

Table 5
Agricultural Labor Relations Board
Recommended Reductions in Operating Expenses

<i>Fiscal year</i>	<i>Items of Expense</i>					<i>Total Savings</i>
	<i>Freight</i>	<i>Employee Relocation</i>	<i>Communi- cations</i>	<i>Travel in-state</i>	<i>Board Hearings</i>	
1977-78.....	\$3,834	\$5,542	\$202,384	\$581,018	\$498,717	
1978-79.....	5,811	4,253	165,133	535,240	345,300	
1979-80.....	6,722	15,412	197,068	535,325	391,562	
1980-81 (estimated)	12,650	22,000	238,000	660,550	655,000	
1981-82 (proposed).....	13,511	23,540	255,000	709,100	698,000	
<i>Analyst's recommenda- tion</i>	<i>7,663</i>	<i>17,570</i>	<i>224,658</i>	<i>610,271</i>	<i>550,000</i>	
<i>Savings</i>	<i>\$5,848</i>	<i>\$5,970</i>	<i>\$30,342</i>	<i>\$98,829</i>	<i>\$148,000</i>	<i>\$288,989</i>

Our recommendation is consistent with the Department of Finance guidelines except in the case of board hearings where we have assumed a higher expenditure level. We anticipate that more hearings will be held in 1981-82 because of the higher number of unfair labor practice charges filed in the last two years. Because of the backlog, it may take up to a year for the charges to clear the investigative stage and be set for hearing.

On the basis of this analysis, we recommend that the ALRB's operating expense request be reduced by \$288,989.

PUBLIC EMPLOYMENT RELATIONS BOARDItem 832 from the General
Fund

Budget p. GG 43

Requested 1981-82	\$5,687,991
Estimated 1980-81	4,393,732
Actual 1979-80	3,325,884
Requested increase (excluding amount for salary increases) \$1,294,259 (+29.5 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Case Processing. Recommend the Public Employment Relations Board (1) establish time targets and procedures for expediting its processing of cases and (2) include data on case processing time in its annual report to the Legislature.

1513

GENERAL PROGRAM STATEMENT

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

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

1. *General administration:* Provides budgeting, accounting, personnel and support services to the board, the general counsel and three regional offices.
2. *Board operations* (includes the five-member Public Employment Relations Board): Establishes policy, procedures and regulations for purposes of carrying out the three public employment relations acts. The board also holds hearings to adjudicate disputes between public employees and their employers involving such matters as representation elections and unfair labor practice charges by employees or employers.
3. *Regional office operations:* Conducts secret-ballot elections to enable public employees to select representatives of their own choosing; assists the board in resolving other disputes involving representation issues; and arranges for mediation and factfinding to resolve impasses arising from contract negotiations.
4. *General Counsel:* Holds hearings for purposes of resolving unfair labor practice charges, defends the board in court cases and seeks court orders to enforce court decisions.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes and appropriation of \$5,687,991 from the General Fund for support of the Public Employment Relations Board (PERB) in 1980-81. This is an increase of \$1,294,459, or 29.5 percent, over estimated current-year expenditures. The board's budget will increase by the amount of any salary or staff benefit

increase approved for the budget year. Table 1 shows the board's proposed expenditures and personnel-years by program, in the current and budget years.

Table 1
Public Employment Relations Board
Program Expenditures

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Administration (distributed to other programs)	(\$957,130)	(\$978,822)	(\$21,692)	2.3%
Personnel-years	(29.5)	(29.5)	-	-
Board operations	1,354,481	2,723,736	1,369,255	101.1
Personnel-years	37.2	42.2	5.0	-
Regional office operations	1,194,407	1,198,695	4,288	0.4
Personnel-years	30.3	30.3	-	-
General counsel	1,844,844	1,765,560	-79,284	-4.3
Personnel-years	37.8	37.8	-	-
Unallocated workload adjustments	-	(978,070)	(978,070)	-
Totals	\$4,393,732	\$5,687,991	\$1,294,259	29.5%
Personnel-years	105.3	110.3	5.0	

The \$1,294,259 increase proposed for the board is due primarily to (1) increased rental expenses reflecting termination of existing leases for office space in Los Angeles and Sacramento, (2) the addition of five proposed new positions at a net salary cost of \$236,220 to implement Chapter 1088, Statutes of 1980 (SB 1860), which increased the board from three to five members, and (3) the proposed reappropriation of \$978,070, which was originally appropriated by Item 375, Budget Act of 1979, for implementation of the State Employer-Employee Relations Act (SEERA) and the Higher Educational Employer-Employee Relations Act (HEERA).

Expenditure Comparisons Misleading. Comparing the board's current and budget-year expenditure pattern is misleading because the proposed reappropriation of \$978,070 is shown as a budget-year expenditure even though it may be spent in the current year. If these expenditures are excluded, the budget request for the board shows an increase of \$316,189, or 7.2 percent.

The board plans to use the reappropriation to cover the costs of printing, distributing, and tabulating at least 240,000 secret election ballots to allow state employees to select employee organizations to represent them in the collective bargaining process. The board has established 20 separate bargaining units for civil service employees under SEERA, and is currently in the process of establishing bargaining units for the employees of the two college and university systems under HEERA. Part of the reappropriation may be used to complete work on the HEERA unit determination effort. The timing of the expenditure depends largely on when the California State Supreme Court issues a ruling on the constitutionality of SEERA. The court heard arguments on the case on December 3, 1980, and its opinion is expected in the spring of 1981.

Case Processing Needs to be Expedited

1. *We recommend that the Public Employment Relations Board expedite its processing of cases by establishing time targets for completing each phase of its case processing system, and report thereon to the Joint Legislative Budget Committee by December 1, 1981.*

2. *We further recommend that PERB include case processing time information in its annual report to the Legislature.*

Board Decisions. As shown in Table 2, PERB is inordinately slow in processing

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

cases which are appealed to the board when compared to the California Agricultural Labor Relations Board (ALRB) and to similar agencies in other states that administer collective bargaining laws affecting public employees.

Table 2
1980 Case Processing in Median Days—PERB Compared with
Other Similar Agencies

	<i>Unfair Labor Practice Cases</i>	<i>Representation Cases</i>
California Public Employment Relations Board	591	194
New York State Public Employment Relations Board	172 ^a	54
Massachusetts Labor Relations Commission	75 ^b	40 ^b
California Agricultural Labor Relations Board	137	98

^a Includes a three to four month backlog.

^b Massachusetts Labor Relations Commission officials report that these numbers reflect time targets which the commission currently is very close to meeting. Prior to the establishment of the targets, representation cases required a median processing time of 65 days and unfair labor practice cases required 127 days.

For decisions issued in 1980, PERB required a median time of 591 days, *after* all parties had filed the necessary paperwork, to issue decisions on unfair labor practice cases which were appealed to the board. This compares to median times of 172 days for New York's board, 75 days for Massachusetts' commission, and 137 days for the ALRB. PERB's processing time for these cases in 1980 ranged from 60 to 833 days.

Appealed representation cases involved a median processing time of 194 days for the California PERB, 54 days for New York, 40 days for Massachusetts and 98 days for the ALRB. PERB's processing time for these cases ranged from 15 to 615 days in 1980.

Hearing Officer Decisions. PERB has not yet placed hearing dates into its automated management information system. Therefore, it is not possible to determine how much time it takes for hearing officers to write decisions following the conclusion of a hearing. The data which we gathered indicate that hearing officers in some cases are taking too long to issue decisions. For example, in the case of decisions which were issued in 1980, the median time lapse between the filing of an unfair labor practice charge and the hearing officer's decision was 282 days. The range for this time element was 7 days in a case where the charge was dismissed and no hearing was held, to 702 days in a case where a hearing was held. New York's median processing time for this activity was 211 days in 1980.

Total Processing Time. Processing delays on the part of both hearing officers and the board causes the resolution of labor problems to take an inordinate amount of time in California. For example, of the thirty unfair labor practice decisions issued in 1980 (excluding one representing an administrative motion), nine cases involved total board processing time of more than 1,000 days each from the filing of a charge until the issuance of the board's decision. Total processing time for these unfair labor practice cases ranged from 178 days to 1,421 days.

Problem not Due to Lack of Budget Resources. PERB's problems are not caused by a shortage of budget resources. In 1980, each of the three PERB members was authorized three attorney positions to assist in writing decisions. At the same time, each of the five members of the ALRB was authorized two attorneys. The New York State PERB, which consists of one full-time and two part-time members, has a single attorney to assist with decision writing. The three full-time members of the Massachusetts Labor Relations Commission uses a pooled-attorney concept where a total of 12 attorneys serve not only as hearing officers but also

defend board actions in the courts and assist the board in researching and writing decisions.

On the basis of our analysis, we believe that PERB should establish realistic time targets and related procedures for processing its cases. PERB should follow the time-target system which was pioneered by the National Labor Relations Board, to the extent feasible. After the Massachusetts Labor Relations Commission adopted a similar system, it reduced its processing of representation cases from a median of 65 days to 40 days and unfair labor practice cases from a median of 127 days to 75 days.

We further believe that PERB's annual report to the Legislature should include information on the amount of time required to process cases.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 835 from the General

Fund	Budget p. GG 47
Requested 1981-82	\$91,685,179
Estimated 1980-81	92,223,418
Actual 1979-80	74,554,570
Requested decrease (excluding amount for salary increases) \$538,239 (— 0.6 percent)	
Total recommended reduction	\$1,147,400
Recommendation pending	113,500

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
835-001-001—Departmental Support		General	\$71,655,179
Ch. 1077, Statute of 1979—Departmental Support		General	30,000
835-101-001—Local Mandates		General	20,000,000
Total			\$91,685,179

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Workers' Compensation Adjudication. Recommend enactment of legislation to make workers' compensation adjudication program self-supporting (potential savings: up to \$36.9 million annually). 1519
2. OSHA Standards. Recommend legislation requiring Department of Industrial Relations to adopt and enforce federal standards except in cases where such standards are inappropriate (potential savings: up to \$1.2 million annually). 1519
3. Elevator and Pressure Vessel Fees. Recommend legislation making elevator and pressure vessel inspection programs totally self-supporting (potential savings: \$2.2 million annually). 1522
4. Elevator and Pressure Vessel Administration. Recommend Division of Occupational Safety and Health report on correction of administrative deficiencies. 1522
5. *Bureau of Investigations. Reduce Item 835-001-001 by \$263,500 and Item 835-001-890 by \$263,500.* Recommend termination because the bureau is not cost effective. 1523
6. Health Technical Development Unit. Withhold recommenda- 1524

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

- tion, pending receipt of report from the Department of Finance.
7. Unlicensed Contractors Enforcement. Withhold recommendation, 1524
pending receipt of specified reports.
 8. *Apprenticeship Standards. Reduce Item 835-001-001 by \$883,900.* 1524
Recommend elimination of the new initiatives apprenticeship program because the high cost per apprenticeship created to date indicates that the program is not cost effective.

GENERAL PROGRAM STATEMENT

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

1. *Administrative Supporting Services.* Includes the Office of the Director. Provides overall policy direction; legal; public information; management analysis; fiscal management; personnel; training; data processing services; and consultation services to employers regarding compliance with the California Occupational Safety and Health Act (Cal-OSHA).

2. *Self-Insurance Plans Unit.* Issues certificates of self-insurance to those enterprises and public agencies demonstrating financial capability to compensate their workers fully for industrial injuries, and monitors financial transactions involving such injuries.

3. *State Mediation and Conciliation Services.* Investigates and mediates labor disputes, and arranges for the selection of boards of arbitration.

4. *Division of Industrial Accidents and the Workers' Compensation Appeals Board.* Adjudicate disputed claims for compensating workers who suffer industrial injury in the course of their employment and approve rehabilitation plans for disabled workers.

5. *Division of Occupational Safety and Health.* Administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of workplaces (including mines and tunnels), and inspects elevators, escalators, aerial tramways, radiation equipment and pressure vessels.

6. *Division of Labor Standards Enforcement.* Enforces a total of 15 wage orders promulgated by the Industrial Welfare Commission and more than 200 state laws relating to wages, hours and working conditions, child labor and the licensing of artists' managers and farm labor contractors.

7. *Division of Apprenticeship Standards.* Promotes apprenticeship programs and other "on-the-job" training for apprentices and journeymen, and promotes equal opportunity practices in these programs.

8. *Division of Labor Statistics and Research.* Gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illnesses as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.

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

Reimbursement of Mandated Local Costs

Under Section 2231 (a) of the Revenue and Taxation Code, the state reimburses local governmental agencies for increased costs imposed by state legislation enacted after January 1, 1973. The Budget Bill (Item 835-101-001) contains funding for

ten different measures which have been enacted since that time, all of which increase workers' compensation benefits and affect local entities as employers.

ANALYSIS AND RECOMMENDATIONS

The budget requests appropriations from the General Fund totaling \$91,685,179 for the Department of Industrial Relations in 1981-82. This is \$538,239, or 0.6 percent, below estimated General Fund expenditures for the current year. The department's expenditures will increase by the amount of any salary or staff benefit increase approved for the budget year. The 1981-82 General Fund request consists of (1) \$71,655,179 (Item 835-001-001) for support of the department, (2) \$20,000,000 (Item 835-101-001) for legislative mandates, and (3) \$30,000 available from a prior-year appropriation. The budget proposes a total expenditure program for the department of \$108,636,569 including the expenditure of reimbursements and federal funds. This amount is \$144,097 (0.1 percent) below estimated current-year expenditures.

Table 1
Department of Industrial Relations
Budget Summary

<i>Funding</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
General Fund				
Budget Bill appropriations	\$92,142,606	\$91,655,179	-\$487,427	-0.5%
Chapter 1077, Statutes of 1979	80,812	30,000	-50,812	-62.9
Subtotals	\$92,223,418	\$91,685,179	-\$538,239	-0.6%
Reimbursements	1,510,093	1,494,078	-16,015	-1.1
Federal funds	15,047,245	15,457,402	410,157	2.7
Totals	\$108,780,756	\$108,636,659	-\$144,097	-0.1%
Program				
Administrative support, distributed to other programs	(\$5,838,649)	(\$6,079,104)	(\$240,455)	4.1%
Personnel-years	(147.7)	(151.2)	(3.5)	—
Administrative support, undistributed	47,488	47,488	—	—
Personnel-years	1.4	1.4	—	—
Regulation of workers' compensation insurance plans	878,751	915,580	36,829	4.2
Personnel-years	29.0	29.0	—	—
Conciliation of labor disputes	1,355,506	1,445,513	90,007	6.7
Personnel-years	27.9	27.9	—	—
Adjudication of workers' compensation disputes	29,169,785	28,796,556	-373,229	-1.3
Personnel-years	813.3	792.8	-20.5	—
Prevention of industrial injuries and deaths	34,894,268	33,595,268	-1,299,000	-3.7
Personnel-years	744.5	745.5	1.0	—
Enforcement of laws relating to wages, hours, and working conditions	15,655,772	16,805,190	1,149,418	7.3
Personnel-years	453.4	478.4	25.0	—
Apprenticeship and other on-the-job training	4,654,848	4,870,274	215,426	4.6
Personnel-years	127.4	136.4	9.0	—
Labor force research and data dissemination	2,124,338	2,160,790	36,452	1.7
Personnel-years	81.8	81.8	—	—
Subtotals	\$88,780,756	\$88,636,659	-\$144,097	-0.2%
Personnel-years	2,278.7	2,293.2	14.5	—
Legislative mandates	20,000,000	20,000,000	—	—
Grand Totals	\$108,780,756	\$108,636,659	-\$144,097	-0.1%

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 1 shows expenditures and personnel-years, by program, for the current and budget years.

The prior-year appropriation, noted above, was made by Chapter 1077, Statutes of 1979 (AB 1300). This measure made the Division of Occupational Safety and Health liable to employers for damages in cases where Cal-OSHA compliance officials issue citations for Cal-OSHA violations in an arbitrary and capricious manner.

The proposed reduction in General Fund expenditures is primarily due to (1) the transfer of funding for the Occupational Health Centers, which are administered by the University of California, from the department's budget to the university's budget (Item 644-001-001) and (2) a "special adjustment" reduction of \$926,000 representing 13 unspecified vacant positions in the Division of Industrial Accidents.

Federal funds decline primarily because of the termination in 1981-82 of federal grants for the administration of apprenticeship programs for (1) veterans and (2) psychiatric technicians in the Department of Developmental Services.

Reimbursements are expected to decrease in 1981-82 mainly because certain contracts with the Employment Development Department (EDD) are being terminated. Under these contracts, the Department of Industrial Relations established apprenticeship linkages with the federal Comprehensive Employment and Training Act (CETA) of 1973 and the California Worksite Education and Training Act (SWETA) programs.

As shown in Table 2, these reductions are partially offset by inflationary, workload, and merit salary adjustments, and by \$1.2 million requested for new or expanded programs.

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

Current-year revised	
General Fund.....	\$92,223.4
Federal funds.....	15,047.3
Reimbursements	1,510.1
Total	\$108,780.8
Workload and administrative adjustments.....	-\$1,232.5
Special adjustment	-926.0
Transfer of funding of Occupational Health Centers (Item 644)	-2,322.5
Merit salary adjustments.....	1,132.0
Inflationary increases.....	1,726.7
Workload changes.....	283.0
Program changes	1,195.2
Budget-year request.....	\$108,636.7

The Governor's Budget proposes a net increase of 19.5 new positions in the budget year, reflecting a reduction of 39.5 positions for administrative adjustments and 59 new positions. The new positions are proposed to (1) meet increased workload, (2) implement Chapter 633, Statutes of 1980 (SB 545), which establishes a new regulation program for garment manufacturers and contractors, (3) establish a new enforcement program to reduce the incidence of unlicensed contrac-

tors, and (4) add 14 proposed new positions for the new initiatives apprenticeship program. The unlicensed-contractor-enforcement program would be financed with reimbursements from the Contractors' State License Board. This program and the new initiative positions are discussed later in this analysis.

DIVISION OF INDUSTRIAL ACCIDENTS

User Funding

We recommend enactment of legislation making the workers' compensation adjudication programs self-supporting, for a potential savings to the General Fund of up to \$36.9 million annually.

The Governor's Budget states that the department is sponsoring legislation to make most of the workers' compensation programs self-supporting. Under the department's tentative proposal, user fees would be assessed against private employers to cover the cost of workers' compensation adjudication in the private sector. The element of the program serving public employment would continue to be borne by the General Fund.

If the legislation is successful, the department plans to submit a request to the Legislature for \$4,849,207 to fund an additional 135 positions, primarily to reduce the backlog in the division. Thirteen of the positions would, in effect, restore the \$926,000 "special adjustment" reduction made to the department's budget for 1981-82. At the time this analysis was written, legislation to make the workers' compensation program self-supporting has not been introduced.

Twenty-nine states operate their workers' compensation adjudication programs on a self-supporting basis, including Arizona, Connecticut, Florida, Maryland, Montana, New York, Pennsylvania, Ohio, Oregon, and Wisconsin. These states generally levy an annual assessment on insurance companies and a corresponding charge on self-insured employers. The 1973 National Commission on State Workers' Compensation Laws recommended that all states adopt this method of financing their systems.

The cost to the private sector of supporting the workers' compensation adjudicatory program would be less than one percent of the total estimated workers' compensation premiums paid by California employers in 1980. In 1981-82, the private sector program is expected to cost approximately \$30.5 million, including the costs of the Division of Industrial Accidents, the Workers' Compensation Appeals Board, the Uninsured Employers' Fund, the Subsequent Injury Fund, the Disaster Services Workers' Fund, and the Uninsured Employers' Asbestos Workers' program. Employers (public and private) paid an estimated \$2.9 billion in total premium costs in 1980. In addition, private self-insured employers incurred an estimated equivalent premium cost of \$1.5 billion in 1980. The estimate excludes equivalent premium costs to self-insured, public employers because their workers' compensation costs are not known.

Consistent with the recommendation of the national commission, we recommend, as we did last year, that legislation be enacted to make the program self-supporting. Enactment of such legislation would result in a General Fund savings of up to \$36.9 million annually.

DIVISION OF OCCUPATIONAL SAFETY AND HEALTH

OSHA Standards Promulgation Process Needs Streamlining

We recommend legislation requiring the Department of Industrial Relations to adopt and enforce federal occupational safety and health standards (in lieu of adopting its own standards) except in those cases where it can be demonstrated that such standards are inappropriate for California, for a potential savings of up to \$1,160,200 annually (\$580,100 General Fund and \$580,100 federal funds).

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Historical Overview. The federal Occupational Safety and Health Act of 1970 made the U.S. Department of Labor, rather than the states, responsible for administration and enforcement of occupational safety and health programs. However, the act permits states to adopt their own standards provided they meet minimum federal requirements. States are eligible to receive reimbursement for up to 50 percent of the costs of such programs.

Chapter 993, Statutes of 1973, established the California Occupational Safety and Health program (Cal-OSHA) in the Department of Industrial Relations as a federally approved, state-administered program. The act also created the part-time, seven-member Occupational Safety and Health Standards Board within the department and gave it sole authority to promulgate standards for the protection of the safety and health of California workers. The standards board has a staff of 19.5 personnel years to evaluate and write standards and the budget requests \$1,048,277 to support it in 1981-82.

Cal-OSHA standards are found in Title Eight of the State Administrative Code. Most standards are in a section of the code entitled "General Industry Safety Orders". In addition, there are sections containing standards for specialized industries such as the Construction Safety Orders, Electrical Safety Orders, Logging and Sawmill Orders, and Tunnel Safety Orders. Cal-OSHA standards have the force and effect of law, and are enforced by the Division of Occupational Safety and Health. Any employer who violates a standard is subject to civil penalties of up to \$1,000 per violation. Criminal penalties involving imprisonment and fines of up to \$20,000 are also prescribed for willful violations which result in death or serious injuries to workers.

The board relies heavily on nonstatutory advisory committees, consisting of interested representatives of management and labor, to review and screen standards. The standards must also be approved by the U.S. Department of Labor because the federal Occupational Safety and Health Act of 1970 requires all state standards to be "at least as effective" in providing safe and healthy places of employment as the federal standards. The state has six months to adopt a standard following the adoption of a new federal standard.

The Cal-OSHA standards have generated numerous complaints from workers, industrial representatives, and Cal-OSHA compliance officers. The complaints frequently cite (1) the poor organization and formatting of Cal-OSHA standards (2) duplications and inconsistencies among the estimated 28,000 sections and subsections which cover approximately 3,300 pages in the California Administrative Code, and (3) provisions which have little or no direct relationship to worker safety and health.

In 1977, the Legislature adopted supplemental budget language and passed Senate Resolution 19 which required the department to submit a work plan to simplify the standards. The department was directed to (1) improve the organization and format of Title Eight of the State Administrative Code, (2) remove inconsistencies, and (3) eliminate standards which do not relate directly to worker safety and health. Accordingly, the department submitted a work plan. It indicated that 87.5 personnel-years would be required to revise the standards in order to comply with legislative directives. The administration has not requested additional staffing to complete the project. Instead, staffing of the standards board has been reduced from 24.7 personnel-years in 1979-80 to 11.7 personnel-years in 1980-81.

Although the department drafted proposals for simplifying ladder and access-to-work-space standards, both were eventually rejected by advisory committees. Following the direction of the federal government, however, the standards board has eliminated several hundred standards which had little or no relation to worker safety or health.

Practices in Other States. Of the 21 states which currently administer OSHA programs, only six promulgate their own standards. The remainder adopt and enforce federal standards.

New Policy Considerations. Several recent developments have again brought into questions the appropriateness of current state policy to promulgate its own OSHA standards.

1. **More Rigorous Federal Control.** In the early days of the Cal-OSHA program, federal officials required state standards to be "as effective as" federal standards. The state was free to adopt more stringent standards without having to provide justification. Federal officials now, however, require justification for any deviation from the federal standards and, in practice, allow for very little deviation from federal health standards.

2. **Office of Administrative Law Review.** Chapter 567, Statutes of 1979 (AB 1111), imposes more stringent requirements on those state agencies which promulgate rules and regulations. The measure requires the promulgating agency to provide detailed justification and cost estimates for new rules and regulations. However, agencies which adopt federal regulations without modification are exempted from some of the justification requirements.

The act gives the state Office of Administrative Law the power to disapprove rules and regulations which do not meet the requirements of the measure. It also requires state agencies to review completely all existing rules and regulations within specified time periods. The standards board has estimated that implementation of Chapter 567 would result in the need to add 27 new positions at a cost of more than \$1.0 million annually.

A total of \$290,000 (50 percent General Fund and 50 percent federal funds) was appropriated by the Budget Act of 1980 for nine new positions to help the standards board comply with AB 1111. However, because the board has not received the required federal matching funds, it has been able to fill only four of the positions.

3. **Mandated Local Program Costs.** The standards board has used a disclaimer to avoid reimbursing local governmental agencies for their costs of complying with Cal-OSHA standards on the basis that the standards merely implement *federal* laws and regulations. Recently, however, the state Board of Control established a precedent by approving reimbursement for Cal-OSHA standards relating to firefighter equipment. If the effect of this decision is to require state reimbursement of *all* local expenses imposed by the OSHA program on the basis that such costs result from *state* requirements, the cost of other possible Cal-OSHA related claims is potentially large. To date, the Legislature has not been asked to fund the claim approved by the Board of Control.

In the past, the Legislature could easily avoid reimbursing local governments for the costs incurred under a state mandated program because the requirement that it do so was merely statutory, and thus subject to revision through legislative action. With the passage of Proposition 4 on the November 1979 ballot, however, the obligation to reimburse local governments for state-mandated costs became part of the State Constitution. Thus, it may be difficult to avoid reimbursing local governments for any Cal-OSHA standard adopted after July 1, 1980.

Our analysis indicates that it is not cost effective—and potentially very costly—for the state to promulgate its own OSHA standards in all cases. An equally-effective alternative for protecting worker safety is for the state to adopt automatically, within a specified period of time, the federal standards unless a party who would be adversely affected by the standard files a timely objection. Meritorious objections could trigger public hearings by the standards board to determine if the standard needs to be modified for California.

Based on this analysis, we recommend legislation requiring the Department of

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Industrial Relations to adopt and enforce federal OSHA standards, except in those cases where it is demonstrated that such standards are inappropriate for California. This legislation could result in savings of up to \$580,100 annually from the General Fund and an equal amount in federal funds, depending on the extent to which California promulgates its own standards.

Elevator and Pressure Vessel Inspection Fees

We recommend that legislation be enacted to (1) eliminate the practice of specifying in law maximum inspection rates for the pressure vessel and elevator inspection programs, (2) require the Department of Industrial Relations to establish inspection fees to make the programs totally self-supporting, (3) eliminate the requirement that the state inspect escalators and dumbwaiters on a routine basis, and (4) provide a late payment penalty of 20 percent for the inspection of pressure vessel and elevator-related devices. Such legislation would result in a General Fund savings of \$2.2 million annually.

The Division of Occupational Safety and Health currently inspects pressure vessels, elevators, escalators, dumbwaiters, amusement rides, and other related devices. The cost of these inspection activities will be \$5.3 million in the budget year. Pressure vessels include such things as pressurized air tanks, liquid petroleum gas tanks, and boilers of various types. Chapter 531, Statutes of 1980 (AB 761), increased the maximum fee to \$35 per hour for the inspection of pressure vessels and to \$50 per hour for elevator-related devices. Owners of these devices will pay fees totaling about \$3.1 million per year.

Our analysis indicates that (1) the programs have required substantial subsidies from the General Fund over the years, despite language in the Labor Code requiring them to be self-supporting, (2) there is no analytical basis for setting different maximum rates for the inspection of pressure vessel and elevator-related devices, (3) devices such as escalators and dumbwaiters need not be inspected on a routine basis, (4) the current penalty of 100 percent for the late payment of pressure vessel inspection fees is excessive, and (5) a penalty should be levied for the late payment of fees for the inspection of elevator-related devices. (For a more detailed discussion of these issues, see our report entitled *The Inspection of Pressure Vessels and Elevators: A Report and Recommendations on the Need for and Cost-Effectiveness of the Pressure Vessel and Elevator Inspection Functions of the California Department of Industrial Relations*, Report Number 80-10.)

Based on this analysis, we recommend that legislation be enacted to eliminate the need for a General Fund subsidy of approximately \$2.2 million annually for the pressure vessel and elevator inspection programs.

Management Improvement Needed

We recommend that the Division of Occupational Safety and Health report to the Joint Legislative Budget Committee by December 1, 1981, on its progress in correcting administrative deficiencies identified in our 1980 report regarding the programs for the inspection of pressure vessels and elevators.

Our analysis of the pressure vessel and elevator inspection programs identified several administrative problems. First, the division cannot begin recovering full inspection costs until it corrects defects in its management information systems. For example, its current systems do not identify the amount of time spent by safety inspectors on all elements of the inspection programs—such as the amount of travel and other overhead time that should be allocated to the inspection of specific devices.

Second, our analysis indicated that the division used antiquated procedures for issuing inspection permits and for collecting inspection fees. For example, for purposes of billing for an inspection fee, the division was using form letters which

it typed in full each time rather than using modern word processing or computer equipment. Third, the division was using safety inspectors for collecting delinquent elevator inspection fees, rather than using less costly procedures or personnel.

Because correction of these deficiencies could reduce program costs and permit a General Fund savings, we recommend that the division report to the Joint Legislative Budget Committee by December 1, 1981, regarding its progress in correcting the administrative problems which are identified in our report on the pressure vessel and elevator inspection programs.

Bureau of Investigation

We recommend termination of the Bureau of Investigation on the basis that it is not cost-effective in promoting worker safety, for General Fund savings of \$263,500 (Item 835-001-001) and an equal amount in federal funds (Item 835-001-890).

The Bureau of Investigation was established by Chapter 993, Statutes of 1973, to assist local prosecuting attorneys in preparing cases against employers who commit criminal violations of Cal-OSHA laws and regulations. Unlike federal OSHA, California law makes every "employer and every officer, management official, or supervisor having direction, management, control or custody" of places of employment guilty of a misdemeanor and subject to a fine of up to \$5,000 and a jail sentence of up to six months when he or she:

1. Knowingly or negligently violates any Cal-OSHA regulation;
2. Repeatedly violates Cal-OSHA regulations; and
3. Fails or refuses to comply with orders of the division to correct unsafe conditions.

In addition, employers, management officials, and supervisors can be sentenced to up to six months in jail and fined up to \$10,000 in cases where a violation of a Cal-OSHA standard causes the death or prolonged physical impairment to a worker. The penalties are doubled for subsequent convictions.

For the budget year, the bureau is requesting approximately \$527,000 (\$263,500 from the General Fund and an equal amount in federal funds) and a staff of 12.75 personnel-years.

In 1980, the bureau's seven investigators investigated a total of 220 cases, including 190 fatalities. Of these, eight cases were referred to prosecuting attorneys. One case was dismissed; three resulted in convictions; and four are awaiting trial. In 1979, 22 cases were referred to prosecuting attorneys. Eight of these cases were rejected by the prosecuting attorneys or dismissal by the courts; eight resulted in guilty pleas; two resulted in conviction by juries; and the remaining cases were pending as of June 3, 1980 (the date of the bureau's last report for 1979).

The 1979 and 1980 cases which resulted in guilty pleas or guilty verdicts resulted in average fines of \$575 and probation of 13 months. No actual jail sentences were imposed.

In view of the small number of guilty pleas or convictions and the relatively mild penalties assessed against the guilty parties in 1979 and 1980, this program does not appear to be cost-effective. Based on the bureau's own report on its 1979 prosecutions, the bureau spent more than \$4,000 for each month of probation assessed against violators or \$128 for each \$1 in fines levied against employers. *Unless the bureau can demonstrate that it is able to greatly improve its performance, it should be terminated for a savings of \$263,500 both to the General Fund and in federal funds.*

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**Health Technical Development Unit**

We withhold recommendation on the Health Technical Development Unit in the Division of Occupational Safety and Health, pending receipt of a report from the Department of Finance.

The Governor's Budget requests \$228,000 for the Health Technical Development Unit within the Division of Occupational Safety and Health, which assists in the development of occupational health standards. Last year, we recommended deletion of funding for the new unit because our analysis indicated that it would duplicate work of the Occupational Health Research and Development Section in the Department of Health Services. The Legislature approved the new unit and directed the Department of Finance, through supplemental budget language, to ensure that any duplication between the two units is eliminated and to report to the Joint Legislative Budget Committee by December 1, 1980. The department has not yet issued the required report. We therefore withhold recommendation on the request for the Health Technical Development Unit, pending receipt of the report.

DIVISION OF LABOR STANDARDS ENFORCEMENT**Unlicensed Contractors Enforcement**

We withhold recommendation on the proposed unlicensed contractors enforcement program, pending receipt and review of specified reports.

The Division of Labor Standards Enforcement proposes a 1981-82 expenditure of \$471,374 for 15 new positions to assist the Contractors' State License Board in prosecuting contractors who operate unlawfully without licenses. The program is also designed to prosecute such contractors who make payroll payments in cash to avoid payment of payroll taxes and employee benefits, such as union pension contributions. The program would be funded by reimbursements from the Contractors' State License Board.

In past years, the Contractors' State License Board has experienced serious backlog problems. Last year, the Legislature adopted supplemental budget language requiring the board to submit specified reports for review by the Department of Finance and the Joint Legislative Budget Committee. We withhold recommendation regarding the board's entire budget pending receipt and review of these reports. Consistent with this action, we withhold recommendation on the 15 proposed new positions for the unlicensed contractors enforcement program. (See our analysis of Item 123-018-735.)

DIVISION OF APPRENTICESHIP STANDARDS**New Initiative Program Faltering**

We recommend elimination of the new initiatives program in the Division of Apprenticeship Standards because the high cost per apprentice created to date indicates that the program is not cost-effective, for a General Fund savings of \$883,900 (Item 835-001-001).

The budget requests \$883,900 from the General Fund for 26.6 personnel years to enable the Division of Apprenticeship Standards to extend the apprenticeship program to nontraditional occupational fields such as health care, government, electronics, and manufacturing. The purpose of the program is to upgrade the skills of California's workforce as well as provide training opportunities for economically disadvantaged individuals. An apprenticeship program which combines classroom and on-the-job training gives such individuals the opportunity for meaningful employment while they learn new skills. Most training costs are borne

by the employer and the state community colleges.

The new initiatives program is carried out in several steps. First, the program's research unit identifies occupations experiencing skill shortages where an apprenticeship program might be applicable. Next apprenticeship consultants, working with industrial representatives, develop tentative prototype apprenticeship programs for the occupations. These tentative programs are sent to consultants throughout the state who make promotional calls on various employers to sell or "market" the new apprenticeship proposals. Finally, the field consultants assist employers who agree to adopt the programs to refine and tailor the programs to meet the specific needs of the employees and industry.

The \$883,900 consists of four components:

1. \$76,500 for two research analyst positions initially approved by the Legislature in 1976-77 to begin exploring the extension of the apprenticeship program to new occupational fields.
2. \$301,915 for 8.9 personnel-years, which was approved by the Legislature in 1978-79 to establish a new program for extending the apprenticeship program into new occupational fields.
3. A redirection of \$68,151 for 1.7 personnel-years from other apprenticeship programs to support the new initiatives program.
4. A proposed 1981-82 augmentation of \$437,334 for 14 new positions "to promote, develop, and implement the new programs."

The 1978-79 Governor's Budget proposed an augmentation of \$1.0 million to commence the new initiatives program. The division's goal was to create 15,000 additional apprentices in 1978-79 and 100,000 on a long-term basis.

Even though the Legislature approved two research positions in 1976-77 to allow the division to explore the feasibility of extending the apprenticeship program to new nontraditional areas, the division had not developed a suitable work plan for the use of the proposed funds by 1978-79. It did not have a proposed budget or an organization or staffing proposal; nor could it demonstrate how the new apprenticeship positions would be created or how this training would relate to other training programs. Because of these problems, the Legislature appropriated \$250,000 in 1978-79 rather than the \$1.0 million which was requested by the Governor. These funds were eventually used to add 8.9 personnel-years to the division's staff. Continuation of these positions will cost about \$281,000 in the current year and \$301,915 in 1981-82.

If the division could realistically expect to establish 15,000 new apprentices in 1978-79 with \$1.0 million, it is not unreasonable to expect it to have established at least 5,000 new openings by January 1, 1980, and 10,000 by January 1, 1981, based on the reduced level of funding. After 30 months of funding, however, the division reports the establishment of only 137 new programs, 981 currently registered apprentices, and 504 trainees in new nontraditional occupations through the program.

The division has spent approximately \$1.1 million from the General Fund and \$1.2 million in federal funds since 1976 to extend the apprenticeship program to new, nontraditional areas. This corresponds to a cost of approximately \$16,750 for each of the 137 newly developed programs or \$1,540 for each currently registered apprentice or trainee.

Given the high cost of the program and the low number of apprenticeships created to date, this program does not appear to be cost-effective. Therefore, we recommend that the new initiatives program be deleted, for a General Fund savings of \$883,900.

DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY

Item 835 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 63

Requested 1981-82	\$80,650
Recommended approval	80,650

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget contains \$80,650 for minor capital outlay projects (\$100,000 or less per project) for the Department of Industrial Relations. Table 1 summarizes the department's request.

Table 1
Department of Industrial Relations
Minor Capital Outlay 1981-82

<i>Location/Project</i>	<i>Budget Bill Amount</i>
1. Long Beach—office alterations	\$3,900
2. Oakland state building—office alterations	2,350
3. San Francisco building—computer terminals	2,000
4. Division of Industrial Accidents—computer terminals	37,000
5. Oakland state building—computer terminals	2,000
6. Bakersfield/Eureka—computer terminals	2,800
7. Sacramento—computer terminals	600
8. Labor standards enforcement—case tracking system	30,000
Total	\$80,650

Two projects at Long Beach and Oakland totaling \$6,250 would provide improvements for better space utilization and improved security at district offices. The remaining six projects, totaling \$74,400, would provide funds to make proposed data processing equipment operable. Installation of new computer terminals and related equipment in these locations will require minor modification of electrical systems and office space. The proposed projects and associated costs are reasonable and we recommend approval.

UNINSURED EMPLOYERS' FUND

Item 844 from the General
Fund

Budget p. GG 67

Requested 1981-82	\$4,210,578
Estimated 1980-81	—
Actual 1979-80	—
Requested increase \$4,210,578	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Uninsured Employers' Fund was established by Chapter 1598, Statutes of 1971, for the purpose of providing workers' compensation benefits to employees for work-related injuries in cases where the employer fails to provide compensation. The program, which is administered and enforced by the Department of Industrial Relations, was originally intended to be financed by penalties and recoveries of awards from uninsured employers. However, experience has demonstrated that substantial support from the General Fund is required to keep the program solvent.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$4,210,578 from the General Fund for transfer to the Uninsured Employers' Fund. No General Fund augmentation has been necessary since 1978-79 when Item 359, Budget Act of 1978, appropriated \$6,090,202 for transfer to the fund. The 1978 General Fund augmentation, together with penalties and recoveries of awards, has given the Uninsured Employers' Fund sufficient resources to fund the program through 1980-81. Table 1 shows funding sources and proposed expenditures for the program.

Table 1
Uninsured Employers' Fund
Budget Summary

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Funding</i>				
Beginning surplus	\$3,869,577	\$192,522	—\$3,677,055	—95.0%
Appropriation (Item 844)	—	4,210,578	4,210,578	—
Penalties and recoveries	852,945	1,096,900	243,955	28.6
Totals	\$4,722,522	\$5,500,000	\$777,478	16.5%
<i>Expenditures</i>	\$4,530,000	\$5,500,000	\$970,000	21.4%
Ending surplus	\$192,522	—	—\$192,522	—100.0%

The 21.4 percent increase in proposed expenditures reflects recent statutory increases in workers' compensation benefits and a growing number of cases which involve continuing payments. Many workers' compensation benefits involve payments to recipients for several years. For example, permanent *total* disability benefits involve payments of up to \$175 per week for the remainder of the injured worker's life. Permanent partial disability benefits may result in payments of up to \$70 per week for up to 11 years. Death benefits frequently extend over a period of up to eight years. Therefore, the costs of this program will increase annually as cases which involve continuing payments accumulate. The number of such cases increased from 61 on July 1, 1979, to 118 on November 30, 1980.

UNINSURED EMPLOYERS' FUND—Continued**WORKERS' COMPENSATION BENEFITS FOR
SUBSEQUENT INJURIES**Item 845 from the General
Fund

Budget p. GG 65

Requested 1981–82	\$2,745,000
Estimated 1980–81.....	2,400,000
Actual 1979–80	2,218,212
Requested increase \$345,000 (+ 14.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

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

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$2,745,000 from the General Fund for the workers' compensation benefits for the subsequent injuries program in 1981–82. This is an increase of \$345,000, or 14.4 percent over estimated current-year expenditures. The increase is due primarily to increases in workers' compensation benefits. Table 1 shows funding sources for the program, as well as proposed expenditures for benefits and administrative and legal costs.

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Budget Summary

<i>Funding</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
General Fund appropriation (Item 845)	\$2,218,212	\$2,400,000	\$2,745,000	\$345,000	14.4%
Chapter 1334, Statutes of 1972, (death payments)	2,313,438	2,200,000	2,200,000	—	—
Totals	\$4,531,650	\$4,600,000	\$4,945,000	\$345,000	7.5%
<i>Program</i>					
Benefit payments	\$3,721,835	\$3,625,000	\$3,900,000	\$275,000	7.6%
State Compensation Insurance Fund					
service charges	156,804	175,000	195,000	20,000	11.4
Attorney General services	653,011	800,000	850,000	50,000	6.3
Totals	\$4,531,650	\$4,600,000	\$4,945,000	\$345,000	7.5%

Program Needs Major Revision. In past years, we recommended major revisions in this program aimed at simplifying its administration, providing for reimbursement to employers rather than direct payments to employees, and eliminating the "waiting period" for benefits. (For a more complete discussion of our analysis and recommendations, see *Analysis of the Budget Bill of the State of California for the Fiscal Year 1979-80*, pages 1248-1259.) We still believe that these revisions are desirable.

We understand that both houses of the Legislature are considering major revisions in workers' compensation permanent partial disability benefits. Any such changes could have a substantial impact on the subsequent injury program. Our recommendations for revising this program should not be considered independently of any change which the Legislature may make in the permanent partial disability benefit structure.

WORKERS' COMPENSATION BENEFITS FOR DISASTER WORKERS

Item 846 from the General
Fund

Budget p. GG 65

Requested 1981-82	\$247,500
Estimated 1980-81	236,250
Actual 1979-80	191,809
Requested increase \$11,250 (+ 4.8 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides \$247,500 for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster services. This amount is \$11,250, or 4.8 percent, more than the estimated current year expenditure. The total amount of compensation paid fluctuates with the volume of both training exercises and actual emergencies such as fires, floods or earthquakes. Past experience indicates that cost estimates prepared by the State Compensation Insurance Fund, which administers the program, have been realistic.

BOARD OF CHIROPRACTIC EXAMINERS

Item 850 from the Board of
Chiropractic Examiners Fund

Budget p. GG 69

Requested 1981-82	\$405,613
Estimated 1980-81	392,347
Actual 1979-80	365,534
Requested increase (excluding amount for salary increases) \$13,266 (+3.4 percent)	
Total recommended reduction	\$1,950

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Facilities Rent. Reduce Item 850-001-152 by \$1,950.* Recommend reduction to eliminate overbudgeting of facility rental charges. We further recommend that the Department of Finance (1) report at the budget hearings on the level of investigative activities to be undertaken by the board, and (2) propose such budget changes as are necessary to fund these activities.

1530

GENERAL PROGRAM STATEMENT

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

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$405,613 from the Board of Chiropractic Examiners' Fund for support of the board in 1981-82. This is \$13,266, or 3.4 percent above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase of \$13,266 includes a \$4,245 increase for Attorney General services and rising operating expenses.

Budget Incomplete

We recommend a reduction of \$1,950 because of overbudgeted facilities operations (rent). We further recommend that the Department of Finance report at the budget hearings on the level of funding required for the board's enforcement program.

The Board of Chiropractic Examiners occupies leased office space. On July 1, 1979, the board negotiated a five-year lease for its office space at the rate of \$570 per month (\$6,840 per year). This monthly rate will remain fixed through June 30, 1984. The budget proposes expenditures of \$8,790 for rent in 1981-82. At one time, the board anticipated incurring additional annual rental charges of \$1,070 to house a new investigator position. This position, however, has not been filled and the

board is planning to use the services of the Division of Investigation in the Department of Consumer Affairs rather than hire its own investigator. Therefore, these additional rental funds, which are included in the Governor's Budget, are not needed and should be deleted, for a savings of \$1,950.

When the Legislature authorized the board to hire its own investigator and discontinue its contract for investigative services with the Department of Consumer Affairs, annual savings of approximately \$12,408 were anticipated, based on the \$73,039 the board paid to the division for investigative services in 1979-80. The board, however, has not filled this new position because it determined that having a single investigator was not feasible. The board is now planning to renegotiate a contract for investigative services with the Department of Consumer Affairs. Consequently, we are unable to determine the appropriate funding level for the investigative program for the budget year. We recommend, therefore, that the Department of Finance review this matter and report at the budget hearings on the level of investigative activities to be undertaken by the board and make such revisions in the Governor's Budget as are necessary to fund these activities.

BOARD OF OSTEOPATHIC EXAMINERS

Item 851 from the Contingency

Fund of the Board of
Osteopathic Examiners

Budget p. GG 71

Requested 1981-82	\$253,148
Estimated 1980-81	222,272
Actual 1979-80	241,710
Requested increase (excluding amount for salary increases) \$30,876 (+ 13.9 percent)	
Total recommended reduction	\$34,338

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Fund Deficit. Recommend that the Board of Osteopathic Examiners present a plan during budget hearings to resolve its deficit fund condition. 1532
2. *Expanded Enforcement Program. Reduce Item 851 by \$34,338.* Recommend deletion of funds because of fund deficit condition. 1533
3. Underbudgeted Expenditure Needs. Recommend that Department of Finance report during budget hearings on potential underbudgeting of rental facilities. 1533

GENERAL PROGRAM STATEMENT

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

BOARD OF OSTEOPATHIC EXAMINERS—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$253,148 from the Contingent Fund of the Board of Osteopathic Examiners for support of the board in 1981-82. This is an increase of \$30,876, or 13.9 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The proposed budget includes \$34,338 to increase permanently the half-time legal counsel position to full-time and provide half-time legal clerical support. The legal counsel position has already been administratively converted, from a half to full-time position, effective January 1, 1981.

Fund Deficit Continues

We recommend that the Board of Osteopathic Examiners report during the budget hearings on steps to be taken to resolve its deficit fund condition.

The Board of Osteopathic Examiners is supported by revenue generated from license fees, fines, penalties and interest earned from the Pooled Money Investment Fund. These revenues are deposited in the Board of Osteopathic Examiners Contingent Fund. Approximately 85 percent of the board's revenue is derived from license renewal fees, which are collected annually in January and February. Based on this revenue pattern, the board must maintain a *minimum* June 30 surplus equal to six months' operating expenses in order to cover program expenses incurred between July and December, before the annual license renewal revenue is received.

For several years, the board's expenditures have exceeded its revenue. At the beginning of the current year, the board had an unexpended fund balance of \$15,688, an amount clearly insufficient to support its activities for the first half of the current year. Therefore, the board sought and received a \$180,000 short-term General Fund loan to relieve the cash flow problem.

The Governor's Budget projects that the board's fund will have a surplus of \$23,691 at the close of the current year, and \$36,317 at the close of 1981-82, amounts which, again, are insufficient to cover six-months operating costs. Moreover, our analysis of the board's fund condition indicates that these amounts, in fact, are overstated.

The General Fund loan agreement requires that the board repay \$180,000, plus "interest payable at the rate earned by the Pooled Money Investment Fund", on or before March 1, 1981. Information provided by the Department of Finance indicates that the interest due will be approximately \$14,300 if the loan is repaid on March 1, 1981. This amount is not reflected in the budget. Nor is an additional \$4,281 expenditure in the current year made pursuant to Chapter 192, Statutes of 1979 (SB 91—lump-sum pay increase for state employees).

Although annual revenues currently exceed annual expenditures, the fund balance is so small that it will be several years before the board is able to finance fully its activities unless there is a substantial increase in revenues or decrease in expenditures.

The license renewal fee is presently set at \$200, which is the statutory maximum permitted under current law. Legislation raising the statutory maximum would have to be enacted in order for the board to increase this fee. However, the board has indicated a reluctance to raise the license renewal fee. Instead, it plans to initiate disciplinary penalty fines ranging from \$10 to \$10,000 effective April 1981. The additional revenue to be generated by this action is unknown. We are not aware of any further plans the board may have.

Despite its fiscal difficulties, the board has demonstrated a reluctance to reduce

expenditures. In fact, the board received administrative authority to increase current-year expenditures above the level authorized by the Legislature, and is requesting a further increase for the budget year.

Our review of the projected revenue and expenditure patterns, as well as the board's apparent reluctance to increase fees or reduce expenditures, indicates that the deficit fund condition is likely to continue, requiring further loans from the General Fund at a time when General Fund revenues are extremely scarce. Accordingly, we recommend that the board develop and present at the budget hearings a proposed plan of action to resolve its deficit fund condition.

Funds Not Available for Expanded Enforcement Program

We recommend deletion of the funds requested for an expansion of enforcement activities, for a savings of \$34,338 to the Board of Osteopathic Examiners Contingent Fund (Item 851).

The Board of Osteopathic Examiners is requesting an increase of \$34,338 to expand its enforcement program in 1981-82 by converting an existing legal counsel position from half-time to full-time and by adding a half-time legal steno position. The legal counsel position has already been administratively converted from half-time to full-time, effective January 1, 1981.

The \$34,338 requested for these changes covers salaries and wages, but does not include benefits. Funding for the benefits associated with these positions was inadvertently left out of the board's proposal and the Governor's Budget. The cost of benefits for these positions will approximate \$7,270, bringing the total cost of the proposed program expansion to \$41,608.

In view of the board's low and possibly deficit fund condition, we do not believe discretionary increases in the board's expenditures are appropriate. Accordingly, we recommend that funding for expanded enforcement activities be deleted, for a savings of \$34,338 to the Board of Osteopathic Examiners Contingent Fund. In the event legislation is enacted to raise the maximum renewal fee from the present \$200, and thus eliminate the board's funding problem, support for expanded enforcement activities could be included in this legislation.

Board Underbudgeted

We recommend that the Department of Finance report, during the budget hearings, on a potential rental funding deficiency in the Osteopathic Board's budget.

On January 1, 1981, the board negotiated a five-year lease for its office space at a rate of \$780 per month, or \$9,360 per year. The budget, however, provides only \$7,550 for the 1981-82 rental cost, which is \$1,810 less than the board will need.

In view of the board's funding difficulties, we recommend that the Department of Finance identify, during the budget hearings, the funding source that will be used to cover the additional \$1,810.

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

Item 853 from the Board of
Pilot Commissioners' Special
Fund

Budget p. GG 73

Requested 1981-82	\$61,629
Estimated 1980-81	63,228
Actual 1979-80	43,532
Requested decrease (excluding amount for salary increases) \$1,599 (-2.5 percent)	
Total recommended reduction	\$9,430

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Pattern of Overbudgeting. Reduce Item 853 by \$9,430.* Recommend overall budget reduction to compensate for a consistent pattern of overbudgeting in the past.

1534

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for certifying the qualifications of pilots for vessels entering or leaving those bays. The three-member board is appointed by the Governor, and licenses, regulates and disciplines pilots through such activities as examinations and complaint handling. The board maintains an office in San Francisco staffed by one full-time secretary to provide support for the board and the Pilotage Rate Committee. This committee is composed of five members appointed by the Governor. Its function is to prepare recommendations on pilotage rates for the Legislature.

Both the board and committee are supported by the Board of Pilot Commissioners' Special Fund. Revenue for this fund is derived from a percentage assessment on pilot fees, which are collected directly by the pilots from the ships they serve. The law provides that a maximum assessment of 5 percent of pilotage fees be paid into the fund. The current assessment is 1 percent.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$61,629 from the Board of Pilot Commissioners' Special Fund for support of the board in 1981-82. This is \$1,599, or 2.5 percent, below estimated current year expenditures. The decrease results from a reduction in the statewide pro rata charges imposed on the board, from \$7,843 in the current year to \$4,220 in the budget year. The board's proposed budget for 1981-82 will increase by the amount of any salary or staff benefit increase approved for the budget year.

Pattern of Overbudgeting

We recommend a reduction of \$9,430 based on a pattern of overbudgeting by the board.

In reviewing the board's expenditures in prior years, we identified a consistent pattern of overestimating budget requirements. As a result, the board has reverted funds at the end of each fiscal year since 1974-75. This pattern of overbudgeting is shown in Table 1, which covers the period 1974-75 through 1979-80.

Table 1
Board of Pilot Commissioners for the Bays of San Francisco,
San Pablo and Suisun
Fund Reversions
1974-75 to 1979-80

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Amount reverted	\$12,620	\$13,236	\$3,462	\$8,448	\$13,885	\$15,631
Percent of appropriated budget.....	29.7%	28.9%	7.5%	17.4%	27.7%	26.4%

The average amount reverted during the past six years was \$11,214. On this basis, and allowing for any unforeseen contingencies, we recommend a more conservative reduction of \$9,430. The revised budget of \$52,199 would be sufficient to cover anticipated costs associated with recent statutory mandates and increased commission expenses.

CALIFORNIA HORSE RACING BOARD

Item 855 from the Fair and Ex-
position and special deposit
funds

Budget p. GG 74

Requested 1981-82	\$2,781,698
Estimated 1980-81.....	2,159,589
Actual 1979-80	1,451,453
Requested increase (excluding amount for salary increases) \$622,109 (+28.8 percent)	
Total recommended reduction	\$42,519

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
855-001-191—Horse Racing Board		Fair and Exposition	\$1,198,998
855-001-942—Horse Racing Board		Special Deposit	52,700
—Continuing Appropriation—Horseman's Or- ganization Welfare Special Account		Special Deposit	750,000
—Continuing Appropriation—Standardbred Sires Stakes		General	780,000
Total			\$2,781,698

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Investigator Positions. Reduce Item by \$12,519.* Delete one of two proposed positions and reallocate existing underutilized staff currently assigned to headquarters in Sacramento. 1537
2. *Salary Savings. Reduce Item by \$30,000.* Recommend salary savings amount be included in budget. 1537

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where pari-mutuel wagering is allowed. The board consists of seven members appointed by the Governor, and has a staff of 47.2 authorized personnel-years in the current year. Responsibilities of the board include the promotion of horse racing, regulation of wagering, and maximizing the horse racing revenues

CALIFORNIA HORSE RACING BOARD—Continued

collected by the state. The board's activities consist of (1) licensing all participants in horse racing, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations and laws under which racing is conducted, and (4) collecting the state's horse racing revenues.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total program expenditures of \$3,551,698 to support the California Horse Racing Board in 1981-82. This is a \$622,109, or 28.8 percent, increase over estimated current year expenditures. These expenditures will be funded by \$1,198,998 from the Fair and Exposition Fund (a 7.2 percent increase over the budget year), \$52,700 from the Racetrack Security Account, \$770,000 in reimbursements for steward's expenses, \$780,000 statutorially appropriated for the Standardbred Sires Stakes program, and \$750,000 appropriated by statute for the Horseman's Organization Welfare Special Account. Total expenditures will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget provides for additional expenses resulting from the enactment of Chapter 1043, Statutes of 1980, which became effective on January 1, 1981. The statute created a new license fee structure, altered the distribution of racing proceeds, increased from five to seven the membership of the board, increased the number of racing weeks allowed per year, and established two new programs to be financed from unclaimed parimutuel winnings, which previously were deposited in the General Fund. Fifty percent of unclaimed pari-mutuel winnings will be used to finance a new program of research and race track security (subject to budgetary review by the Legislature), and 50 percent will finance the provision of health care benefits to employees of horse owners and trainers.

Table 1 summarizes the board's expenditures by program element.

Table 1
California Horse Racing Board
Summary of Program Expenditures

	<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>
Licensing	8.3	11.2	11.2	\$201,824	\$231,918	\$238,840
Enforcement	12.6	13.0	15.0	504,561	579,794	649,799
State Steward	13.0	13.0	13.0	729,119	770,000	770,000
Standardbred Sires Stakes	1.0	1.0	1.0	442,332	780,000	780,000
Administration	8.0	9.0	9.0	302,736	347,877	363,059
Horseman's Organization Welfare Special Account	—	—	—	—	220,000	750,000
Subtotals	42.9	47.2	49.2	\$2,180,572	\$2,929,589	\$3,551,698
Less: Reimbursements	—	—	—	\$729,119	\$770,000	\$770,000
California Standardbred Sires Stakes Fund Account, General Fund	—	—	—	442,332	780,000	780,000
Fair and Exposition Fund	—	—	—	1,009,121	1,159,589	1,198,998
Racetrack Security Account ..	—	—	—	—	—	52,700
Horseman's Organization Welfare Special Account	—	—	—	—	220,000	750,000

Transfer to the General Fund

Chapter 1043 requires that all expenditures from the Racetrack Security Account be subject to the Legislature's review as part of the annual budget process. The budget proposes an expenditure of \$52,700 from this special account and transfers the balance, \$917,300, to the General Fund.

Growth in Investigative Staff Unjustified

We recommend that one of two proposed investigator positions be deleted, for a savings of \$12,519 to the General Fund.

The budget requests authorization for two special investigator positions as a result of the additional racing days authorized by Chapter 1043 for the budget year. The board contends that the enforcement staff currently assigned to the field will be unable to cover adequately these additional racing days. The budget, however, fails to provide funds for the salary of one of the two proposed positions.

An alternative means of providing the same level of coverage sought by this request would be to add one new position and reallocate to the field one investigative position currently assigned to the headquarters office. The board currently has three investigative positions (the chief investigator and two special investigators) assigned to the headquarters office in Sacramento. The incumbent chief investigator is on extended sick leave and has requested that he be allowed to return at a lower classification. We have been informed that a new chief investigator will be selected by May 1, 1981. One of the special investigators provides assistance to the executive secretary to the board while the other prepares case materials for legal hearings resulting from steward's decisions and handles much of the chief investigator's workload.

Our analysis indicates that once a new chief is hired, the workload of the two special investigators will be significantly reduced and that at least one will be able to return to the field. Consequently, we recommend the deletion of one of the proposed special investigator positions, for a savings of \$12,512 to the General Fund. This is the amount budgeted for staff benefits and expenses associated with the position.

Salary Savings Underbudgeted

We recommend that additional salary savings be included in the board's budget, for a reduction of \$230,000.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate, and that all positions will not be filled for a full 12 months. Experience shows that savings will accrue due to the following factors: vacant position, leaves of absences, delays in filling new position, and the filling of positions at the minimum step of the salary range. Therefore, to prevent over-budgeting, an estimate of salary saving as a percentage reduction in the gross salary and wage amount is included in each budget.

Actual experience has shown that the board has realized some salary saving in recent years, even though its budget has failed to provide for such savings. For example, the board finished 1978-79 and 1979-80 with unexpended balances in its personnel service account of \$35,638 and \$33,904, respectively. Last year, the Legislature reduced the board's 1980-81 budget request by \$20,000, to reflect anticipated salary savings. The proposed budget, however, anticipates salary savings of only \$1,913. Based on actual salary savings achieved in the past, we recommend that the budget be reduced by \$30,000, for a General Fund savings.

DEPARTMENT OF FOOD AND AGRICULTURE

Item 857 from various funds

Budget p. GC 79

Requested 1981-82	\$69,173,441
Estimated 1980-81	56,727,691
Actual 1979-80	43,864,405
Requested increase (excluding amount for salary increases) \$12,445,750 (+18.0 percent)	
Total recommended reduction	\$12,818,776

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
857-001-001—Support		General	\$31,505,155
857-001-111—Support		Department of Agriculture	20,684,225
857-001-188—Agricultural Research and Investment Projects		Energy and Resources	12,500,000
857-001-890—Support		Fair and Exposition	820,349
857-101-001—Subvention for county pesticide regulation and salaries of county agricultural commissioners		General	3,263,712
857-101-191—Unemployment insurance and benefits for local fairs		Fair and Exposition	400,000
857-001-890—Support		Federal Trust	(1,844,800)
Total			\$69,173,441

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Agricultural Research and Investment. Delete Item 857-001-188 for a reduction of \$12,500,000.* Recommend deletion because the department has not presented specific research and investment proposals. 1546
2. *Meat Inspection.* Withhold recommendation on the department's proposed reduction of \$500,000 for meat inspection, pending development by the department of a plan to implement this reduction. 1547
3. *Hydrilla Eradication.* Recommend (1) that the department report to the Legislature on the progress and prospects of its Hydrilla eradication program and (2) that Budget Bill language be adopted requiring the State Board of Food and Agriculture to approve eradication plans before any funds may be spent in 1981-82. 1548
4. *Replacement of Federal Funds. Reduce Item 857-001-001 by \$318,776.* Recommend reduction because unbudgeted federal funds should be available. Further recommend deletion of associated Budget Bill language. 1554
5. *Urban Pesticide Information Project.* Recommend that the Department of Finance correct an oversight which resulted in the budget omitting \$87,834 from the Environmental License Plate Fund needed to complete this project. 1555
6. *Fair and Exposition Fund.* Recommend that the Department of Finance and the Controller propose Budget Bill language to correct technical problems. 1555

GENERAL PROGRAM STATEMENT

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

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

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

The department supervises the county agricultural commissioners and operates many programs jointly with them. Headquarters are in Sacramento and other offices are located throughout the state. There are currently 1,689 authorized positions in the department.

ANALYSIS AND RECOMMENDATIONS

The budget proposes six appropriations totaling \$69,173,441 from various state funds for support of the Department of Food and Agriculture and the county agricultural commissioners in 1981-82. This is an increase of \$12,445,750, or 18 percent, over comparable estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Despite the proposed 18 percent increase, funds for ongoing programs and activities would remain virtually constant because the budget request includes \$12.5 million from the Energy and Resources Fund for a new research and investment program to promote agricultural productivity. If these funds are excluded, the state and local support request is \$56,673,441, a decrease of \$54,250, or 0.1 percent from the current year.

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

Table 1 shows the sources of funding for programs included in the budget for 1981-82. Total proposed expenditures (all funds) are \$100,540,691, of which \$58,815,744 is for support of the department. The General Fund and the Agriculture Fund provide 91.3 percent of the department's support budget. The Fair and Exposition Fund provides \$820,349 to support the Division of Fairs and Expositions, which supervises the financial management of local fairs and provides engineering services to the fairs.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 1
Department of Food and Agriculture
Sources of Funding—1981-82

A. Support		
1. General Fund (Item 857-001-001)		\$31,505,155
2. Agriculture Fund		
a. Appropriated by Item 857-001-111	\$20,684,225	
b. Unclaimed Gasoline Tax allocated for departmental administration ^a	500,000	
c. Unclaimed Gasoline Tax—emergency detection, eradication, research reserve ^b	1,000,000	
Subtotal		22,184,225
3. Fair and Exposition Fund (Item 857-001-891)		820,349
4. Reimbursements		
a. Administrative overhead from industry programs funded through continuing appropriations	733,632	
b. Veterinary laboratory fees	301,700	
c. Insurance costs for local fairs (paid through the department)	277,000	
d. Public Works Employment Act, Title II—Guayule research project	201,491	
e. Other	397,392	
Subtotal		1,911,215
5. Federal Trust Fund (Item 857-001-890)		
a. Hydrilla eradication	\$500,000	
b. Animal health and veterinary laboratories	537,924	
c. Enforcement of pesticide regulations	187,616	
d. Market News Service	119,476	
e. Chemistry Laboratory	344,343	
f. Other	155,441	
Subtotal		1,844,800
Total Department Support Expenditures		\$58,815,744
B. Agricultural Research and Investment—Energy and Resources Fund (Item 857-001-188)		12,500,000
C. Renewable Resource Energy Agricultural Account ^c AB 3048 (Chapter 733, Statutes of 1980) Energy Projects Assistance		1,050,000
D. Alcohol fuels loans and grants—Ethanol Fuels Revolving Account ^d		550,000
E. Financial Assistance to Local Fairs ^e		
1. Fair and Exposition Fund—continuing appropriations	\$18,493,180	
2. Unemployment insurance and benefits (Item 857-101-191)	400,000	
Subtotal		18,893,180
F. Financial Assistance to Counties		
1. General Fund (Item 857-101-001)		
a. Salaries of County Agricultural Commissioners	\$382,800	
b. Subventions for pesticide regulation	2,880,912	
Subtotal		3,263,712
2. Agriculture Fund		
a. Unclaimed gasoline tax ^f	\$2,336,784	
b. Pesticide mill tax ^g	3,632,728	
c. Other	48,543	
Subtotal		6,018,055
Total Financial Assistance to Counties		\$9,281,767
Total Expenditures in Governor's Budget		\$100,540,691

^a Section 224(1), Food and Agricultural Code.^b Section 224(2), Food and Agricultural Code.^c AB 3048 transferred these funds to this account but did not appropriate them.

^d AB 2604 (Chapter 803, Statutes of 1980) created the Ethanol Fuels Revolving Account and transferred \$2,000,000 to it from funds previously appropriated to the Business, Transportation and Housing Agency by SB 620 (Chapter 161, Statutes of 1979). The Governor's Budget incorrectly classifies this money as a reimbursement; the Account is continuously appropriated to the department.

^e Includes fairs held by district agricultural associations and citrus fruit fairs established by state law and by county fairs.

^f Section 224(3), Food and Agricultural Code.

^g Section 12844, Food and Agricultural Code.

Spending Not in Budget

The department plans to collect and spend approximately \$15.4 million in industry fees for the inspection and administrative services it performs for the agriculture industry. These programs involve 505 personnel-years of department staff effort, much of it seasonal. They are shown in the budget document for information purposes beginning on page GG-97.

In addition, the department handles approximately \$31 million under 31 marketing orders for programs established at industry request to aid in the production, control, and advertising of agricultural products. The marketing order expenditures are not included in the budget. They are treated as special trust accounts in the Agriculture Fund. The budget indicates (on page GG-89) that the department will devote 25.5 personnel-years to the administration of these trusts, and will receive \$785,897 from the marketing order programs to support these positions. Neither the special inspection programs nor the marketing order programs are included in the total expenditures listed in the budget or in Table 1.

AB 3048 Funds Not Appropriated

The budget indicates that the department will spend \$525,000 in the current year and \$1,050,000 in 1981-82 from the Renewable Resource Energy Agricultural Account. This account was created by Chapter 733, Statutes of 1980 (AB 3048), for the purpose of assisting agricultural projects which make use of energy conservation, renewable resource and solar energy technologies. AB 3048 transferred \$2 million from the Energy and Resources Fund to the Renewable Resource Energy Agricultural Account. However, this legislation did not appropriate the money for use by the Department of Food and Agriculture. Instead, it provided that monies in the account would be available for allocation by the department "when appropriated therefore by the Legislature." The department cannot spend these funds until they are appropriated, and no appropriation is proposed in the Budget Bill.

Alcohol Fuels Program

Chapter 161, Statutes of 1979 (SB 620), appropriated \$10 million to the Business, Transportation and Housing Agency to promote the development of new motor vehicle fuels. The agency entered into an agreement with the department under which \$2.1 million of this money is being used to promote the production of ethyl alcohol on farms, at food processors, or at other sites associated with the agricultural industry. The department's goal is to provide low interest loans for the construction of between 40 and 60 stills. According to the department, most of the projects which it finances will have relatively small capacities, between 10,000 and 70,000 gallons per year. In addition, the Energy Commission received \$5.8 million from the same statute to provide financial assistance to larger projects to convert agricultural wastes to alcohol, and to fund a fleet test of alcohol powered automobiles.

Chapter 803, Statutes of 1980 (AB 2604), transferred \$2 million of the funds made available to the department under its agreement with the Business, Transportation and Housing Agency to the Ethanol Fuels Revolving Account, which the legislation created. AB 2604 continuously appropriated all money in the account, including the proceeds of any repayments on loans made to finance ethanol pro-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

duction facilities using agricultural feedstocks.

Language in Item 33 of the 1980 Budget Act requires the Business, Transportation and Housing Agency to submit a progress report by December 1 of each year on the Alcohol Fuels Program originally funded by SB 620. At the time this *Analysis* was prepared, the report had not been completed.

Financial Assistance to Local Fairs

The budget indicates that the department will distribute about \$18.9 million to local fairs in 1981–82. The fairs are conducted by district agricultural associations, nonprofit Citrus Fruit fairs and by counties. The Fair and Exposition Fund receives a portion of state horseracing revenues under a statutory formula, and this money is continuously appropriated to the department for allocation to the fairs according to statutory guidelines. In addition, the budget includes an appropriation of \$400,000 from the Fair and Exposition Fund for the cost of unemployment insurance and benefits for the fairs. These unemployment costs as well as the support appropriation for the Division of Fairs and Expositions are provided by an additional diversion from state horseracing revenues, which would otherwise be deposited in the General Fund, to the Fair and Exposition Fund, so that they are, in effect, paid by the General Fund.

Table 2
Department of Food and Agriculture
Comparison of 1980–81 and 1981–82 Estimated and Proposed Expenditures
After Excluding Financial Assistance and One-Time Expenditures

1980–81 Total Estimated Expenditures.....	\$91,104,017
Less financial assistance and one-time expenditures:	
AB 3048—Financial assistance for agricultural applications of renewable energy sources and energy conservation—Renewable Resource Energy Agricultural Account ^a	\$525,000
AB 2604/SB 620—Alcohol fuels loans and grants—Ethanol Fuels Revolving Account ^b	1,450,000
SB 912—Biomass farming studies—Energy and Resources Fund.....	500,000
Item 418, 1980 Budget Act—Gene resources and urban pesticide information projects—Environmental License Plate Fund.....	531,403
AB 2514 ^c —Transfers department's 1979–80 General Fund savings to counties.....	201,109
AB 993 ^d —Special appropriation for major and deferred maintenance at local fairs—Fair and Exposition Fund.....	2,000,000
Total exclusions.....	<u>—5,207,512</u>
1980–81 Estimated Continuing Program Expenditures.....	\$85,896,505
1981–82 Total Proposed Expenditures.....	\$100,887,691
Less financial assistance and one-time expenditures:	
Item 857-001-188—Agricultural Research and Investment—Energy and Resources Fund.....	\$12,500,000
AB 3048—Financial assistance for agricultural applications of renewable energy sources and energy conservation—Renewable Resource Energy Agricultural Account ^a	1,050,000
AB 2604/SB 620—Alcohol fuels loans and grants—Ethanol Fuels Revolving Account ^b	550,000
Total exclusions.....	<u>—14,100,000</u>
1981–82 Proposed Continuing Program Expenditures.....	\$86,787,691

^a The budget document incorrectly shows these expenditures. AB 3048 made no appropriation for them.

^b Listed as reimbursements to the department in the Governor's Budget.

^c Chapter 821, Statutes of 1980.

^d Chapter 952, Statutes of 1979.

County Assistance

The budget proposes \$9,281,767 for assistance to county agricultural programs. An appropriation of \$2,880,912 from the General Fund plus the \$3.6 million county share of the tax on pesticides sold in California (the pesticide mill tax) will provide a total of approximately \$6.5 million for county pesticide activities under the department's Pesticide Regulatory Program. The General Fund also provides \$382,800 for the salaries of the county commissioners. Unclaimed gasoline tax money (the estimated amount of tax paid on motor fuel for off-road agricultural use, for which farmers do not claim refunds) provides \$2,336,784 for county assistance. It also provides \$500,000 each year for department administrative costs and an annual reserve of \$1 million for emergency eradication, control or research relating to pests and weeds.

Growth In Expenditures

The budget proposes total expenditures of \$100,540,691 in 1981-82, as shown in Table 1. This is an increase of \$9,436,674, or 10.7 percent, over estimated current-year total expenditures. However, both the current and budget years include a number of special and one-time expenditures, such as loan funds for the alcohol fuels program and the \$12.5-million appropriation proposed to establish an agriculture research and investment program in 1981-82. Table 2 lists the special and one-time expenditures, and shows that if these expenditures are excluded, total spending for continuing programs is reduced to \$85,896,505 in 1980-81 and to \$86,787,691 in 1981-82. Excluding these one-time programs, the increase in total expenditures proposed in the budget for 1981-82 is \$891,186, or 1 percent.

Significant Program Changes

Table 3 shows the major program changes by funding source for each of the department's programs. The budget indicates that in 1981-82 the department's General Fund expenditures will be \$704,601 less than in the current year. However, General Fund expenditures for the Pesticide Regulatory program will increase by almost \$1.4 million primarily to complete the implementation of new pesticide regulations at both the state and county levels.

The increase in the Pesticide Regulatory program will be almost precisely offset by a \$1.4 million reduction in the Pest and Disease Prevention program. This reduction is due to the proposed termination of the Dutch Elm disease eradication project.

There are three additional General Fund reductions. In the Standards and Inspection program, the budget proposes a \$500,000 reduction for meat inspection. County assistance will be reduced by \$201,109. This is the amount of savings in the department's 1979-80 General Fund support appropriation that was transferred to the counties pursuant to enacted legislation. In addition, the budget indicates that there will be a "special adjustment" reduction of \$347,000, but does not specify where it will be made.

The budget also projects spending reductions from the Agriculture Fund and federal funds. The reduction of \$1,043,852 in federal funds shown in the budget is probably overstated by about \$300,000 because the budget fails to include new federal funds which should be available for pesticide enforcement in 1981-82. We discuss this issue and the department's request for state funds to replace these federal funds later in this analysis. The decreases in other funds are offset by a proposed increase of \$12.5 million from the Energy and Resources Fund for a program of agricultural research and investment, so that total department spending in 1981-82 would increase by \$9,436,674 compared with the current year.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 3
Department of Food and Agriculture
1981-82 Major Budget Changes by Program

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change In</i>				<i>Net Change From 1980-81</i>
			<i>General Fund</i>	<i>Department of Agriculture Fund</i>	<i>Other Funds and Reimbursements</i>	<i>Federal Trust Fund</i>	
1. Pesticide Regulation							
a. Complete phase-in—support	—	—	+ \$1,086,899	—	—	—	+ \$1,086,899
b. Complete phase-in—county subventions	—	—	+ 455,678	—	—	—	+ 455,678
c. Terminate urban pesticide information project—Environmental License Plate Fund (ELPF)	—	—	—	—	+ 87,834	—	— 87,834
d. Partial offset of reduction in federal funds	—	—	+ 318,776	—	—	— 788,272	— 469,496
e. Licensing of maintenance gardeners	—	—	—	+ 96,843	—	—	+ 96,843
f. Minor and baseline changes	—	—	— 489,062	+ 436,830	— 43,569	+ 142,685	+ 46,884
Program totals	\$16,076,091	\$17,205,065	+ \$1,372,291	+ \$533,673	— \$131,403	— \$645,587	+ \$1,128,974
2. Pest and Disease Prevention							
a. Emergency funds for eradication of Mediterranean Fruit Fly in 1980-81 ^a	—	—	— \$1,000,000	— \$1,000,000	—	—	— \$2,000,000
b. Continue of Mediterranean Fruit Fly eradication in 1981-82	—	—	+ 887,721	—	—	—	+ 887,721
c. Terminate Dutch Elm Disease Eradication	—	—	— 1,515,578	—	—	— 283,667	— 1,799,245
d. Plant and pest identification laboratory	—	—	+ 81,909	+ 20,000	—	—	+ 101,909
e. Testing for illegal drugging of horses—fees	—	—	—	+ 83,935	—	—	+ 83,935
f. Gene Resources Project funded in 1980—ELPF	—	—	—	—	— 400,000	—	— 400,000
g. Minor and baseline changes	—	—	+ 167,532	— 19,325	— 50,475	— 79,374	+ 18,408
Program Totals	\$25,967,000	\$22,859,718	— \$1,378,416	— \$915,390	— \$450,475	— \$363,041	— \$3,107,322
3. Agricultural Marketing Services	\$8,905,350	\$8,851,708	+ \$77,788	— \$121,073	+ \$39,643	— \$50,000	— \$53,642
4. Standards and Inspection Services							
a. Reduce meat inspection	—	—	— 500,000	—	—	—	— 500,000
b. Increased workload for grain and commodity inspections—fees	—	—	—	+ 112,596	—	—	+ 112,596
c. Minor and baseline changes	—	—	+ 62,705	+ 112,117	+ 532	+ 14,776	+ 190,790
Program Totals	\$9,499,986	\$9,303,372	— \$437,295	+ \$226,373	+ \$532	+ \$14,776	— \$196,614
5. Weights and Measures	\$3,398,060	\$3,396,817	+ \$55,085	+ \$5,528	— \$61,856	—	— \$1,243

6. Supervision and Assistance for Local Fairs (Fair and Exposition Fund)

a. Division of Fairs and Expositions—baseline changes	—	—	—	—	+12,048	—	+12,048
b. Financial assistance to local fairs	—	—	+97,097 ^b	—	+426,175	—	+523,272
Program Totals	\$19,455,209	\$19,990,529	+97,097	—	+438,223	—	+535,320
7. Administration (net amounts not allocated to programs)							
a. Regulatory review by Office of Administrative Law	—	—	+53,399	+42,021	—	—	+95,420
b. Minor and baseline changes	—	—	+3,559	+5,978	—84,174	—	—74,637
Program Totals	\$1,440,115	\$1,460,898	+56,958	+47,999	—\$84,174	—	+20,783
8. Energy Programs							
a. Biomass farming studies (Chapter 907, Statutes of 1980)— Energy and Resources Fund (ERF)	—	—	—	—	—500,000	—	—500,000
b. Alcohol fuels loans and grants (Chapter 161 Statutes of 1979 and Chapter 803, Statutes of 1980)—Ethanol Fuels Revolving Account	—	—	—	—	—900,000	—	—900,000
c. Renewable energy sources and energy conservation (Chapter 733, Statutes of 1980)—Renewable Resource Energy Agricul- tural Account ^c	—	—	—	—	+525,000	—	+525,000
Program Totals	\$2,475,000	\$1,600,000	—	—	—\$875,000	—	—\$875,000
9. Agricultural Research and Investment Program—ERF	—	\$12,500,000	—	—	+12,500,000	—	+12,500,000
10. Assistance to counties, other than pesticide regulation							
a. Transfer from prior-year emergency reserve	—	—	—	—966,473	—	—	—966,473
b. Transfer of department savings from 1979–80 to counties in 1980–81 (Chapter 821, Statutes of 1980)	—	—	—201,109	—	—	—	—201,109
Program Totals	\$3,887,166	\$2,719,584	—\$201,109	—\$966,473	—	—	—\$1,167,582
11. Emergency Reserve for detection, eradication and research ^d	—	1,000,000	—	+1,000,000	—	—	+1,000,000
12. Special Adjustment ^e	—	—\$347,000	—\$347,000	—	—	—	—\$347,000
Totals	\$91,104,017	\$100,540,691	—\$704,601	—\$190,363	+11,375,490	—\$1,043,852	+9,436,674

^a Chapter 1146, Statutes of 1980, appropriated \$1,000,000 from the General Fund and the department allocated its emergency reserve of \$1,000,000 in the Department of Agriculture Fund from unclaimed gasoline tax refunds (Section 224 (2), Food and Agricultural Code) for emergency eradication of the Mediterranean Fruit Fly.

^b The fairs receive no support from the General Fund. A loan repayment to the General Fund of \$97,097 made in 1980–81 will not be required in 1981–82.

^c Chapter 733 made no appropriation, although the budget shows these expenditures.

^d From unclaimed gasoline tax refunds pursuant to Section 224 (2) of the Food and Agricultural Code. The 1980–81 reserve is shown as expended for Mediterranean Fruit Fly eradication. Unused funds are allocated to the counties in the subsequent year.

^e Unallocated reduction as shown in Governor's Budget.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Agricultural Research and Investment Proposal**

We recommend deletion of Item 857-001-188 for a reduction of \$12.5 million from the Energy and Resources Fund, because specific research and investment proposals have not been presented.

The budget proposes an appropriation of \$12.5 million from the Energy and Resources Fund for allocation by the Director of Food and Agriculture for "research and investment in priority problem areas for agriculture" during 1981-82. The budget change proposal submitted to justify this request mentions a wide range of projects and proposals related to agricultural productivity. These include the following: (1) development of high-energy-producing crop varieties, (2) energy conservation in agricultural production, (3) a "coordinated, inter-disciplinary energy biomass research program at the University of California," which would be directed at "more effective breakdown of cellulose fermentation and methanogenesis, development of new energy producing plants, biological hydrogen production, nitrogen fixation, and chemical and biochemical processing;" (4) additional research in integrated pest management, (5) research to increase the efficiency of water use in agriculture, (6) development of policies for state agencies to evaluate the impact of projects on prime agricultural land, (7) provision of loans, loan guarantees and grants for soil protection, and (8) establishment of a California-Asian trade office.

The budget change proposal does not attempt to describe the specific nature of the projects in the areas enumerated above. Neither does the proposal provide any indication of how much money would be allocated to each of these areas or the amount of funds required to make a significant contribution. Also, there is no discussion of the relationship of the proposed projects to programs that already exist in several of these areas. For example, the budget includes \$38.8 million from the General Fund for agricultural research and research support at the University of California. This includes \$1.7 million to coordinate and expand the university's research efforts in integrated pest management. The budget for the Department of Water Resources includes \$1.5 million for agricultural water conservation efforts, including pilot operation of the California Irrigation Management Information System.

In several cases, it is not clear whether the department is proposing new programs or discussing existing programs which have been funded from other sources. For example, the budget change proposal discusses a \$2 million program for loans to farmers for alcohol production from agricultural crops and residues. It is not clear whether this would be in addition to the \$2 million currently available to the department in the Ethanol Fuels Revolving Account for the same purpose. Likewise, the proposal indicates that the administration will "implement a program to identify the needs in the area of gene preservation and to establish an appropriate mechanism to meet such needs." The Budget Act of 1980 appropriated \$400,000 from the Environmental License Plate Fund to the department for a gene resources conservation project.

According to the budget change proposal, the Director of Food and Agriculture will appoint a 15-member advisory panel to establish priorities to evaluate funding requests and make recommendations to the director for the expenditure of the \$12.5 million. It is not clear whether this panel would have jurisdiction over all "renewable resource" programs of the department or only those to be funded from the \$12.5 million appropriation from the Energy and Resources Fund. Also, it is not clear whether the function of the panel would be to set priorities within each of the many program areas proposed for study by the department, to set

priorities among the various program areas, or to establish a list of its own programs and priorities.

Because of the deficiencies discussed above, the department's proposal does not provide an adequate justification for the requested appropriation. Nor would it permit legislative review of or control over fund allocations, since the Director would have the discretion to allocate these funds as he saw fit. For these reasons, we cannot recommend the approval of the funds requested, despite the importance of the objectives at which they are directed. Accordingly, we recommend deletion of Item 875-001-188, for a reduction of \$12.5 million from the Energy and Resources Fund.

Reduction in Meat Inspection Program

We withhold recommendation on the proposed \$500,000 reduction for meat inspection, pending receipt of specific details on how this reduction would be implemented, including the functions the department would cease to perform or would perform at a reduced level, and an explanation of any proposed changes in the structure of the program.

The budget proposes a reduction of \$500,000 from the General Fund (11 personnel-years) in the Meat Inspection program for 1981-82. Estimated expenditures in the current year for meat inspection are \$1,025,817, so that the reduction would reduce the current program by one-half.

During 1976-77, the state transferred most of the responsibility for meat inspection to the federal government. However, the department continues to inspect and regulate facilities not covered by the federal meat inspection program. Examples of such facilities are plants which slaughter less than 20,000 chickens annually, and custom livestock slaughtering operations. The department also regulates and inspects pet food slaughterers and processors in order to prevent meat from these sources from being sold for human consumption.

The department has not provided any information on how the meat inspection program would operate at the reduced funding level and still protect the public. The Legislature needs this information if it is to evaluate the potential impact of the proposed reductions. As a consequence, we withhold recommendation until this information is available.

Mediterranean Fruit Fly

The budget requests \$887,721 from the General Fund, including 29.5 personnel-years (primarily temporary help), to continue the effort to eradicate the Mediterranean Fruit Fly (Medfly). In June 1980, two Medfly infestations were discovered in California. One of the infestations was in the Northridge area of the San Fernando Valley in Los Angeles County. Only a few flies and maggots were found there and the department declared this infestation eradicated in December 1980, although it will continue to monitor the area closely.

The other infestation is located in the Santa Clara Valley and is much more extensive. Hundreds of flies and maggots have been found. The infestation appears to be centered in the cities of San Jose and Santa Clara, but flies have also been found in Alameda County. The department has imposed a quarantine to prevent the removal of fruit (unless fumigated) from a 400-square-mile area centered around San Jose. The department believes that the Santa Clara infestation began approximately a year before it was detected, and that this is the reason the infestation is so extensive. It is also possible that some Medflies have been transported out of the area and that new infestations will be detected in other parts of the state.

The Medfly is an established pest in Hawaii, and it is generally believed that California's infestations are due to tourists who bring infested fruit illegally to California from Hawaii. Medfly maggots damage a wide variety of fruits and vegetables by burrowing into them and consuming them. When the rotting fruits or

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

vegetables fall to the ground, the magots enter the ground and emerge later as flies. After reproduction, the cycle begins again.

According to the department, the Medfly can attack over 200 different types of fruits and vegetables and, if established in California, could cause an annual economic loss of \$1 billion to the state. A portion of this loss would be due to the quarantine of California's agricultural products by other states or countries that seek to protect themselves from the introduction of this pest.

The eradication method being used by the department in Santa Clara involves releasing in the infested area billions of sterile male fruit flies, which are incapable of reproduction. The wild flies mate with the sterile flies, but no offspring are produced. If the ratio of sterile flies to wild flies is high enough, actual reproduction may become so infrequent that the wild population rapidly declines and eventually is eradicated. In conjunction with the release of sterile flies, fruit is removed from the infested area and destroyed in order to eliminate food and hiding sites for the magots. A pesticide is applied to the ground around fruit trees and other likely sites of infestation to kill emerging flies and baited pesticides are applied to fruit trees which are Medfly hosts. In other states, extensive aerial application of pesticides has also been used to eradicate Medfly, but thus far, the department has decided to forego aerial application. The probability of eradication cannot be determined until warmer weather returns and the flies (if any are left) become active. Sterile flies and ground application of pesticides were successfully used to eradicate a previous Medfly infestation in Los Angeles County in 1975-76, as well as the Northridge infestation last summer.

The budget lists expenditures of \$2 million for the Medfly Eradication program in the current year. The actual cost will be much greater. An estimate prepared by the department on January 16, 1981, indicates that the department's cost will be approximately \$7.3 million and that the reimbursable costs incurred by other departments and by local government will be approximately \$6.9 million, for a total of \$14.2 million.

Most of the money has been spent to fund an intensive effort by the department and California Conservation Corps (CCC) crews to strip fruit from all of the trees within the infested area. Stripping has been followed with pesticide ground applications by Caltrans crews. The Department of Forestry is providing mobile kitchen facilities and other support services. More than 1,500 state personnel are involved.

The department has only \$2 million specifically available for this project in the current year. The emergency reserve from unrefunded gasoline tax provided \$1 million of this money and Chapter 1146, Statutes of 1980, appropriated \$1 million from the General Fund for Medfly eradication. We expect that the department will request a deficiency appropriation to cover the remainder of its current-year eradication costs. The department testified in January before the Assembly Agriculture Committee that it will also request between \$2 million and \$5 million in 1980-81 for a greatly expanded Medfly detection effort throughout the state and that the need for additional detection funds will continue indefinitely. We will analyze all of these requests when they are received.

Hydrilla Eradication

We recommend that (1) the department report to the Legislature at the time of budget hearings on the progress of the Hydrilla eradication program and its future plans for this program, and (2) Budget Bill language be adopted to require that the State Board of Food and Agriculture approve specific work plans for Hydrilla eradication before any funds appropriated for 1981-82 may be expended.

Hydrilla is an aquatic weed that grows rapidly in lakes and canals, restricts water

flow and damages other aquatic life. Hydrilla was first found in Lake Ellis at Marysville in 1976. Another major infestation was discovered at Lake Murray in San Diego County in 1977. Hydrilla has been discovered in several small ponds as well.

Lake Ellis was completely drained, the subsoil (which contained Hydrilla tubers) was removed and the remaining bottom material was treated with a pesticide. The cost of this project was approximately \$2.8 million. The General Fund provided \$925,000 and the remainder was provided by the federal and local governments. Lake Murray is more than six times larger than Lake Ellis (200 acres compared with 31 acres). It was not feasible to completely drain this lake and remove the subsoil. Instead the water level was lowered and herbicide was applied to the exposed portion of the lake bottom. Despite these efforts, a small amount of Hydrilla was discovered at Lake Ellis last summer, and the infestation remains at Lake Murray.

The most extensive Hydrilla infestation has occurred in the canals of the Imperial Irrigation District (IID), and involves several hundred miles of these canals. In 1978, the Department of Food and Agriculture and the federal Department of the Interior (which operates the All American Canal to provide Colorado River water to the IID) convened a task force to recommend means to eradicate the infestation. The task force recommended a four-year program costing \$1.5 million annually. The recommended approach involved repeated applications of an herbicide to the entire infested portion of the canal system, even though the recommended herbicide had never before been used to eradicate Hydrilla. The length and volume of the canal system made draining and soil treatment infeasible and concrete lining of the canals was also considered too costly.

Chapter 1147, Statutes of 1979, appropriated \$500,000 from the General Fund as the state's share of the first year cost of the eradication project. The remaining two-thirds of the cost is to be borne by the federal government and the IID. The 1980 Budget Act appropriated an additional \$500,000 from the General Fund for the second year of the project. The department is now requesting \$626,517 for Hydrilla eradication in 1981-82. Of this amount, \$500,000 would again be designated for the Imperial Valley eradication project. The Budget Bill continues control language (in Item 857), adopted last year, that requires two-thirds of the cost to be provided from federal and local funds. We concur with this requirement.

The results of the Imperial Valley eradication project have been disappointing to date. Silt in the canal water appears to combine with the herbicide to render it ineffective, and the movement of water through the canals also appears to inhibit the effectiveness of the herbicide. Department staff now indicate that the immediate goal of the project may be changed this summer from eradication to control, while research is undertaken to determine the future course of the project.

In our *Analysis of the 1980 Budget Bill*, we recommended that the department scientifically evaluate the progress of the eradication project and its probability of succeeding before additional funds were requested for 1981-82. The department has not yet presented such an evaluation. We therefore recommend that the department report at budget hearings on the status of the eradication project and the department's plans for it.

Because of the magnitude, uncertainties and poor results thus far of the Imperial Valley eradication project, and because the Legislature may need to act on the Budget Bill before full information is available, we believe that expenditure of any future appropriation for this project should be reviewed publicly and approved by the State Board of Food and Agriculture, which is the official advisory body to the department and the Governor on agriculture matters. The membership of the state board includes representatives of the University of California and the State

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

College and University System, as well as representatives of various segments of the agricultural industry and consumer interests. We therefore recommend that the following Budget Bill language be adopted:

"No funds appropriated by Item 857-001-001 may be expended for the eradication or control of the plant pest *Hydrilla* until the department has presented specific work plans to the State Board of Food and Agriculture and the board has approved such plans."

Termination of Dutch Elm Disease Eradication Program

The budget proposes terminating the project to eradicate Dutch Elm disease. Funding in the current year for this project totals \$1,799,245, of which \$1,515,578 is from the General Fund and \$283,667 is from federal funds. No funds would be provided in 1981-82. According to the U.S. Forest Service, the amount of federal funds available next year will be reduced to about \$40,000. Cities and counties have contributed funds and in-kind support to the project over the years.

Dutch Elm disease is caused by a fungus and is carried from tree to tree by the elm bark beetle. The disease can kill elm trees, and once established in an area can spread rapidly.

The cumulative state cost of the Dutch Elm disease project from its beginning in 1975-76 through the current year will be \$7.6 million. The disease has been found in every county of the San Francisco Bay Area, except San Francisco itself. The eradication method involves an extensive survey of all elm trees and the removal of infected trees and any elm trees close to infected trees. Pesticides are used to reduce the bark beetle population. Pruning, disposal of dead wood and quarantines are also employed. The disease is close to eradication in Napa, Sonoma, Solano and Santa Clara Counties. However, San Mateo and Marin Counties have significant infestations and the full extent of the infestation in Alameda and Contra Costa Counties has not yet been determined.

According to project staff, an annual budget of approximately \$2 million in state funds would be needed to continue the project at a level which would make eradication probable. Staff indicate that 50 percent of the 300,000 elm trees in the Bay Area may be killed by the disease after 10 years if left untreated, and 90 percent of the elm trees would be killed after 20 years. The disease may also spread to other areas of the state.

Pesticide Regulatory Program.

The department is responsible for regulation of pesticides in California under state law and under delegated federal authority from the Environmental Protection Agency. All pesticides used in California must be registered by the department, and the department regulates the conditions of their use. County agricultural commissioners regulate pesticide applications at the local level, subject to the department's regulations and supervision. One of the most significant of the county agricultural commissioners' duties is to issue permits for the use of pesticides which have been designated restricted materials by the department because of health or environmental hazards.

Compliance with California Environmental Quality Act (CEQA)

In 1976, the Attorney General issued an opinion that the California Environmental Quality Act (CEQA) required the preparation of an environmental impact report (EIR) each time a county agricultural commissioner issued a permit for the application of a restricted pesticide. The department sought to find a way to comply with CEQA without requiring individual EIRs for each of the many thousands of permits issued annually by the county commissioners. Chapter 308, Stat-

utes of 1978, authorized the use of the functional equivalent approach under CEQA for the Pesticide Regulatory program. The department accordingly revised its pesticide regulations to incorporate consideration of alternatives and mitigation measures in the decision-making process, to provide for public participation, and to provide written explanations of its decisions. The Secretary of the Resources Agency has certified that the new regulations meet the requirements of CEQA. Under Chapter 308, certification eliminates the requirement for the preparation of an individual EIR for each permit.

The new regulations governing pesticide registration by the department became effective in January 1980. They require the submission of extensive data by the registrant regarding hazards to human health and the environment as well as effectiveness when seeking registration of a new pesticide or making a material change in a current registration. Registrants must also submit any information on the adverse effects of their pesticides whenever they have such information. In addition, the department must notify the public of pesticide registration decisions, respond in writing to public comments, and determine whether data submitted as confidential by a pesticide registrant is a valid trade secret or should be available to the public.

On January 1, 1981, new regulations governing the issuance of pesticide permits by the county agricultural commissioners went into effect. The new regulations require more extensive evaluations of pesticide use. The commissioners may continue to issue annual pesticide permits, but the new regulations require that the commissioner be notified before each application of a restricted pesticide. Permits must specify where the pesticide will be used, and must be issued directly to farmers or their agents. Formerly, permits were often issued to professional pesticide applicators without any knowledge of the specific sites to be treated, the time of treatment or the crop or pest involved. The commissioners must also monitor at least 5 percent of the pesticide applications.

Funding of Pesticide Regulation

The budget indicates that actual expenditures for the Pesticide Regulatory program were \$10.6 million in 1979-80. Of this amount, the General Fund provided \$2.9 million, or 27 percent. The Agriculture Fund provided the bulk of the money, \$6.6 million, or 62 percent.

The pesticide mill tax is the primary source of money from the Agriculture Fund. Pesticide manufacturers pay a tax of 8 mills (\$0.008) per \$1 of pesticide sales in California. Under law, the counties receive five-eighths of this money for pesticide regulatory activities, and the department retains three-eighths of the money to help fund its pesticide regulatory activities.

The budget proposes total expenditures of \$17.2 million for the Pesticide Regulatory program in 1981-82. The General Fund would provide \$9.9 million, or 57 percent of this amount. The entire 62 percent increase in program costs over this three-year period would come from the General Fund.

In order to implement the new regulations, the department requested, and the Legislature appropriated, \$5.2 million from the General Fund to augment the Pesticide Regulatory program in 1980-81. The department indicated that its 1980-81 budget request was for the first year of a two-year phase-in of the new regulatory program. Accordingly, the budget for 1981-82 requests an increase of \$1,086,899 and 21.3 personnel-years to complete the phase-in. The requested increase includes \$455,678 in additional county subventions. This increase is due to two factors. The 1980-81 subventions did not provide for full-year funding because the new permit regulations did not take effect until January 1981. Second, the budget request provides money in 1981-82 to fund previously granted increases of 10% in the counties' salaries and operating expenses, compared with cost levels in

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

1979–80. (This increase is for the salary increases granted public employees during the current year.) The remaining \$631,221 will fund 21.3 additional personnel-years in the department, primarily for pesticide registration.

We recommend approval of the proposed increase. The department should have the opportunity to implement the plan which was presented to and approved by the Legislature last year. The coming summer will provide the first major test of the complete new program and provide a basis for judging the accuracy of the department's cost estimates.

Supplemental Language Reports

In the Supplemental Report to the 1980 Budget Act, the Legislature requested four reports on the operation of the Pesticide Regulatory program from the department:

1. Workload data pertaining to the time required to process new pesticide registrations. Due December 15, 1980.
2. Lists of registered pesticides for which laboratory tests indicate long-term health hazards or for which there is insufficient data to determine the long-term health effects. Lists of pesticides to which pregnant women should not be exposed and conditionally registered pesticides are also required. Due December 31, 1980.
3. Workload data pertaining to the time required for county staff to issue permits, review notices of intention and to make preapplication inspections. Due May 15, 1981.
4. A breakdown of the costs imposed on county agricultural commissione and on agricultural producers by the new regulatory program. The following are also required:
 - A list of instances in which permits were denied and the reasons for such denials,
 - A comparison of the number of pesticides registered under the new regulations with the number registered during comparable periods in the past.
 - The backlog of registration requests and the status of any reevaluations of registered pesticides. Due May 15, 1981.

Registration Workload

The first two of these reports have been submitted to the Legislature. In the registration workload report, the department indicates that, as of November 30, 1980, it had a backlog of 547 applications for registration. During the preceding 11 months it had approved 939 registration applications and denied 372 applications. According to department staff, only six of these registration applications involved active ingredients which were not already registered for use in California. About one-half of the 939 registration requests involved nonsubstantive changes to existing registrations, such as a change in the address of the registrant or a change in the brand name of the material. Such requests do not require the submission of additional data or scientific evaluation by the department.

The department's report does not indicate how much new data was required for the substantive registration requests. According to the report, many data packages were incomplete and considerable staff time was required in these cases to contact the pesticide companies and obtain the additional data. The department examined a sample of 60 substantive registration requests processed in 1980. An average of 161.7 working days elapsed between the time a data package was complete enough to route to the evaluation scientists and the time a proposed registration decision was made. The registration regulations require the department to make a decision

within 60 days after the submission of a complete data package, except that the deadline is 120 days in the case of a new active ingredient. Processing time, however, may not accurately reflect workload. For example, if the critical bottleneck involves waiting for applicants to respond to questions about the data they submit, then changes in the size of the registration staff may not significantly shorten processing time.

Health Effects Information

The department submitted the health effects report in January 1981. According to this report, there were 9,897 pesticides registered for use in California as of November 26, 1980. These pesticides contain approximately 1,500 different active ingredients. The report indicates that the department has no systematic means of identifying those registered pesticides which have been shown to cause cancer or other chronic health effects in laboratory tests or to identify those pesticides for which it does not have data on which to make this judgment. The department hopes to have a new automated data system called "Test Titles" completed within a year. This system would list the types of test data contained in the department's files for each registered pesticide. The new data system, however, will not indicate what the results of each test were or the validity of those results.

Reevaluation of Pesticides

The Environmental Protection Agency (EPA) began a process called the rebuttable presumption against registration (RPAR) in 1975. The RPAR process begins when EPA becomes aware of any new evidence of a potential hazard to human health or wildlife from a pesticide. According to the department's report, 1,848 pesticide products currently registered in California contain active ingredients now in the RPAR process. In addition, 179 currently registered products contain active ingredients which have been through the complete RPAR process and may require additional restrictions. The 1,848 pesticides now in the RPAR process contain 28 different active ingredients.

The department has its own reevaluation process, which is similar to the RPAR process in that new information about the hazards of a pesticide may trigger an investigation and an analysis of the risks and benefits associated with the pesticide. The department is now reevaluating the registrations of 65 pesticides containing 15 different active ingredients. Five of these 15 active ingredients are also under review in the EPA's RPAR process.

Both the EPA's RPAR process and the department's reevaluation process are, in a sense, crisis oriented. That is, they respond to new information, often from outside the agency, which indicates a previously unrecognized hazard. As a practical matter, the department and the EPA must concentrate on those pesticides for which a problem has been identified. The job of evaluating pesticides in regular use in order to determine whether any unrecognized hazards exist has a lower priority. In the past, pesticide manufacturers were not required to submit the extensive test data which is now required at both the state and the federal level. Nor did government agencies review test data to determine whether they met rigorous scientific standards. Because of this, important information may be missing for some pesticides which have been used for many years. In addition, new information may have been developed since the original registration occurred.

Section 12824 of the Food and Agricultural Code requires the Director of Food and Agriculture to develop "an orderly program for the continuous evaluation of all economic poisons actually registered." The department does not have such a program. Instead, reevaluation takes place when a problem is brought to the department's attention.

At the national level, the EPA has begun the Registration Standards program,

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

which involves "a thorough review of the entire scientific data base underlying pesticide registrations and an identification of essential but missing scientific studies which may not have been required with the product was initially registered." The Registration Standards program may require new testing or a repetition of previous tests. Each standard will address a group of pesticides containing the same active ingredient. Sixty active ingredients are now in the standards development process, but the EPA estimates that it will take another 10 years to develop standards for the 600 most important active ingredients. The department should not, and could not, duplicate this massive federal effort. However, the department should closely monitor the progress of the federal program in order to make use of new information developed by it and to inform the EPA of any specific California concerns which should be addressed.

Replacement of Federal Funds Not Justified

We recommend that (1) \$318,776 requested from the General Fund in Item 857-001-001 to partially compensate for the loss of federal funds be deleted because adequate federal funds will be available in the budget year, and (2) the relevant control language be deleted because it is not needed.

The budget requests \$318,776 from the General Fund to compensate for the loss of an equal amount of federal funds available from the Environmental Protection Agency (EPA) for pesticide use enforcement. The budget change proposal submitted by the department to support this request indicates that the pesticide program will receive \$788,272 in federal funds during the current year, but that no federal funds are expected during 1981-82. The \$318,776 would allow continuation of the most important federally-funded activities.

The EPA and department staff now indicate, however, that the department will probably receive approximately \$515,000 in new federal funds (not counting any carryover from fiscal year 1980-81) in 1981-82. This amount would be more than sufficient to continue the activities for which the department is requesting the General Fund augmentation.

Department staff now state that the budget change proposal was incorrect, and that the budget is not accurate. Nevertheless, the department continues to request the additional \$318,776, although it has not presented any new budget change proposal to explain why it needs these additional funds. Consequently, we see no justification for this General Fund augmentation and recommend that the funds be deleted.

The Budget Bill contains control language applicable to this item which states that if the amount of federal funds received by the department for the pesticide program exceeds \$188,000 during 1981-82, the excess shall be used to reduce the department's General Fund appropriation at the discretion of the Director of Finance. The department states that it does not wish to use these federal funds to reduce its General Fund appropriation, and that this control language was the result of a misunderstanding between itself and the Department of Finance.

In any event, this language will no longer be necessary if our recommendation is adopted.

Urban Pesticide Information Project

We recommend that the Department of Finance correct an oversight in the budget which resulted in the omission of \$87,834 from the Environmental License Plate Fund needed to provide 3 personnel-years of temporary help in order to complete the urban pesticide information project.

Last year, the Department of Food and Agriculture requested and received \$131,403 (including salary increases) from the Environmental License Plate Fund

for the first year of a two-year urban pesticide information project. With these funds, the department has purchased a trailer and outfitted it with various audio-visual equipment and educational materials. The money also funds 3 personnel-years of seasonal help to staff the trailer and operate the project. The staff and trailer will travel to various urban and suburban sites such as nurseries and shopping centers (initially in the Sacramento area), in order to inform the public about pest management techniques, the safe storage and use of pesticides, the selection and care of trees and shrubs, and to aid the public in identifying pest problems. The department plans to have the staff and trailer in the field by March 1981. Visits to various communities will continue throughout the summer and fall. The program is designed as a pilot project. Its effectiveness would be evaluated during 1981-82.

The department requested \$87,834 for 1981-82 in order to fund 3 personnel-years of seasonal help, operating expenses, and \$15,000 for contracts to evaluate the project. Apparently, however, the department did not notify the Resources Agency, which administers the Environmental License Plate Fund, of its request for second-year funding. As a result, the agency did not recommend the project for inclusion in the 1981-82 budget, and the program was therefore automatically deleted by the Department of Finance.

The major equipment purchases and the groundwork for this project will be accomplished in the current year, but these efforts will be wasted unless the project can operate through the summer and fall of 1981. The Department of Finance should submit a correction to the Budget Bill to add a new Item 857-001-140 in order to appropriate \$87,834 for this pilot project. The budget projects an accumulated surplus of \$2,487,580 in the Environmental License Plate Fund as of June 30, 1982, so that this additional appropriation would be within the resources of the fund.

Fund Transfer Mechanics

We recommend that the Department of Finance and the Controller prepare Budget Bill language to resolve technical problems involving transfers between the Fair and Exposition Fund and the General Fund.

Section 11.12 of the 1980 Budget Act requires the transfer of \$16,132,500, less certain specified deductions, from the Fair and Exposition Fund to the General Fund. The amount to be transferred is horseracing revenue which is due to the General Fund. Chapter 952, Statutes of 1979, revised the method of allocating state horseracing revenues to the Fair and Exposition Fund, and in doing so, inadvertently eliminated authority to make this transfer. Section 11.12 was added to the 1980 Budget Act to provide for the transfer in the current year. The Controller, however, had not anticipated this change in law or the transfer required by the Budget Act language, and had made some transfers under the authority of prior law. As a result, Section 11.12 of the 1980 Budget Act will transfer an excessive amount from the Fair and Exposition Fund to the General Fund. The Department of Finance and the Controller should determine the correct amount of the transfer needed to satisfy the intent of the Legislature in enacting Section 11.12, and prepare any technical Budget Bill amendments required to carry out this intent so that this language may be included in the 1981 Budget Bill.

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

Item 857-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 110

Requested 1981-82	\$222,000
Recommendation pending	222,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|------|
| 1. Truckee Inspection Station—Phase II. Withhold recommendation on proposed construction. | 1556 |
|---|------|

ANALYSIS AND RECOMMENDATIONS

Phase II—Truckee

We withhold recommendation on Item 857-301-036(a) for phase II construction at the Truckee Agricultural Inspection Station.

The budget proposes the expenditure of \$222,000 from the Special Account for Capital Outlay, General Fund, for phase II construction at the Truckee Agricultural Inspection Station. The Legislature has previously appropriated \$61,721 for planning related to this project. This amount has been released by the Public Works Board for archaeological investigation of the site (\$43,921) and for preliminary plans (\$8,800). The total project cost is anticipated to be \$239,800.

The work consists of reconditioning/expansion of the agricultural station to provide for safe operation, expanded capacity to facilitate traffic flow, and continuance of the pest exclusion program. The proposed expansion would (1) widen the existing 20-foot truck bypass area by an additional 30 feet, (2) widen the existing secondary inspection and parking area by 4,000 square feet, and (3) construct a wood-frame truck inspection office north of the new truck lanes. The department indicates that the proposed improvements at this facility would alleviate the problem of trucks and other traffic being backed up along the freeway during peak traffic periods.

We withhold recommendation on the project. The project has recently been reduced in scope. While a 1981-82 budget estimate has been submitted to our office, preliminary plans—which are 60 percent complete as of January 1981—are still in progress at the State Architect's Office. We therefore withhold recommendation on the project, pending receipt of the completed preliminary plans.

POLITICAL REFORM ACT

Item 864 from the General

Fund

Budget p. GG 112

Requested 1981-82	\$2,327,323
Estimated 1980-81	2,251,247
Actual 1979-80	1,805,504
Requested increase (excluding amount for salary increases) \$76,076 (+3.4 percent)	
Total recommended reduction	\$353,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Funding for Secretary of State. Reduce Item 864-001-001 by \$30,000. Recommend reduction, based on historical pattern of over-budgeting.* 1559
2. *Staffing for Franchise Tax Board. Reduce Item 864-001-001 by \$323,000 and 12.3 personnel-years. Recommend reduction to eliminate excess personnel.* 1560

GENERAL PROGRAM STATEMENT

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

Funds to implement these provisions are budgeted for four state agencies (Secretary of State, Franchise Tax Board, Attorney General and Fair Political Practices Commission). Support for one of these agencies, the Fair Political Practices Commission, is provided directly by the Political Reform Act of 1974. Funds for the other three agencies and any additional funds for the commission are provided by the Legislature through this budget item.

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

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

Secretary of State Duties

Responsibilities assigned to the Secretary of State by the Political Reform Act of 1974 include receiving campaign expenditure statements and the registration of lobbyists. In addition, the Secretary of State prints and makes available information listed in lobbyist registration statements. Work performed in accordance with the Political Reform Act is estimated to cost \$552,307 in the budget year, which includes \$8,200 in reimbursements. This represents an increase of 4.4 percent above anticipated current-year costs of \$528,937.

Franchise Tax Board Duties

The Political Reform Act requires the Franchise Tax Board (FTB) to audit the financial transaction statements of (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or opposing statewide ballot measures, and (4) specified elected officials. The department's auditing responsibilities are performed by a separate division, the Political Reform Audit Division (PRAD). FTB proposes budget-year expenditures for PRAD of \$1,551,163, an increase of \$41,922, or 2.8 percent, over estimated current-year expenditures. Staffing for PRAD is budgeted at 45.4 personnel-years in 1981-82, which is the same as in the current year.

Attorney General's Duties

The Political Reform Act requires the Attorney General to enforce the criminal provisions of the act with respect to state agencies, lobbyists and state elections. In addition, the Attorney General is required to provide legal advice and representation to the commission without charge. Current-year expenditures to provide required services are estimated at \$226,973, and \$232,053 is requested for the budget year, an increase of 2.2 percent.

Fair Political Practices Commission

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

In accordance with the Political Reform Act, the commission's statutory budget for 1981-82 is \$1,762,984. The Governor's Budget does not provide any funds above the statutory minimum.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$2,327,323 from the General Fund to carry out the provisions of the Political Reform Act in 1981-82. This is \$76,076, or 3.4 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. The funds appropriated by Item 864-001-001 are transferred by the State Controller to the items supporting the agencies responsible for the various functions mandated by the act.

Overbudgeting for Secretary of State

We recommend a reduction of \$30,000, based on a pattern of reverting funds.

Our review of prior-year expenditures by the Secretary of State for Political Reform Act duties reveals a pattern of overbudgeting for this program. As a result, the Secretary of State's portion of the Political Reform Act budget has consistently reverted funds at the end of each fiscal year. This pattern of reversion is shown in Table 2.

POLITICAL REFORM ACT—Continued

Table 2
Political Reform Act
Secretary of State Reversions

	1979-80	1978-79	1977-78
Appropriation.....	\$464,635	\$435,126	\$419,110
Amount reverted	-53,164	-38,519	-67,836
Percent reverted.....	11.4	8.9	16.2

The average amount reverted during the three-year period since the program's inception is \$53,173. We believe an adjustment to the budget should be made to reflect this pattern of overbudgeting. However, in recognition of the relatively short period of time during which the program has been operating, and to allow for unforeseen contingencies, we recommend a more conservative reduction of \$30,000 (rather than \$53,000) from the amount to be appropriated to Secretary of State for administration of the Political Reform Act.

Excessive Staffing for Franchise Tax Board

We recommend a reduction of \$323,000 and 12.3 personnel-years to eliminate overbudgeting of Franchise Tax Board workload needs.

The Franchise Tax Board (FTB) is budgeted for 45.4 personnel-years to fulfill its audit requirements under the Political Reform Act. This staffing level was established in 1980-81, based on the board's assessment of the resources it would need to handle workload requirements over the four-year period 1980-81 through 1983-84.

Our analysis indicates that the budgeted staffing level of 45.4 personnel-years overstates the department's workload needs. Table 3 presents the distribution of resources between direct and support activities, as requested in the budget, and the distribution which we believe more accurately reflects FTB's staffing requirements. The difference between the budgeted and recommended totals represents: (1) changes resulting from the availability of new information, and (2) changes which FTB should have reflected in developing its 1981-82 support requirements.

Table 3
Franchise Tax Board
Political Reform Audit Program
1981-82 Personnel-Years

	<i>1981-82 Personnel-Years</i>		
	<i>Budget Request</i>	<i>Legislative Analyst's Proposal</i>	<i>Difference</i>
Direct activities.....	33.6	28.8	-4.8
Support (by FTB division):			
Administration.....	.5	.5	—
Program services	3.9	2.3	-1.6
EDP	4.8	0	-4.8
Operations	2.3	1.2	-1.1
Compliance2	.2	—
Legal1	.1	—
Subtotals, support	(11.8)	(4.3)	(-7.5)
Totals	45.4	33.1	-12.3

With regard to direct activities, we recommend—and the board concurs—a reduction of 4.8 personnel-years corresponding to five authorized positions. Based on experience to date in 1980-81, four positions budgeted for 1981-82 are simply not needed to fulfill the board's workload requirements. In addition, we recom-

mend that one auditor position be eliminated, as recent information from FTB indicates that the audit production rate for lobbyist statements has been much better than projected.

With regard to support activities, we recommend that only 4.3 personnel-years—rather than the budgeted 11.8—be funded in 1981–82. The largest reduction, as shown in Table 3, is in electronic data processing (EDP), where we recommend that all 4.8 personnel-years budgeted be eliminated. Prior to 1980–81, FTB required data processing support to handle some of its Political Reform Act workload; however, all work is now manually processed. The inclusion of the EDP positions in the four-year cycle staffing level was simply a budgeting error which the department acknowledges.

We also recommend two other reductions in the support activities budget: (1) a 1.1 personnel-year reduction in operations, and (2) a 1.6 personnel-year reduction in program services. Both of these reductions are based on updated, actual figures provided to us by FTB as to the actual level of support required.

FTB maintains that, with respect to the support funding recommended for elimination from the EDP and program services divisions, some portion reflects an allocation of the board's overhead costs. That is, the board must incur certain costs (for example, payments on the computer), regardless of how these costs are allocated between the Political Reform Act item and FTB's general support item. Thus, by eliminating the reimbursement for fixed costs, our recommended support reductions result in an increase in the portion of fixed costs which must be borne by the board's general support budget. FTB has not, however, provided us with information sufficient to justify an augmentation to their general support budget to account for this reallocation.

PUBLIC UTILITIES COMMISSION

Item 866 from the General

Fund and various other funds

Budget p. GG 113

Requested 1981–82	\$35,286,892
Estimated 1980–81	33,717,764
Actual 1979–80	27,741,110
Requested increase (excluding amount for salary increases) \$1,569,128 (+4.6 percent)	
Total recommended reduction	\$1,016,493

1981–82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
866-001-001—Public Utilities Commission, Primary	General		\$18,820,300
866-001-019—Energy Programs	Energy Resources Conservation and Development Special Account		3,968,704
866-001-412—Transportation Regulation	Transportation Rate Fund		12,371,022
866-001-041—Representation before the Civil Aeronautics Board	Aeronautics Account, State Transportation		126,866
Total			\$35,286,892

PUBLIC UTILITIES COMMISSION—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
page

- | | |
|---|------|
| 1. General Fund Deficiencies. Recommend that the commission comment on (a) the prospect for a General Fund deficiency in 1980-81, and (b) the actions being taken to improve its fiscal management. | 1568 |
| 2. <i>Highway Carrier Minimum Rate Tariffs. Reduce Item 866-001-412 by \$200,000.</i> Recommend reduction to reflect the savings that the commission estimated would result if it stopped revising the minimum rate tariff for general freight. | 1569 |
| 3. <i>Postage. Reduce Item 866-001-412 by \$258,782.</i> Recommend elimination of funds to mail tariffs that have been discontinued. | 1570 |
| 4. Transportation Energy Efficiency Plan. Recommend the commission report on fuel savings resulting from the plan. | 1570 |
| 5. <i>Cogeneration Contracts Review. Reduce Item 866-001-019 by \$167,387.</i> Recommend elimination of 5 proposed positions due to lack of workload justification. | 1571 |
| 6. <i>Energy Policy Analysis. Reduce Item 866-001-019 by \$141,951.</i> Recommend elimination of funds for four proposed positions because workload for the positions has not been specified. | 1572 |
| 7. <i>Alternative Energy Sources. Reduce Item 866-001-019 by \$76,145.</i> Recommend elimination of 2 proposed positions which would duplicate other existing and proposed research and review staff. | 1572 |
| 8. <i>Energy Cost Adjustment Clause. Reduce Item 866-001-019 by \$115,520.</i> Recommend elimination of three proposed new positions due to lack of workload justification. | 1573 |
| 9. <i>Consumer Affairs. Reduce Item 866-001-001 by \$56,708.</i> Recommend reduction in funds for new consumer complaints positions because commission is proposing alternative methods to reduce workload. | 1573 |

GENERAL PROGRAM STATEMENT

The Public Utilities Commission (PUC), created by constitutional amendment in 1911, is responsible for the regulation of privately owned public utilities. The term "public utility" includes such entities as electric, telephone, gas, warehouse, truck, bus, airline companies and pipeline corporations. For operating purposes, however, the PUC distinguishes between regulation of "transportation" companies and regulation of the remaining "utilities."

The commission's primary objective is to insure adequate facilities and services for the public at reasonable and equitable rates, consistent with a fair return to the utility on its investment. It is also charged by state and federal statutes with promoting energy and resource conservation in its rate-making and other decisions.

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

The commission must approve all changes in operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities and may also initiate investigations of utility companies on its own volition. In all such cases, data are accumulated by the staff, hearings are held, decisions rendered, and compliance secured through enforcement procedures. Appeal of commission decisions may be made only to the

California Supreme Court, whose review power is limited to questions of law.

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes four appropriations totaling \$35,286,892 from various state funds for support of the Public Utilities Commission in 1981-82. This is an increase of \$1,569,128, or 4.6 percent, over estimated current-year expenditures from these funds. In addition, the budget proposes an appropriation of \$465,432 from the Federal Trust Fund, and \$2,645,963 in reimbursements. Proposed expenditures from all sources of funds total \$38,398,287, which is \$1,365,416, or 3.7 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 General Fund share of the commission's budget is \$18,820,300, which is a 0.3 percent decrease from the 1980-81 level. Other resources come from the State Energy Resources Conservation and Development Fund, the Transportation Rate Fund, the Aeronautics Account of the State Transportation Fund, and the Federal Trust Fund, as detailed in Table 1.

Table 1
Public Utilities Commission
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>
Regulation of Utilities					
Rates.....	\$9,686,288	\$11,200,276	\$12,237,568	\$1,037,292	9.3
Service and Facilities.....	3,042,908	3,933,563	4,419,768	486,205	12.4
Certification.....	2,145,700	2,649,821	2,804,453	154,632	5.8
Safety.....	954,537	1,535,049	1,598,877	63,828	4.2
Subtotals.....	\$15,829,433	\$19,318,709	\$21,060,666	\$1,741,957	9.0
Regulation of Transportation					
Rates.....	\$7,635,838	\$9,271,059	\$9,536,839	\$265,780	2.9
Service and Facilities.....	742,844	1,009,590	1,040,125	30,535	3.0
Licensing.....	4,195,422	5,101,924	5,257,341	155,417	3.0
Safety.....	1,672,765	2,331,589	2,303,316	-28,273	-1.2
Subtotals.....	\$14,246,869	\$17,714,162	\$18,137,621	\$423,459	2.4
Administration					
Utilities.....	(\$3,703,264)	(\$4,372,971)	(\$5,325,486)	\$952,515	21.8
Transportation.....	(2,672,156)	(3,160,523)	(2,926,434)	-234,078	-7.4
Subtotals.....	(\$6,375,420)	(\$7,533,494)	(\$8,251,920)	\$718,426	9.5
Totals.....	\$30,076,302	\$37,032,871	\$39,198,287	\$2,165,416	5.8
Special Adjustment ^a	—	—	-800,000	-800,000	N/A
Adjusted Totals.....	\$30,076,302	\$37,032,871	\$38,398,287	\$1,365,416	3.7
General Fund.....	\$17,044,550	\$18,881,551	\$18,820,300	-61,251	-0.3
State Energy Resources					
Conservation and Develop- ment Special Account.....	381,809	2,820,653	3,968,704	1,148,051	40.7
Transportation Rate Fund.....	\$10,314,751	\$12,015,560	\$12,371,022	\$355,462	3.0
Aeronautics Account, State					
Transportation Fund.....	—	—	126,866	126,866	N/A
Federal Funds.....	239,549	572,466	465,432	-107,034	-18.7
Reimbursements.....	2,096,643	2,742,641	2,645,963	-96,678	-3.5
Personnel Years.....	868.4	946.4	972.1	25.7	2.7

^a The administration proposes to reduce the 1981-82 budget by \$800,000 and 19 positions. The positions currently perform regulatory workload that would be affected by proposed legislation (SB111, AB251)

PUBLIC UTILITIES COMMISSION—Continued

Table 2
Public Utilities Commission
Proposed Program Changes by Fund

	<i>General Fund</i>	<i>ERCD Special Account</i>	<i>Transporta- tion Rate Fund</i>	<i>Aero- nautics Account</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1980-81 Current-Year Revised	\$18,881,551	\$2,820,653	\$12,015,560	—	\$572,466	\$2,742,641	\$37,032,871
1. Workload Changes							
Energy issues	46,250	569,462	—	—	-89,532	—	526,180
Consumer affairs	56,708	56,720	—	—	—	—	113,428
Policy analysis	—	141,951	—	—	—	—	141,951
Consultant Services	—	-332,710	—	—	—	—	-332,710
Other utility workload	31,467	31,466	—	—	-22,956	—	39,977
Power plant certification	—	104,522	—	—	—	—	104,522
Administration	22,233	22,231	22,231	—	—	—	66,695
Data processing	101,880	81,201	31,469	—	—	—	214,550
Section 20 reductions	-151,006	—	—	—	—	—	-151,006
Rapid Transit safety	—	—	—	—	—	-84,156	-84,156
2. Cost Changes							
Personal services	425,779	36,207	249,678	\$2,556	\$4,513	87,219	805,952
Operating expenses	88,820	7,415	52,084	325	941	24,244	173,829
3. Program Changes							
Solar energy demonstration project	—	284,802	—	—	—	—	284,802
Forecasting utility rates and financing	32,225	65,572	—	—	—	—	97,797
Auditing utility management and research	—	79,212	—	—	—	—	79,212
Other utility	84,393	—	—	—	—	—	84,393
Special adjustments							
Small water and sewer companies	-550,000	—	—	—	—	—	-550,000
PBX and radiotelephone	-80,000	—	—	—	—	—	-80,000
Passenger transportation	-170,000	—	—	—	—	—	-170,000
4. Direct appropriation from Aeronautics Account	—	—	—	123,985	—	-123,985	-0-
Totals	\$18,820,300	\$3,968,704	\$12,371,022	\$126,866	\$465,432	\$2,645,963	\$38,398,287

As Table 1 shows, the administration proposes a "special adjustment" that would reduce General Fund expenditures by \$800,000. As a result, total General Fund expenditures will decrease by \$61,251 in the budget year as compared to the current year. The adjustment is not reflected in the program details because the PUC could not provide us with a breakdown of the reduction by program element. Staff has informed us, however, that \$630,000 will be deleted from the utilities program and \$170,000 from the transportation program. After the adjustment, utilities will still show the larger increase of the two programs, growing by \$1,111,957, or 5.8 percent, over last year's expenditures, while transportation grows by \$253,459, or 1.4 percent.

The bulk of the proposed increase in the utilities program is for energy-related positions and projects, and will be funded from the Energy Resources Conservation and Development Special Account (ERCDSA). Proposed transportation program expenditures would grow only enough to meet cost and workload increases. Administration costs, which are allocated to the two regulation programs, show a \$952,515 increase in the utilities program, due to additional policy research, data processing, and legal and judicial positions.

The workload, cost and program changes proposed for the budget year are displayed in Table 2. It shows that the \$1,959,033 increase from the ERCDSA will fund not only direct energy research and rate case workload, but also additional support services in the data processing and administration sections. ERCDSA expenditures for consultants, however, will decrease by \$332,710. Other major changes include merit salary and price increases and the proposed deregulation of small water and sewer companies, PBX and radiotelephones, and charter party and sightseeing tour buses.

Eighty-Eight New Positions Proposed

The budget proposes 88 new positions and the deletion of 19 positions for 1981-82. The net increase of 69 positions would bring total authorized staff to 1,001.5, an increase of 3 percent. Table 3 shows the program and funding distribution of the new positions. The total cost of the net staff increase would be \$2,299,770.

The PUC proposes to assign the majority of the new positions to its utility program. The commission requests 26 new positions for (1) review of a three-year solar water heater demonstration project which has been ordered by the PUC and is to be administered by the utilities, (2) other alternative energy workload, and (3) workload connected with energy cost rate-cases. Four positions would be added to the policy division, primarily to deal with energy issues, and three positions would develop methods to forecast utility rates and the effect of potential commission decisions on utility financing. Other new staff would extend the scope of PUC audits of utility expenditures and provide the commission with more information on utility plant and transmission resources. The commission also proposes two utility division positions unrelated to energy issues. One position would monitor federal legislation on communications, and one position would do research on gas service and safety issues.

The commission proposes to make permanent 23 reimbursed positions on the natural gas terminal task force, and to continue 10 limited term positions administering the Transportation Energy Efficiency Plan (TEEP).

Finally, in the administration area, the commission is requesting funds to augment its budget, personnel, data processing and consumer affairs divisions. We have reviewed the workload projected for the new positions and, except as noted below, recommend their approval.

PUBLIC UTILITIES COMMISSION—Continued

Table 3
Public Utilities Commission
Proposed Position Changes

	<i>Positions</i>	<i>Amount</i>	<i>Funds^a</i>
Energy Issues			
Solar water heater demonstration project	6	\$208,657	ERCDSA
Cogeneration contract review	5	167,387	ERCDSA
Rate-case workload	9	324,990	ERCDSA
Monitor legislation	4	123,335	GF, ERCDSA
Alternative energy studies	2	76,145	ERCDSA
Policy analysis	4	141,951	ERCDSA
Rate and financial forecasting	3	97,796	GF, ERCDSA
Audits of utility management and expenditures	4	142,145	GF, ERCDSA
Power plant certification	3	104,522	ERCDSA
Gas service and safety standards	1	35,552	GF
Monitor federal regulation of communications.....	1	48,841	GF
Proposed deregulation			
Small water and sewer companies	-13	-550,000	GF
PBX and radiotelephone.....	-2	-80,000	GF
Charter party and tour bus deregulation.....	-4	-170,000	GF
Transportation Energy Efficiency Plan (continua- tion)	10	326,785	TRF
Liquefied natural gas terminal task force (continua- tion)	23	906,991	Reimbursements
Consumer affairs	4	113,428	GF, ERCDSA
Data processing	7	213,540	GF, ERCDSA, TRF
Administration	2	66,695	GF, ERCDSA, TRF
Totals	69	\$2,298,760	

^a Energy Resources Conservation and Development Special Account (ERCDSA), Transportation Rate Fund (TRF), General Fund (GF).

Railroad Safety and Nuclear Power Controls Continued

The Legislature adopted control language in the 1980 Budget Act concerning railroad safety and nuclear power. The same language is proposed in the 1980 Budget Bill.

Two of the proposed provisions require the PUC to report quarterly to the Legislature on its railroad safety enforcement activities, and prohibit it from transferring positions from the railroad operations and safety section to any other section or branch within the transportation division. A further provision exempts the PUC from these requirements if the federal government preempts the PUC's jurisdiction in railroad safety matters.

Additional control language imposes restrictions on potential commission involvement in nuclear power issues. It prohibits the commission from contracting for legal services to appeal federal decisions against the PUC or the Energy Commission concerning the use of nuclear power for generating electrical energy unless the commission gives 30-days' advance notice to the Legislature. The same restrictions apply to contracted legal services for participating in court actions or federal administrative actions concerning nuclear power plants which provide, or would provide, electrical energy to California.

Special Adjustment Reduction Tied to Proposed Deregulation

The budget proposes a reduction of \$800,000 in General Fund support. The reduction would result in the elimination of 19 positions which currently review certificate and rate or tariff applications from small water and sewer companies, PBX and radiotelephone companies, and charter party, sightseeing and tour bus companies.

The administration is simultaneously proposing legislation that would deregulate or alter current statutes applicable to these utilities. Radiotelephone and PBX services would be completely deregulated. Provisions affecting deadlines for commission action on water and sewer company rate-change applications would be amended, and the need for formal commission action on these applications would be curtailed. Finally, the proposed legislation would abolish the requirement that the commission make a finding that a passenger stage company which is serving an area is not providing adequate service before it licenses another company to serve the same area. "Passenger stage corporations" include bus companies providing inter-city service, and charter party, sight-seeing and tour buses.

Commission Leaves Aeronautics Positions Unfilled

Until 1979-80, the commission had 14 positions authorized to regulate intrastate airline service and represent the state's interests before federal regulatory agencies with jurisdiction over air passenger travel, including the Civil Aeronautics Board (CAB). Following the 1978 federal Airline Deregulation Act, however, the courts ruled that the regulatory functions delegated by state law to the PUC must be performed by the CAB. The 14 aeronautics positions were deleted from the 1979-80 budget.

For 1980-81, the Department of Transportation requested 2.8 positions and \$112,000 to represent the state's interests before the CAB, particularly on issues regarding essential air services for small cities. The Legislature transferred the funds and the positions from the department to the PUC, which is required by statute to perform this function.

Although the transfer was shown in the schedule of budget changes and titled "State Representation Before CAB," the PUC has left vacant the legal position and the clerical position which were authorized in the budget. It has assigned one transportation engineer to work part-time on a preliminary report on the effect of airline deregulation on California.

The commission informs us that it intends to develop this preliminary report into a complete evaluation of deregulation. It could not tell us at the time this analysis was prepared, however, what steps it was taking to utilize the information it has gathered. It is not actively representing the state before the CAB at this time. Nevertheless, the commission requests \$126,866 to continue these positions in 1981-82.

Commission Unable to Explain Budget Discrepancies

The workload and fiscal data in the budget show several inconsistent trends and in some cases deviate from information provided by PUC staff.

For example:

- The budget proposes to decrease administration costs charged to the regulation of transportation program by 7.2 percent, while such costs charged to the regulation of utilities program will increase by 21.8 percent. The number of administrative personnel allocated to the transportation program and total transportation program expenditures, however, show an increase. This means that the Transportation Rate Fund, the primary support fund for the transportation program, will contribute less to overhead costs in the budget year than in the current year. The General Fund, in turn, will contribute more because

PUBLIC UTILITIES COMMISSION—Continued

it is the primary support fund for the utilities program. PUC staff has not explained the decrease in administrative costs charged to the transportation program.

- The budget shows General Fund expenditures for the regulation of transportation program of \$3,639,417 in 1979–80, \$5,202,662 in 1980–81, and \$5,258,906 in 1981–82. This is an increase of 44.5 percent in two years. The only program change during this period which has been identified by the PUC and which is funded by the General Fund is an increase in railroad safety positions. The amount budgeted for these positions in the current year, however, is only \$171,402, which explains only 11 percent of the increase over last year's expenditures. Aside from regular merit and salary increases, PUC staff could not explain the remaining increase in expenditures.
- The commission spent 41 percent less than the amount in the budget allocated to data processing in 1977–78, 34 percent less in 1978–79, and 57 percent less in 1979–80. The allocations ranged from \$255,000 to \$270,000 in these years. Current year expenditures are estimated at \$255,000, and the budget proposes to increase the allocation to \$272,850 in 1981–82. When questioned about why the budget should not be reduced, based on experience, staff informed us that, in fact, projected 1980–81 expenditures are \$263,149, or \$8,149 more than budgeted. Due in part to a proposed lease for a larger computer in the budget year, moreover, estimated 1981–82 expenditures are \$346,000, or \$73,150 more than the amount proposed in the budget. Commission staff cannot explain the discrepancy, or how the commission plans to pay for the lease of the new computer. The commission, with the approval of the Department of Finance, is already soliciting proposals for the equipment.
- The merit salary adjustment shown in the budget is \$625,533. This is identical to last year's adjustment. When questioned about this coincidence, PUC staff stated that the correct 1981–82 merit salary adjustment amount should be shown as \$466,938.
- At the time of this Analysis, our office had not received schedules of reimbursements, federal funds, or detailed operating expenses from the commission.
- In two cases the supporting material for program changes was drafted to justify a different number of positions than the PUC proposes.

Because the PUC itself does not know, in many cases, what the amounts in its budget represent, we are unable to analyze portions of the budget or to advise the Legislature on the appropriateness of the amounts proposed.

Prospective 1980–81 Budget Deficiency

We recommend that the commission comment on the prospect of a General Fund deficiency in the current year, and describe what steps it is taking to improve its fiscal management.

The PUC incurred General Fund deficits of \$494,000 in 1978–79 and \$468,038 in 1979–80. In both years, the commission was allotted funds from the Reserve for Contingencies and Emergencies to cover the expenses it had incurred. The Financial and Performance Accountability unit of the Department of Finance reviewed PUC's fiscal situation at the time of the application for a 1979–80 deficiency allotment. A department report includes the following observations on the PUC's fiscal management:

"Decisions have been made which have answered the needs of program operations; however, those decisions have been made to the detriment of the overall fiscal soundness of PUC."

"The traditional methods of achieving (salary) savings are not being utilized

by PUC and emphasis on the need to exercise economies has also not been impressed on the various division chiefs."

"One administrative law judge has been carried on the payroll without a position for an additional cost of \$43,440 per year, not including staff benefits."

"Numerous positions have been upgraded beyond the level at which they were authorized in the budget."

One of the department's recommendations was that the PUC "establish a budgetary/expenditure review and control system that will require management to consider all fiscal implications of their decisions." Decisions that contributed to the deficiency included not only filling vacant positions without regard to availability of funds but redirecting staff in reimbursed or special fund positions to perform General Fund workload.

The commission's vacancy list indicates that vacancy rates in the utility, revenue requirements, and transportation divisions are much higher than in the administrative, policy, legal and judicial sections. These differences reflect the commission's emphasis on research and formal proceedings regarding long-term energy policy. In the short term, however, positions budgeted to fulfill the PUC's statutory responsibility to review rate-case applications go unfilled. Managers must then borrow personnel from other sections to complete the rate-case workload, resulting in more time being charged to the General Fund than is allowed by the PUC budget.

We have been monitoring the PUC's monthly budget reports to determine whether the commission is addressing these issues. The reports suggest that the commission has not been fully implementing the recommendations made by the Department of Finance at the time of last year's deficiency allotment. The budget report for the first five months of the current year indicates that the PUC had spent 52.2 percent of its General Fund appropriation by November 30. At this rate of spending, the PUC would exhaust its General Fund appropriation in mid-April.

The PUC explains, however, that it has been charging work which should be funded from the ERCDSA and the Aeronautics Account to the General Fund while developing a method to allocate the costs to the proper funds. Staff has prepared an estimated fund status report as of January 23, 1980, based on a proration of the ERCDSA and Aeronautics Account appropriations, but until the allocation method is implemented, PUC management will have only a rough estimate of actual General Fund expenditures to date.

We recommend that the commission comment on its current-year fiscal situation and its plans to improve its financial management.

REGULATION OF TRANSPORTATION

Budget Not Reduced for Savings From Trucking Deregulation

We recommend a Transportation Rate Fund reduction of \$200,000 in the regulation of transportation program to reflect the savings resulting from changes in rate-setting procedures for highway carriers that have already gone into effect.

The PUC historically has set rates and published tariffs, or schedules of these rates, for highway freight carriers. The commission, in an effort to reduce governmental intervention in this area, planned a phased-in conversion to market-set rates that was to begin on April 30, 1980.

Last year the Legislature passed AB 1232, which would have postponed the planned conversion. In our analysis of the bill, we noted that the PUC estimated it would realize substantial savings if the PUC was allowed to proceed with the conversion. An analysis of the enrolled bill, prepared by the Department of Finance, estimated that these foregone savings, if the bill passed, would be \$400,000 in 1981-82, \$800,000 in 1982-83, and \$1.2 to \$1.3 million in 1983-84 and all future

PUBLIC UTILITIES COMMISSION—Continued

years.

The Governor vetoed AB 1232 and the final minimum rate tariff for general commodities became effective on April 30, 1980. The PUC will no longer revise this tariff or mail it to licensed carriers.

The commission, however, did not reduce its budget by the amount of the savings it estimated would occur in 1981–82. The savings can be divided into reductions in the staff workload and reductions in mailing costs. We have recommended below that the PUC's postage allotment be reduced by \$258,782 because tariff and other mailing workload has decreased. Based on information provided by the PUC for our analysis of AB 1232, an additional \$200,000 will be saved because staff no longer has to revise the minimum rate tariff. We recommend that the Transportation Rate Fund appropriation be reduced by this amount.

Postage Budgeted for Discontinued Mailings

We recommend that funds budgeted to mail general freight tariffs be deleted because these tariffs are no longer published, for a savings of \$258,782 to the Transportation Rate Fund.

Prior to May 1980, the PUC maintained minimum rate tariffs for highway carriers. The tariffs set the minimum rate a carrier could charge for transporting a particular commodity a given distance. Whenever these rates were revised, copies of the tariff were mailed to all carriers licensed to transport that type of commodity.

Legislation enacted in 1978 required truckers in one of three main categories of licensed carriers to convert to one or both of the other categories. This relicensing procedure resulted in multiple mailings to 12,000 carriers in addition to the commission's regular tariff mailings. The commission requested that its postage budget, which was \$295,720 for 1977–78, be increased to \$368,476 for 1978–79 and \$386,831 for 1979–80 to cover this added workload. By 1980–81 the postage allotment had grown to \$484,788.

The commission is requesting \$540,457 for postage in 1981–82. It no longer needs this large an allotment for two reasons. First, the relicensing of carriers and the resultant extra mailings are completed. Second, the commission has instituted a final minimum rate tariff for general freight and will not be publishing or mailing new tariffs to general freight carriers. (The commission will still maintain minimum rates for smaller groups of specialized carriers pending further deregulation.) These reductions in the number of mailings allow a substantial reduction in the base amount budgeted for tariff postage.

Based on actual expenditures for the first five months of this year, we estimate actual 1980–81 postage costs of the transportation division will be \$98,940, or \$258,782, less than the \$357,722 allotted to the division. This allotment for a nonexistent workload is continued in the budget year, and we therefore recommend its deletion.

Transportation Energy Efficiency Plan Should Demonstrate Savings

We recommend that the commission report to the Legislature by January 31, 1982 on the fuel savings resulting from the Transportation Energy Efficiency Plan.

In 1979 the Legislature directed the PUC to develop an energy efficiency plan for highway carriers and to make a factual finding in every carrier-related decision that the decision complies with the plan. The PUC adopted a plan in December 1980 which states that efficiency will be best promoted by a competitive and well-informed industry. This decision is consistent with the commission's policy to maximize the competitive element in determining carrier rates and service.

The current-year budget authorized 11.2 one-year positions to develop and

implement the plan. For the budget year, the commission proposes to continue 10 positions until June 30, 1982, in order to administer the plan. Three positions would perform the judicial, reporting and legal work required to make findings in commission decisions. Seven positions in the transportation division would study ways to create energy efficiency incentives in PUC rate tariffs, establish vehicle and fuel efficiency standards and goals, publicize methods to achieve these goals, and provide the staff support necessary to make the required findings in commission decisions.

The legislation requiring the PUC to develop the TEEP did not specify any fuel efficiency goals, or the intended scope of the plan. The plan has not been in effect long enough to generate any information on the resources that will be required to establish findings. We therefore have no basis on which to evaluate the workplan submitted by the commission.

In order to allow the Legislature to determine whether the plan developed by the commission is consistent with legislative intent and is cost-effective, we recommend that the PUC report on the plan's first-year results by January 31, 1982. The report should estimate the fuel savings that result from (1) more efficient loading practices and patterns of service that are attributable to rate and operating authority decisions made by the commission in order to conform to TEEP, and (2) publicizing fuel conserving equipment and operating techniques. The report should also indicate the amount of staff time and other PUC resources that were required to achieve the fuel savings.

We recommend that the following supplemental report language be adopted to require this report:

"The Public Utilities Commission shall report to the Legislature by January 31, 1982, on the fuel savings achieved through the Transportation Energy Efficiency Plan, and on the amount of PUC resources that was required to achieve the savings."

REGULATION OF UTILITIES

Cogeneration Positions Not Justified by Current Workload

We recommend deletion of funds for five proposed positions to review cogeneration projects because existing positions can handle the workload, for a savings of \$167,387 to the ERCDSA.

The commission was authorized three new positions in the current year for cogeneration projects. Cogenerators produce electricity from waste heat of industrial processes which is then sold to utilities. The three positions, two of which are currently vacant, were established to produce price guidelines for these sales, and "to be involved in reviews of up to 100 cogeneration projects per year as to their conformity to the price guidelines. The PUC staff will also be involved in assistance to all small power producers on a range of regulatory problems as well as ongoing tracking of projects."

Legislation enacted in 1980 (Chapter 373, Statutes of 1980) requires the PUC to establish prices for the electricity sold by cogenerators, for standby electricity that the utilities provide to cogenerators on a contingency basis, and for utility-provided transmission of electricity generated by cogenerators and other "nonconventional" producers. It also directed the PUC to review such charges paid by and to utilities, and to consider adjustments in such charges to encourage the generation of electricity from nonconventional sources. Our analysis of the proposed legislation indicated that the PUC had informed us that it could perform this review with existing resources. In addition, the Department of Finance analysis of the *enrolled bill* indicates that it would have no fiscal effect.

The commission is now requesting five more positions to review cogeneration

PUBLIC UTILITIES COMMISSION—Continued

contracts, on the basis of workload generated by Chapter 373. PUC staff estimate that they are receiving 100 new contracts per year, the number it estimated the three existing positions could review. Most existing contracts are relatively recent and will not need to be reviewed until they are renegotiated several years from now. Based on the lack of workload justification and the Department of Finance's own cost estimate for Chapter 373, we recommend the five positions be deleted from the budget.

Positions for Unspecified Policy Analysis

We recommend deletion of 4 positions and \$141,951 from the ERCDSA for unspecified policy analysis workload.

The 1980–81 budget provided ERCDSA funds for 27 new positions and consulting services for the PUC's alternative energy and energy conservation programs. For the budget year the commission is proposing an additional 26 positions and \$286,000 for energy consultants, as well as four ERCDSA funded policy analysts to research unspecified projects as they arise.

The PUC's proposals for the budget year include 6 positions to analyze the results of the utility-financed solar water heater demonstration project ordered by the commission, 9 positions to perform energy-related rate-case workload, and 2 positions to monitor federal energy legislation. Existing resources already include 7 policy analysis positions and 5 positions to develop methods to encourage conservation through altering the structure of rates charged for various types of utility service. The commission has proposed that, during the current and budget years, consultants will train staff to review utility fuel procurement practices, research and development, conservation programs, financing and interconnections (which transmit electricity from one system to another). Consultants are also to provide information on synfuels, ratemaking incentives for conservation, cogeneration issues, and utility vertical integration (the acquisition of fuel sources, such as coal mines).

Our analysis indicates that there is no need for four positions whose workload cannot be identified, when the commission has recently added or proposed such extensive resources in the energy area. In addition, as of January 1, 1981, 16 of the 39 vacancies in the executive, utility and revenue requirements divisions were research positions. These positions, if filled, could assist existing policy analysts address unforeseen energy issues during the budget year.

Research Positions for Alternative Energy Sources

We recommend that two positions and \$76,145 for alternative energy research be deleted because the commission is requesting other positions to perform similar functions.

The commission proposes two new positions to analyze utility proposals to finance alternative energy research and demonstration projects. The positions would analyze the economics of the projects, their effect on the energy resource plans and financial status of the utilities, and how much of the projects' risks should be borne by rate-payers.

Material submitted in support of the request cites the shortage of staff for resource and financial planning investigations, certification cases, analysis and data processing. Our analysis indicates that the PUC has or is proposing sufficient positions in these areas to provide expertise on alternative energy projects. For instance, the commission is proposing to establish a six-person unit to "ensure the timely implementation of the demonstration solar financing program and lay the ground work for future development of solar energy." It also proposes three positions in the certification unit to evaluate applications for alternative technology powerplants, and one position to analyze utility research and development.

The commission proposes to add three positions for utility rate and financial forecasting, and seven positions to the data processing unit. The commission already has a cogeneration unit to review utility involvement in that area.

We recommend that funds for these positions be deleted on the basis that they would duplicate existing or proposed PUC staff resources.

Budget Proposes More ECAC Positions than Requested by the Electric Branch

We recommend that funds for three of four proposed new positions in the Electric Branch be deleted because the PUC only provided workload justification for one position, for a savings of \$115,520 from the ERCDSA.

The Energy Cost Adjustment Clause (ECAC) allows expedited proceedings to adjust electric rates for increased fuel prices. The commission permits utilities to file ECAC rate-change applications three times a year. The frequent adjustments for fuel prices reduce the interest costs charged to rate-payers when utilities have to use their own funds, rather than rate revenues, to meet fuel prices which were underestimated in previous rate cases.

ECAC cases involve staff from the finance, electric, legal and judicial sections of the commission. The Electric Branch currently has a two-man ECAC unit and the budget proposes to add four more positions. The justification provided by the Electric Branch, however, proposes to "expand the existing two-person ECAC unit to a three-person unit . . . The number of ECAC hearings will be increased by 50 percent, and the use of estimated versus recorded test year data will require the staff to make independent estimates of sales and fuel prices."

The workload will increase by 50 percent because the commission has recently allowed utilities to file three ECAC applications per year instead of the former two. While the number of cases will increase, each case will involve fuel cost data for a shorter period of time. In addition, the current-year budget contains funds for consultants to train existing staff in the analysis of utility fuel procurement practices.

Our analysis indicates that the one position requested by the Electric Branch should be sufficient to meet the additional ECAC workload expected in the budget year. We recommend deletion of funds for the other three positions proposed by the commission.

Consumer Affairs Branch Workload

We recommend that two new customer service representative positions be deleted because the commission is pursuing other methods of reducing the workload of the Consumer Affairs Branch. The savings to the General Fund will be \$56,708.

The Consumer Affairs branch of the PUC was administratively established in 1976 to mediate billing and service disputes between utility and transportation companies and their customers. Customer service representatives investigate complaints and decide cases for one party or the other, if appropriate. They can order the utility to refund amounts billed in error, but they cannot impose punitive fines for damages. If either party is dissatisfied with the order, it has the right to appeal to the commission itself. The commission then holds a formal hearing and issues a decision which may only be appealed to the California Supreme Court.

The activities of this branch benefit utility customers and taxpayers in three ways:

1. **Individual refunds.** In 1979-80, consultants ordered utilities to refund \$433,819 and transportation companies to refund \$200,891 to their customers.
2. **Avoided costs.** The branch prevents all but a few cases a year from going to formal hearing. This saves the costs of administrative law judges, court reporters, other PUC staff and the commissioners, which would be incurred during formal proceedings.

PUBLIC UTILITIES COMMISSION—Continued

3. *Monitoring of utility performance.* The branch keeps detailed records on the types of complaints it receives, and on their resolution. By far the most complaints concern telephone companies. In a 1980 decision, the commission withheld \$7 million in revenues from the General Telephone Company, pending improvements in service to customers.

This activity is not without cost, however. The branch started with 9 representatives in 1976, and has grown to 18 in the current year in response to a workload increase of 26 percent in 1978–79 and 10 percent in 1979–80. Proposed 1981–82 expenditures for the branch total \$919,656.

The commission has made efforts to reduce the workload and handle complaints in other ways. A centrex system, installed in 1978–79, transfers calls to utility company representatives if the consumer has not tried to resolve the issue directly with the company. Because an increasing number of calls concern utility rates, the commission has expanded its public information program, which includes public meetings around the state attended by management-level staff and commissioners.

The commission is proposing two new representative positions in the budget year. We question the need for additional staff for two reasons. First, after obtaining authorization for two new positions in last year's budget, the commission administratively created four more utility complaint positions by transferring the transportation complaint workload, but not positions, from the branch to the transportation division field offices. These changes created a 50 percent increase in utility complaint staff. The commission's recorded workload for the first six months of 1980–81 indicates that the number of calls has increased by 42 percent. (Staff states that, due to a computer problem, many cases have not been recorded.)

Secondly, the PUC should be attempting to *prevent* the workload increase. One of the fastest growing causes of complaints is high utility rates. Because the representatives have no power to change rates, it is relatively unproductive to use their time answering individual inquiries. PUC staff who do have a direct effect on utility bills are those scrutinizing utility efficiency in rate cases and those promoting energy conservation. In view of this, the commission is proposing several rate case positions and an ERCDSA-funded consumer liaison position to inform consumers about how rates are set, and what types of service options and conservation measures will minimize their utility bills.

We recommend approval of the commission's attempt to forestall complaints by promoting consumer education and energy conservation. Our analysis indicates, however, that the proposed liaison and the administratively established positions should prevent the need for additional representatives in the budget year.

RAPID TRANSIT SYSTEM SAFETY UNIT

The Public Utilities Code provides that certain rapid transit districts are subject to PUC regulation of their safety equipment and procedures. These districts include the Bay Area Rapid Transit District (BART), the Southern California Rapid Transit District (SCRTD), the Santa Clara County Transit District (SCCTD), and any other public transit guideway planned, acquired, or constructed after December 31, 1978. Last year, the Legislature directed us to report on the number and duties of PUC staff assigned to monitor BART safety in the *Analysis of the 1981 Budget Bill*.

The commission's oversight responsibility for BART was established by the Legislature in 1957. Originally the Railroad Operations and Safety Branch staff monitored BART planning and operations. In 1975, two collisions, a runaway car

and other events led the PUC to hold hearings on BART safety. The commission ordered BART to eliminate certain safety problems, and a separate rapid transit safety unit was established and staffed with six full time positions to monitor the redesign and modification work. The commission proposed to eliminate the positions in 1979, but a fire in the transbay tube that year resulted in the need for their retention. The commission again held hearings on BART safety, and ordered changes in equipment, materials and safety procedures. The PUC staff reviews implementation of these and other modifications, and reviews other safety issues such as BART's "close headways" application to run its trains closer together.

At the present time there are eight positions in the PUC's Transit District Safety Branch, two of which are limited to June 30, 1981. (Until recently there were nine positions, but one was transferred out of the branch in September 1980). The San Diego light rail system (MTDB) and BART each reimburse the PUC for one of the eight positions. The titles and duties of the staff are:

Manager—Directs staff and interacts with commission members, various levels of government, and transit districts.

Senior Rapid Transit Control Systems Engineer—Evaluates electronic control systems and proposed modifications to the systems.

Senior Electrical Engineer—Investigates and inspects automatic and conventional rapid transit train control systems (for example, systems controlling train separation and speed).

Senior Transportation Operations Supervisors (2 positions)—Monitor existing operating and maintenance practices and develop recommended changes. Responsibilities include analyzing operating rules, training programs, and emergency procedures.

Senior Reliability and Quality Engineer—Performs reliability and quality evaluations of designs, modifications, repairs and inspections.

Senior Rapid Transit Computer Control Systems Specialist—Develops safety standards and procedures for computer control systems.

Secretary—Provides clerical support.

At this time, the staff is spending the majority of its time working on BART-related matters, including a fire-hardening program. In response to the trans-bay tube fire, BART was ordered to replace various materials in its cars with more fire retardant substances, or materials that produce less toxic smoke. PUC staff review and approve BART proposals on each replacement project. Staff reservations over one such modification, a seat replacement program, resulted in a PUC hearing which ultimately resolved the issue in favor of the BART proposal.

The PUC is also monitoring the redesign of BART's train control systems. The systems are supposed to automatically detect the location of a train and keep following trains out of a certain safety zone behind it. Questions about the reliability of the controls, however, have prompted the PUC to order BART to make the safety zones larger than was originally planned. This has reduced the number and frequency of trains, and therefore the carrying capacity of the system.

There are two other groups monitoring BART safety. The transit system itself has a 14-position safety department that (1) defines safety considerations during the planning stages of engineering projects, (2) reviews operating rules and maintenance programs, (3) audits operating safety, (4) oversees safety modification programs such as the fire-hardening project, and (5) trains BART personnel in safety and emergency procedures. The staff also coordinates the emergency procedures and planning with local fire and police departments.

The federal Urban Mass Transit Administration (UMTA) is primarily a funding agency for mass transit systems. In its role as an advisor to new systems, however,

PUBLIC UTILITIES COMMISSION—Continued

it emphasizes safety during the planning, design and construction phases of development. It can also withhold financial assistance from unsafe operating systems until a plan for correcting the problem is approved or implemented. UMTA provides support funds for BART and therefore its oversight jurisdiction includes the system.

The UMTA and the PUC are participating in the planning aspects of the SCRTD and other proposed rapid transit systems. The PUC is also attempting to participate more in design meetings for BART modifications, because BART and the PUC agree that in the past commission staff have occasionally posed questions during the approval process that should have been raised earlier.

The PUC also is attempting to change the branch's approach to safety review. This is due in part to resource constraints. The PUC has requested, and the Department of Finance has denied, additional staff to monitor the planning and construction phases of systems which are now in the development or early operating stages. With no increase in staff, the commission will not be able to review the new systems in as much detail as it has the BART system.

The reorientation is also due to deficiencies in the current approach. In the past, the PUC's BART workload has been primarily defined by the system's immediate problems. The manager of the PUC rapid transit safety branch described the drawbacks of this approach as follows:

"Reactive regulation leaves many serious problems unsolved. First, it must be remembered that the Transbay Tube was closed for three months (after the 1979 fire) and an integral part of the Bay Area transportation mix was effectively rendered inoperative. Second, such regulation by reaction—or "second guessing" as detractors would call it—inevitably breeds friction between BART's elected Board of Directors, who are responsible for both safety and operations, and the Commission with its sole responsibility to oversee safety. Third, the current regulatory framework provides BART with scant guidance as the level of safety for operations which the Commission will find acceptable. Finally, the current approach addresses and rectifies specific past problems, but does little to prevent future safety hazards that might arise in unrelated areas."

The PUC is attempting to insure the effectiveness of its regulatory work and the adequacy of its existing staff level by using a \$60,000 UMTA grant to investigate the feasibility of developing safety performance standards that would be generally applicable to all systems. The commission would then reduce the involvement of PUC staff in detailed engineering work and redirect them to evaluating whether transit district plans met the safety standards.

STATE BAR OF CALIFORNIA

Item 868 from the General
Fund

Budget p. GG 124

Requested 1981-82.....	\$25,000
Estimated 1980-81	25,000
Actual 1979-80	25,200
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The State Bar of California is a public corporation headed by a 22-member board of governors. The board consists of 16 attorneys—15 elected by the members of the State Bar and one appointed by the board of directors of the California Young Lawyers Association—and six nonattorney public members appointed by the Governor.

The board of governors administers those provisions of the Business and Professions Code relating to the practice of law. It is empowered to make investigations of all matters affecting or relating to:

- a. The State Bar or its affairs.
- b. The practice of the law.
- c. The discipline of the members of the State Bar.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 304, Statutes of 1977, authorized per diem payments from the state General Fund of \$50 per day but not to exceed \$500 per month for each of the public members of the board of governors. Expenses of the attorney members are paid from State Bar funds. This item provides \$25,000 to reimburse the State Bar for the public members' per diems, which totaled \$25,200 in 1979-80. The amount budgeted appears reasonable.

BOARD OF CONTROL

Item 871 from the General
Fund

Budget p. GG 125

Requested 1981-82	\$970,033
Estimated 1980-81	1,555,984
Actual 1979-80	1,523,380
Requested decrease (excluding amount for salary increases) \$585,951 (-37.7 percent)	
Total recommended reduction	\$15,712
Total recommendation pending	\$79,134

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Reimbursement Process. Reduce Item 871-001-001 by \$15,712.* Recommend budget language to require implementation of new legislatively approved reimbursement process in future 1581

BOARD OF CONTROL—Continued

claims bills. Further recommend deletion of one position due to workload savings resulting from new process.

2. **Staff Increase.** Withhold recommendation on \$79,134 (Item 871-001-001), pending receipt of additional information needed to justify request for additional staff. 1584
3. **State-Owned Housing.** Recommend budget language to insure that the state will realize savings from new policy requiring rents for state-owned housing to reflect market values (potential savings to the state: up to \$2.4 million). 1584

GENERAL PROGRAM STATEMENT

The Board of Control is a three-member body consisting of the Director of General Services, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management, through the following five programs.

Administration

The administrative function provides direction to the Board of Control staff in response to board policies, serves as liaison between the board and the Legislature, and performs personnel and budget services to all programs under the board's jurisdiction.

In addition, this program provides state administrative control by establishing rules and regulations regarding numerous fiscal transactions including discharge of accounts receivable by the state, refunds, credits and cancellation of taxes, sale and disposal of unclaimed property and transfer of funds between state agencies. It also determines the pro-rata share of statewide administrative costs payable by each state agency, per diem rates for state employees on travel status and rules on employee travel claims.

Merit Award Board

A five-member Merit Award Board administers the statewide suggestion system and acts in an advisory capacity to the Board of Control. Activities of this program include establishing merit standards and policies, reviewing suggestion evaluations and recommending certificate and monetary awards for state employees to the Board of Control.

Victims of Crime

This program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence (Victims of Violent Crimes element) or who sustain damage or injury while performing acts which benefit the public (Good Samaritan element). Eligibility for awards is determined by the board after the facts of a claim are verified by its staff.

Governmental Claims

This program administratively adjudicates all claims for money or damages against the state. All equity claims (those for which there is no legal obligation to award compensation) approved by the board are referred to the Legislature for payment in an omnibus claims bill. The board works with the Department of Justice and Transportation in administering tort liability claims.

Local Mandated Costs

An expanded five-member board, which includes two additional members appointed by the Governor and representing local agencies, hears claims from local jurisdictions alleging increased local expense attributable to state legislation or executive orders (SB 90). Claims approved for reimbursement of costs resulting from state-mandated local programs are submitted to the Legislature twice a year for approval and funding.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes a total expenditure program of \$2,943,730 for the Board of Control in 1981-82, which is \$456,836, or 13.4 percent, less than estimated current-year expenditures. The request consists of a General Fund appropriation of \$970,033 and reimbursements of \$1,973,697, primarily from the Indemnification of Private Citizens program.

The General Fund appropriation is \$585,951, or 37.7 percent, less than estimated current-year expenditures. The decrease does not reflect a corresponding reduction in ongoing board programs. Instead, it primarily reflects a one-time expenditure of \$870,410 in the current year under Chapter 828, Statutes of 1980. This chapter appropriated funds to pay the remainder of local governments' claims for extraordinary costs of law enforcement services provided in 1978-79. The majority of these claims were funded by Chapter 1204, Statutes of 1979.

If current-year costs are adjusted to eliminate the one-time expenditure, the General Fund appropriation proposed in the budget would be \$284,459, or 41.5 percent, higher than estimated current-year expenditures. This amount will be increased further by the amount of any salary or staff benefit increase approved for the budget year. The increase is attributable to a request for a word processor that should lead to personnel savings in future years, and increased personnel requested for the government claims and local mandated costs programs.

Table 1
Board of Control
Budget Summary

<i>Funding</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
1. General Fund	\$1,555,984	\$970,033	-\$585,951	-37.7%
2. Reimbursements	1,844,582	1,973,697	129,115	7.0
Totals	\$3,400,566	\$2,943,730	-\$456,836	-13.4%
<i>Programs</i>				
1. Administration	\$221,547	\$342,957	\$121,410	54.8%
Personnel-years	4.3	4.3	-	-
2. Merit Award Board	117,213	124,763	7,550	6.4
Personnel-years	5	5	-	-
3. Victims of Crime	1,756,368	1,899,482	143,114	8.1
Personnel-years	64.8	69.7	4.9	7.6
4. Government Claims	1,173,144	372,019	-801,125	-68.2
Personnel-years	12.4	14.3	1.9	15.3
5. Local Mandated Costs	132,294	214,309	82,015	62.0
Personnel-years	5	7.9	2.9	58.0
6. Special Adjustment	-	-9,800	-9,800	-
Personnel-years	-	-5	-5	-
Totals	\$3,400,566	\$2,943,730	-\$456,836	-13.4%
Personnel-years	91.5	100.7	9.2	10.1

BOARD OF CONTROL—Continued

The board's administrative costs for processing claims submitted by crime victims have increased by \$143,114 (8.1 percent) in the budget year. These costs are identified as reimbursements under this item. Direct support for the Victims of Violent Crimes and Good Samaritan elements is included in the budget for the Indemnification of Private Citizens program (for additional information on these programs, see our analysis of Item 872-001-001).

Table 1 illustrates the board's proposed funding and expenditures for the current and budget years.

Workload

The board's workload, particularly claims requiring processing, continues to grow steadily. The projected workload of the board, as measured by claims and suggestions received, is shown in Table 2.

Table 2
Board of Control
Workload Indicators

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Projected 1981-82</i>
1. Suggestions.....	2,969	3,494	4,019
Change from prior year	20.3%	17.7%	15%
2. Victim and good samaritan claims.....	8,839	10,008	11,000
Change from prior year	25.8%	13.2%	9.9%
3. Government claims	9,804	11,617	13,767
Change from prior years	26.9%	18.5%	18.5%

Board of Control's Role in SB 90

Chapter 1406, Statutes of 1972 (SB 90), authorized the state to reimburse local governments for state-mandated costs and lost sales and property tax revenues where the mandating statute acknowledged the state's obligation to cover such costs or revenue losses. Chapter 486, Statutes of 1975, established an SB 90 appeals process through the five-member Board of Control. The board was given the responsibility to hear claims alleging that (1) the reimbursement had been incorrectly reduced by the State Controller, (2) an executive order had incorrectly stated that it did not impose costs mandated by the state, and (3) a claim was not paid due to late filing.

Chapter 1135, Statutes of 1977, significantly broadened the board's authority with respect to local government claims. This act allows the board to hear claims involving (1) legislation containing a section disclaiming any state obligation to reimburse mandated costs or (2) legislation containing neither a disclaimer nor an appropriation.

Two statutes were enacted in 1980 which made significant changes to the SB 90 process. The first, Chapter 1256, speeds up the board's process of paying claims for unfunded mandates and modifies certain filing deadlines for submitting claims for reimbursement of mandated costs. The 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 requires the board to establish a "savings claim" procedure that provides for partial recovery of cost savings which the state authorizes by repealing or reducing existing mandate requirements.

The "New" SB 90 Process for Reimbursement of Unfunded Mandates

In cases where the Board of Control rules that a statute or executive order contains an unfunded mandated cost, it must prepare a set of parameters and guidelines delineating the types and amounts of costs that are eligible for reimbursement. Prior to Chapter 1256, actual cost claims were (1) submitted to the Board of Control for approval, (2) sent to the State Controller for desk audit, (3) presented to the Legislature in the biannual local claims bill and (4) paid by the Board of Control from the appropriation included in the claims bill. Because claims against any particular mandate were received at different times, the Legislature was often required to act on reimbursement requests for the same type of mandate in several different claims bills.

Chapter 1256 modified this procedure by requiring the board to present to the Legislature, for inclusion in the claims bill, an *estimate* of the *statewide* costs, based on the adopted parameters and guidelines to be incurred by all local agencies and school districts affected by the mandate. After a claims bill providing funding for a given mandate is enacted, all subsequent claims based on this mandate are handled by the State Controller. This new process eliminates the need for several claims bills relating to the same mandate, thereby speeding up the reimbursement process. It also gives local agencies and school districts the ability to seek reimbursement of mandated costs prior to incurring the costs. Finally, it reduces the Board of Control's workload by requiring that claims funded in the claims bill be paid by the State Controller and not by the Board of Control. Thus, Board of Control staff are no longer required to process each local claim for inclusion in a local claims bill.

New Reimbursement Process

We recommend that control language be adopted requiring the Board of Control to implement the reimbursement process established in Chapter 1256, Statutes of 1980, for all mandates to be funded in future claims bills. We further recommend deletion of one limited-term position because the new reimbursement process should reduce clerical workload, for a General Fund savings of \$15,712 (Item 871-001-001).

The Board of Control has adopted a policy which states that the reimbursement process established by Chapter 1256 will be applied only to those mandates for which parameters and guidelines were adopted after January 1, 1981. This will necessitate that over a dozen mandates be reimbursed under the old process. This, in turn, will result in the inclusion of these mandates in the next several claims bills, creating an undue delay in local reimbursement, and imposing an added burden on the Legislature. It will also delay a reduction in board workload which would otherwise occur.

Accordingly, we recommend that the following control language be adopted in this item:

"Provided further, that for the following mandates, the Board of Control shall provide to the Legislature, for inclusion in the next claims bill, a statewide estimate of costs as required by Section 2253.2 of the Revenue and Taxation Code:

- (1) Chapter 961, Statutes of 1975 (Collective Bargaining)
- (2) Chapter 1215, Statutes of 1974 (SARB)
- (3) Chapter 593, Statutes of 1975 (Jury Duty)
- (4) Chapter 1269, Statutes of 1975 (RAVEC)
- (5) Chapter 1176, Statutes of 1977 (Immunization Records)
- (6) Title 8, California Administrative Code
 - (a) Elevator Earthquake Safety
 - (b) Elevator Fire Safety
 - (c) Firefighter Safety Clothing and Equipment

BOARD OF CONTROL—Continued

- (7) Chapter 1275, Statutes of 1975 (Eminent Domain)
- (8) Chapter 842, Statutes of 1978 (TB Examinations)
- (9) Chapter 43, Statutes of 1978, and Chapter 1242, Statutes of 1977 (Senior Citizens Property Tax Postponement)
- (10) Chapter 1146, Statutes of 1978 (Destruction of Animals)
- (11) Chapter 1363, Statutes of 1978 (Mentally Incompetent Voters)
- (12) Chapter 1319, Statutes of 1978 (Commitment of Dangerous Mentally Retarded Persons)
- (13) Chapter 984, Statutes of 1977 (Developmentally Disabled)."

We further recommend deletion of one limited-term clerical position because the new reimbursement process should reduce the board's clerical workload, for a General Fund savings of \$15,712 (Item 871-001-001).

More Information Needed

We withhold recommendation on three proposed positions, totaling \$79,134 (Item 871-001-001), pending the receipt of additional information.

The Board of Control proposes to add three new positions and to convert three existing limited-term positions to permanent status for its mandated local cost program. One of the positions was discussed above in our analysis of the new SB 90 reimbursement process. Two positions are requested to handle program's ongoing workload. Three additional positions are proposed to handle workload resulting from (a) a new board policy to provide increased notification to local government entities regarding board meetings and decisions, (b) a requirement in Chapter 1256, Statutes of 1980, that the board approve estimates of statewide costs of mandates, (c) the "savings claims" provisions of Chapter 1337, Statutes of 1980, and (d) a backlog in developing parameters and guidelines.

Our analysis indicates that (a) the increased notification procedures may not be required by law, (b) the workload increases resulting from the new legislation may be overestimated, and (c) the existing backlog may not justify additional staff. Pending the receipt of additional information on each of these issues, we withhold recommendation on three proposed staff positions totaling \$79,134 (Item 871-001-001).

State-Owned Housing

We recommend the adoption of control language directing the Department of Finance to reduce each department's support appropriation by the amount of increased reimbursements that the Board of Control estimates each department will collect as a result of the state's policy of charging market value rents for state-owned housing.

Through control language in the Budget Act of 1980, the Legislature directed the Board of Control to revise the rental structure for state-owned housing to reflect market values. At its October 1980 meeting, the board formally adopted such a policy, effective July 1, 1981, and directed its staff to develop a plan to implement the policy. Staff advises that the plan has been developed but has not yet been approved by the board. The board indicates that after the plan is approved, state employees affected by it will be given the opportunity to appeal any decisions.

The new rental policy will have a significant fiscal impact on state revenue. The board estimates that employees occupying state-owned housing could be required to pay, on average, an additional \$200 in monthly rent as a result of the revised rental structure that eliminates the housing subsidy provided to these employees. A Department of General Services study dated November 1979, indicates that there are approximately 1,000 occupied state-owned residences. Thus, the potential increase in state rental income could approximate \$2.4 million annually.

The Governor's Budget for 1981-82 makes no allowances for the additional rental income that state departments will collect from their employees because of the new rental policy. This results in an underestimation of the reimbursements that various departments will receive to offset part of their support budget requests. Because of the significant fiscal impact of the new policy, and because the increased reimbursements should offset departments' support appropriations, we recommend that control language be adopted directing the Department of Finance to reduce each department's support appropriation by the amount of additional rental income which the Board of Control estimates each department will collect from its employees.

INDEMNIFICATION OF PRIVATE CITIZENS

Item 872 from the General
Fund

Budget p. GG 128

Requested 1981-82	\$11,869,623
Estimated 1980-81	8,318,613
Actual 1979-80	7,551,806
Requested increase (excluding amount for salary increases) \$3,551,010 (+42.7 percent)	
Total recommended reduction	\$94,044

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
872-001-001—Support and Claims Payment		General	-
872-001-214—Support and Claims Payment		Indemnity	\$11,769,623
872-101-001—Legislative Mandate		General	-
872-101-214—Legislative Mandate		Indemnity	100,000
Total			\$11,869,623

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *General Expense.* Reduce Item 872-001-214 by \$94,044 and reduce reimbursements in Item 871-001-001 by same amount. Recommend reduction to eliminate overbudgeting.

GENERAL PROGRAM STATEMENT

This item provides funding for two programs, both of which are administered by the Board of Control. The first, the Victims of Violent Crimes program, provides compensation to California residents who sustain serious financial hardship as victims of crimes of violence or are financially dependent upon a victim. The second, the Good Samaritan program, compensates California citizens who sustain injury or damage to property as a result of acts benefiting the public. Awards for victim claims may not exceed \$23,500, including a maximum of (1) \$10,000 for lost wages, (b) \$10,000 for medical expenses, (c) \$3,000 for rehabilitation, and (d) \$500 for attorney fees. A maximum award of \$10,000 is available to cover losses incurred by citizens who performed acts benefiting the public.

Consolidation of both of these programs under the Board of Control was accomplished January 1, 1978, by Chapter 636, Statutes of 1977. Previously, the Attorney General investigated all claims to determine their validity. This verification process now is performed by Board of Control staff in field offices located in Sacra-

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

mento, San Francisco, and Los Angeles.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the budget requests \$11,869,623 from the Indemnity Fund for support of the indemnification program, which is \$3,551,010, or 42.7 percent, above estimated current-year expenditures. Most of the increase reflects additional funds requested to pay claims submitted by crime victims. The board proposes to establish five limited-term positions to implement Chapter 1370, Statutes of 1980 (AB 203), which provides for emergency awards of up to \$1,000 to be advanced to crime victims to meet their immediate needs. The board also requests an extension of 10 existing limited-term positions through the end of the budget year to assist with the claims backlog. Expenditures for Board of Control services, estimated at \$1,899,482, will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1
Indemnification of Private Citizens
Budget Summary

<i>Funding</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Fund	\$2,816,666	—	—2,816,666	—100.0%
2. Indemnity Fund	5,501,947	\$11,869,623	6,367,676	115.7
Totals	\$8,318,613	\$11,869,623	\$3,551,010	42.7%
<i>Program</i>				
1. Claims—victims of crimes	\$6,436,396	\$9,844,292	\$3,407,896	52.9%
2. Claims—victims benefitting the public	25,849	25,849	—	—
3. Board of Control services	1,756,368	1,899,482	143,114	8.1
4. Legislative mandate ^a	100,000	100,000	—	—
Totals	\$8,318,613	\$11,869,623	\$3,551,010	42.7%

^a Reimburses local governments for in-depth probation reports on violent crime offenders.

In past years, the General Fund was primarily responsible for the support of these programs. However, the need for an annual General Fund appropriation has increasingly been offset by the availability of revenue from fines and penalty assessments levied against individuals convicted of various crimes. Revenues from fines and penalty assessments are transferred monthly to the Indemnity Fund from the Assessment Fund, which was created by Chapter 530, Statutes of 1980, to streamline the system for distributing such revenues to various state special funds.

In the budget year, the entire Indemnification of Private Citizens program will be supported from the Indemnity Fund. Because the estimated resources in the fund will not be sufficient to cover fully the costs of the program, the Governor's Budget indicates that legislation will be introduced to increase revenues to the fund. Such increases are proposed in SB 111 and AB 251.

Backlog Problem Not Resolved

Language included in the Supplemental Report of the 1979 Budget Act requested the Board of Control to report annually on its progress in eliminating the backlog of claims submitted under the Victims of Violent Crimes program until such time as the backlog is reduced to a manageable level.

The board recently submitted its 1980 report which suggests that increases in productivity and a resolution of staffing problems will lead to an improvement in the backlog in the budget year. However, the extent to which these factors will reduce the backlog is not known.

The board advises that local victim witness assistance centers established by Chapter 1256, Statutes of 1977, are expected to assist in the verification of a substantial number of victims' claims and, therefore, should help to reduce the claims backlog. However, the report also notes that the solicitation of victims' claims by the local centers may result in an increase in total claims received in future years.

Table 2 illustrates the actual workload under the Victims of Violent Crime program since 1976-77.

Table 2
Historical Workload Data^a
Victims of Crimes Program

	1976-77	1977-78	1978-79	1979-80	Percent Change from 1978-79 to 1979-80
New Claims ^b	5,526	6,525	7,028	7,444	5.9%
Denied	2,665	3,380	2,884	3,254	12.8
Allowed	2,656	2,411	1,914	3,158	64.9
Percent of Processed Claims Allowed	49.9%	41.6%	41.1%	49.25%	19.8
Amount Awarded	\$5,110,524	\$5,025,289	\$4,252,648	\$6,418,857	50.9
Average Award ^c	\$1,924	\$2,084	\$2,222	\$2,065	-7.0

^a The number of claims allowed and denied do not equal new claims because of processing backlogs.

^b New claims include only those claims which meet the program's criteria for possible award.

^c Includes attorney fees.

Table 3
Historical Backlog^a
Victims of Crime Program

<i>Fiscal Year</i>	<i>New^b Claims</i>	<i>Processed Claims</i>	<i>Annual Backlog</i>	<i>Cumulative Backlog</i>
1967-68	169	60	109	109
1968-69	401	243	158	267
1969-70	369	415	-46	221
1970-71	471	427	44	265
1971-72	698	533	165	430
1972-73	1,081	724	357	787
1973-74	1,313	1,262	51	838
1974-75	3,792	1,422	2,370	3,208
1975-76	4,932	3,920	1,012	4,220
1976-77	5,526	5,321	205	4,425
1977-78 ^c	6,525	5,791	734	5,159
1978-79	7,028	4,651	2,377	7,536
1979-80	7,444	6,412	1,032	8,033
1980-81 (est.)	8,587	8,200	387	8,420
1981-82 (est.)	9,445	9,600	-155	8,265

^a Backlog, as defined by the board, includes all claims which have not been resolved. The majority are awaiting field verification. Claims are also counted as part of the backlog if they are awaiting a hearing date.

^b Prior to 1973-74 new claims include total number of applications received by the board. Subsequent years include only those claims accepted by the board for processing.

^c Program consolidated under the board on January 1, 1978. Previously, the Department of Justice performed the claims verification function.

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

The Legislature expected that ending the Attorney General's responsibility for investigating claims and consolidating the program under the board, as was done on January 1, 1978, would have a positive impact on the backlog. Actual data available through 1979-80 reveals that no reductions have been realized. Table 3 illustrates that the backlog program has grown steadily worse since the Board of Control was given responsibility for the program. To the extent that the board's projection for 1981-82 is accurate, this trend could be reversed.

Supplemental Report on Local Victim Witness Centers

The Supplemental Report to the 1980 Budget Act requested the Board of Control to report on the feasibility of improving the role of the local victim witness assistance centers in the claims process. The local centers were established by Chapter 1256, Statutes of 1977, and were provided with substantial state funding from the Indemnity Fund by Chapter 713, Statutes of 1979. In its annual report, the board recommends increasing the authority of local centers to verify medical data, and obtain police and court documents. In addition, the report contains recommendations for improving communications between the representatives of local centers and the board staff.

Overbudgeted General Expenses

We recommend an Indemnity Fund reduction of \$94,044 (Item 872-001-214) and a corresponding reduction in reimbursements (Item 871-001-001) to eliminate overbudgeting for general expenses.

The Board of Control requests an appropriation of \$200,554 for general expenses for the Victims of Crime program in 1981-82. Through discussions with board staff, we found that there was no documentation to support \$94,044 of the proposed expenditures. Table 4 displays the proposed expenditures and the overbudgeted amounts.

Table 4
Indemnification of Private Citizens Program
General Expense Budget
1981-82

<i>Category</i>	<i>Proposed Expenditures</i>	<i>Documented Needs</i>	<i>Overbudgeted Amounts</i>
Office Supplies	\$28,544	\$8,000	\$20,544
Office Copier	20,984	8,484	12,500
Reproduction	15,000	10,000	5,000
Word processing	13,000	3,000	10,000
Mail and Messenger	24,000	13,000	11,000
Space Management	3,500	1,000	2,500
Machine Maintenance	11,500	4,000	7,500
Minor Equipment	32,403	7,403	25,000
All other categories	51,623	51,623	-
Totals	\$200,554	\$106,510	\$94,044

To correct the overbudgeting displayed in Table 4, we recommend a reduction in general expenses, for an Indemnity Fund savings of \$94,044 (Item 872-001-214). We also recommend a corresponding reduction in reimbursements (Item 871-001-001) because all funds appropriated for the victims of crime support budget are transferred as reimbursements to this item.

COMMISSION ON STATE FINANCE

Item 873 from the General
Fund

Budget p. GG 130

Requested 1981-82	\$691,400
Estimated 1980-81	573,564
Actual 1979-80	119,657
Requested increase (excluding amount for salary increases) \$117,836 (+20.5 percent)	
Total recommended reduction	\$245,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Legislative Direction. Recommend that the Legislature direct the commission to (1) hire an executive secretary, (2) immediately fill available staff positions, and (3) fulfill its statutory obligation to provide fiscal estimates at least four times a year. 1588
2. **Personnel Needs. Reduce by \$91,605.** Recommend reduction of two positions from commission's current authorized staffing level. 1588
3. Forecasting Function. Recommend that the Legislature direct the commission to develop an in-house capability to produce its forecasts of revenues and expenditures. 1589
4. **Consultant Services. Reduce by \$82,680.** Recommend reduction in the amount budgeted for consultant services. 1589
5. Consultant Services. Recommend that the commission provide specific justification for future requests for consultant services funding. 1589
6. **California Necessities Index (CNI) Study. Reduce by \$70,715.** Recommend reduction in new resources budgeted to fulfill report requirement. 1590

GENERAL PROGRAM STATEMENT

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

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

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

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

The commission is limited in duration to July 1, 1984, unless it is extended by legislation.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$691,400 from the General Fund for support of the Commission on State Finance in 1981-82. This is an increase of \$117,836, or 20.5 percent over current year expenditures. However, our review of the commission's activities to date indicates that current year expenditures are

COMMISSION ON STATE FINANCE—Continued

grossly overstated—perhaps by as much as \$380,000. The commission's expenditures during the current year probably will not exceed \$280,000, and could be as low as \$190,000. These amounts represent a range of about one-third to one-half of the \$573,564 in current year expenditures estimated in the budget.

If the amount requested in the budget for 1981–82 is compared to the *probable* level of expenditures for the current year, the proposed increase is between 150 and 260 percent, rather than the 20.5 percent indicated in the budget document. This amount will increase further by the amount of any salary or staff benefit increase approved for the budget year.

Despite the fact that the agency is in its second year of operation, only two of the *nine* authorized staff positions have been filled.

Legislative Direction

We recommend that the Legislature direct the commission to: (1) hire an executive secretary, (2) fill available staff positions, and (3) fulfill in 1981–82 its statutory obligations to provide fiscal estimates at least four times per year.

Although the commission began operations in January 1980, it has yet to hire an executive secretary and fill the majority of its staff positions. Without staff, the commission has been unable to meet its statutory obligation to provide fiscal estimates to the Legislature at least four times a year.

If the Commission on State Finance is to fulfill its appointed role in the budget year, it is critical that the commission staff up immediately. We recommend that the Legislature adopt the following supplemental language:

"It is the intent of the Legislature that the Commission on State Finance act expeditiously in hiring an executive secretary and filling available staff positions so that the commission will be able to meet its statutory requirements in 1981–82."

Budgeted Staff Positions Unnecessary

We recommend a reduction of \$91,605 and two personnel-years because the budgeted staffing level overstates the commission's needs on a workload basis.

In addition to the executive secretary, the commission has eight permanent staff positions: six professionals and two clericals. This number, authorized in the legislation establishing the commission, was a "best guess" as to the staffing needs of the commission.

Our review of the commission's budget indicates that six professional positions (excluding the executive secretary) is more than the number needed to meet the commission's workload needs. Given that the commission's responsibilities are limited to providing forecasts of revenues and expenditures four times per year, two positions for each function should be adequate. Accordingly, we recommend the elimination of: two of the six professional positions (one authorized CEA I position and one staff services manager I position) and the concomitant staff benefits and operating expenses, for a General Fund savings of \$91,605.

Consultant Services

The commission is requesting an ongoing budget for professional and consultant services of \$132,680. The request is equal to the amount budgeted for the current year (\$124,000), plus a 7 percent inflation adjustment. The commission has been unable to provide any detail or justification as to how these funds would be spent in either the current or budget years.

The commission has, to date, relied upon private firms for assistance in performing its duties. In 1979–80, it contracted with a private consulting group to obtain fiscal forecasts in order to meet its June 10 statutory reporting requirement. This

contract cost the commission \$85,000. (The commission chose not to rely upon the estimate provided by the consultant in projecting state General Fund revenues.) In the current year, the commission has issued a request for proposal to obtain forecasting models for both the California economy and California tax revenues. The commission, however, has not awarded the contract as of this writing.

Reliance on In-House Capabilities

We recommend that the Legislature direct the commission to develop an in-house capability to produce its forecasts of revenues and expenditures.

It appears that the commission is undecided as to the manner in which its statutory obligations should be fulfilled. On the one hand, the budget requests a significant amount of funds for consulting services, indicating an intent to rely on outside assistance. On the other hand, the budget requests funding for nine permanent staff positions, which is certainly adequate for in-house completion of the job.

Our evaluation of the services provided by the commission's first contractor indicates that the funds would have been better spent on the development of an in-house capability. The modeling and research done under the first contract are not accessible to commission or to any other state personnel, and therefore have little value today. In fact, the commission is in no better position today to prepare estimates, or evaluate those provided by outside consultants, than it was one year ago. To rectify this, we recommend that the Legislature adopt the following supplemental report language:

"It is the intent of the Legislature that the Commission on State Finance develop an in-house capability to produce forecasts of revenue and expenditures."

Reduction in Consultant Services

We recommend a reduction of \$82,680 in consultant services, to more accurately reflect commission needs. We further recommend that the commission provide specific justification for all future requests for consultant services.

The present budgeted level of consultant services appears to be based on the premise that the commission *will* rely on outside support for the preparation of its fiscal forecasts. This, however, is not consistent with the level of *staffing* provided for the commission, and it appears that the budgeted amount can be reduced significantly. We recommend that \$50,000 be budgeted for consultant services, which will permit the commission to hire consultants for purposes of developing its in-house capabilities in specific areas. This level of funding will permit a reduction of \$82,680 from the budgeted level, for a savings to the General Fund.

Additionally, we do not believe that the amount approved for the budget year should be viewed as part of the commission's baseline budget for future years. Consulting contracts are one-time projects, each of which should be individually justified. Accordingly, we recommend the Legislature adopt the following supplemental report language:

"It is the Legislature's intent that in future fiscal years the Commission on State Finance provide specific justification for amounts budgeted for professional and consultant services."

CNI Study

In an effort to find an alternative cost-of-living index for welfare programs, the Legislature created the California Necessities Index (CNI) during the 1979-80 session. Chapter 511/1980, which established the CNI, also required the Commission on State Finance to:

COMMISSION ON STATE FINANCE—Continued

- Study and report to the Governor and Legislature by December 1, 1981, on the way the CNI is determined; and
- Recommend any changes in the index which would make it "more accurately reflect the impact of inflation on low-income families."

Funding for Study Overstated

We recommend the deletion of \$70,715, as the costs of meeting the report requirement are overstated.

The commission has requested \$120,715 in additional resources to perform the study required by Chapter 511. This amount covers the costs of two one-year positions and \$50,000 for consultant and professional services.

Since the study must be completed by December 1, 1981, it does not appear justifiable to provide the commission with authority for two positions which would not expire until June 30, 1982. The Legislature would be allocating the commission a level of resources greater than necessary to fulfill its statutory task.

Given the short-term nature of the work to be done, we recommend that the commission contract out for the report. We believe the \$50,000 budgeted for consultant and professional services in the commission's CNI study request is adequate to do the job. On this basis, we recommend that the \$70,715—and two positions—remaining in the commission's request be eliminated, for a General Fund savings.

We should note that it may be possible for the commission to fulfill the study requirement without *any* additional funding. The issues raised by Chapter 511 are now being studied by the Assembly Office of Research (AOR), which plans on issuing a report setting forth its findings in March. It is possible that the commission will be able to draw on the substantial research efforts already made by AOR staff and complete its required study with only a small amount of additional work.

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE

Item 874 from the General
Fund

Budget p. CG 131

Requested 1981–82	\$56,818
Estimated 1980–81	55,816
Actual 1979–80	48,453
Requested increase (excluding amount for salary increases) \$1,002 (+1.8 percent)	
Total recommended reduction	None
Recommendation pending	\$56,818

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Questionable Need for Committee. Recommend deletion of item be considered because structure and role of committee may no longer be necessary.

1591

GENERAL PROGRAM STATEMENT

The California Information Systems Implementation Committee is a statutory body comprised of 12 designated members of the legislative and executive branches. It is responsible for recommending specific legislative and executive actions necessary to implement the state's electronic data processing policies. These policies are set forth in Government Code Chapter 7, commencing with Section 11700, and Chapter 8, commencing with Section 11995.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$56,818 from the General Fund to support the committee's activities in 1981-82. This is an increase of \$1,002, or 1.8 percent over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The budget provides for the continuation of one committee consultant and associated operating expenses.

Original Need for Committee

The California Information Systems Implementation Committee was established by Chapter 1237, Statutes of 1971, at a time when major changes in the state's uses of electronic data processing (EDP) technology were underway. The primary change was a decision to consolidate computer resources into a small number of designated data centers. The magnitude of the consolidation effort and related policy considerations made it desirable to establish a high-level EDP oversight function. The committee was established to meet this need. Since that time, all authorized consolidated data centers have been established, the most recent being the Health and Welfare Agency Data Center which began operation in January 1978.

Questionable Need for Committee

We recommend that the fiscal subcommittees evaluate the need for continued funding of this committee.

In recent years, committee meetings have served primarily as a forum for discussion of current EDP issues, such as data communications, personnel recruitment and retention, and major system development projects. Meetings were limited to one hour, and usually occurred on a monthly basis when the Legislature was in session. More recently, however, the number of monthly meetings has declined. For example, the committee's most recent annual report indicates that only five hearings were held in 1980.

Our review of the various issues concerning the effective use of electronic data processing by the state has led us to conclude that the structure and role of this committee may no longer be necessary. Several measures have been enacted in recent years which establish legislative policy in this area. In addition, Section 4, Budget Act of 1980, requires that the extensive guidelines contained in the State Administrative Manual be met and followed. Further, the fiscal subcommittees review all proposed major new systems and other expenditures of funds for acquiring computing equipment. Finally, our office makes recommendations on various administrative proposals for expenditures of funds for EDP systems and equipment which are considered by the fiscal subcommittees.

Within the executive branch, a California Information Technology Board (CITAB) was established in May 1980. This board was established by the Director of Finance in response to the growing dependence of state agencies on computer technology as an integral part of their programs, and the existence of several EDP issues which were in need of resolution in order to make the most cost-effective use of the technology. CITAB, which has a broad-based membership composed of

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE— Continued

large and small users of EDP, has formed standing committees on statewide planning, procurement and human resources. In addition, the State Office of Information Technology, within the Department of Finance, continues to have review and approval authority for all expenditures proposed by the administration for EDP systems and equipment.

For these reasons, we recommend that the fiscal subcommittees consider whether this joint legislative/executive committee should be funded. If the decision is made to not provide funding, we would recommend legislation abolishing the committee.

COMMISSION OF THE CALIFORNIAS

Item 876 from the General

Fund	Budget p. GG 132
Requested 1981-82	\$140,878
Estimated 1980-81	106,707
Actual 1979-80	80,742
Requested increase (excluding amount for salary increases) \$34,171 (+32.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission of the Californias was established in 1964 to promote favorable economic and cultural relations with the States of Baja California and Baja California Sur of the Republic of Mexico. Chapter 965, Statutes of 1975, (1) expanded this mission to include education relations, (2) increased the size of the commission to 18 members by adding the Lieutenant Governor to the seven public members and 10 legislative members, and (3) authorized the commission to accept grants from private foundations or individuals in support of its duties and functions.

The commission has an authorized staff of two, the executive director and a stenographer.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$140,878 from the General Fund for support of the commission in 1981-82. This is an increase of \$34,171, or 32 percent, over estimated 1980-81 expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The commission is requesting the additional funds for temporary administrative help (\$11,250), space and equipment rental which is currently funded in the budget of the Lieutenant Governor's Office (\$10,813), and increased printing and communications needs (\$5,290). The remaining \$6,818 will be used for normal merit salary and price increases.

Table 1 summarizes the budget for the past, current and budget year.

Table 1
Commission of the Californias
Budget Summary

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
Personal services	\$57,279	\$76,536	\$94,043	\$17,507	22.9%
Commission operating expenses.....	23,463	30,171	46,835	16,664	55.2
External consultant services *	59,058	-	-	-	-
Total Expenditures	\$139,800	\$106,707	\$140,878	\$34,171	32.0%
General Fund	\$80,742	\$106,707	\$140,878		
Reimbursements.....	\$59,058	-	-	-	-
Personnel-years.....	2.3	2.6	3.1	0.5	19.2

* The commission administered a federally-funded study on marine fishery resources in 1979-80.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 878 from the General
Fund

Budget p. GG 133

Requested 1981-82	\$210,012
Estimated 1980-81.....	203,412
Actual 1979-80	179,275
Requested increase (excluding amount for salary increases) \$6,599 (+3.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$210,012 from the General Fund for support of the commission in 1981-82, which is \$6,599, or 3.3 percent, more than the estimated current year expenditure. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

COMMISSION ON INTERSTATE COOPERATION

Item 880 from the General

Fund

Budget p. GG 134

Requested 1981-82	\$79,014
Estimated 1980-81	79,014
Actual 1979-80	78,964
Requested increase—None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$79,014 from the General Fund as the state's proportionate share of the national organization's operating costs for 1981-82. The council's assessments are based on a population formula which provides for a pro rata distribution of the costs among the states.

The amount budgeted in this item represents the difference between the council's total state assessment and the amounts required for: (1) the National Governor's Conference, which is contained in the budget of the Governor's Office, (2) the National Conference of State Legislatures, which is contained in the budget of the Senate, and (3) the National Association of State Budget Officers, which is contained in the budget of the Department of Finance.

COMMISSION ON THE STATUS OF WOMEN

Item 882 from the General

Fund

Budget p. GG 34

Requested 1981-82	\$407,001
Estimated 1980-81	380,646
Actual 1979-80	275,517
Requested increase (excluding amount for salary increases) \$26,355 (+6.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women, successor to a limited-term agency established in 1965, is a 17-member body consisting of two statutory members (the Superintendent of Public Instruction and the Chief of the Division of Labor Standards Enforcement), one public member and three members of the Assembly appointed by the Speaker, one public member and three Senators appointed by

the Senate Committee on Rules, and seven public members appointed by the Governor. The public members have staggered, four-year terms of office.

The commission's program focuses on legislation, education, employment and counseling. It includes the following activities:

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$407,001 from the General Fund for support of the commission in 1981-82. This is \$26,355, 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. No outside grant support is anticipated by the commission in the current or budget year.

The requested budget increases deal only with baseline and workload adjustments. Table 1 presents the proposed budget changes including: (1) the addition of 0.5 personnel-years for temporary clerical help, (2) salary adjustments, and (3) general price increases. This table also shows current-year changes, including a \$15,500 deficiency allocation for contingencies and emergencies. The proposed amounts appear to be reasonable, and we recommend approval.

Table 1
Commission on the Status of Women
Proposed 1981-82 General Fund Budget Changes

	<i>Cost</i>	<i>Total</i>
1980-81 Budget		
Budget Act appropriation	\$332,305	
Allocation for employee compensation.....	32,841	
Allocation for contingencies and emergencies	15,500	
1980-81 Current-Year Revised		\$380,646
1981-82 Budget		
1. Workload Changes		
a. Temporary clerical help	\$8,814	
b. Salary and benefit adjustments	9,571	
c. Informational spots (radio and television)	1,475	
d. Reduction for needs assessment	-3,550	
Subtotal		\$16,310
2. Cost Changes—General Price Increase in Operating Expenses		10,045
Total Proposed Changes		(\$26,355)
1981-82 Proposed Expenditures		\$407,001

Table 2 summarizes commission expenditures and budget growth between 1979-80 and the budget year.

Current-Year Deficiency

A deficiency allocation of \$15,500 for operating expenses and equipment (OE & E) is included in the 1980-81 baseline budget. Our review confirms that without the additional support, basic activities could not be accomplished, including two of the three annual commission meetings and four editions of the newsletter. The underbudgeting was caused by two factors: (1) the addition of new staff

COMMISSION ON THE STATUS OF WOMEN—Continued

Table 2
California Commission on the Status of Women
Budget Summary

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Percent Change</i>	<i>Proposed 1981-82</i>	<i>Percent Change</i>
Personal services	\$186,157	\$259,001	39.1%	\$275,866	6.5%
Operating expenses and equipment.....	91,274	121,645	33.3	131,135	7.8
Totals	\$277,431	\$380,646	37.2%	\$407,001	6.9%
Reimbursements	-1,914	—	—	—	—
Net Totals	\$275,517	\$380,646	38.2%	\$407,001	6.9%

without corresponding operating support and (2) inadequate price increases for the last two years. When state agencies develop baseline budget requests, they have the option of (a) using a 7 percent adjustment or (b) itemizing increases as established in the Department of General Services' annual price letter. The commission used the 7 percent blanket adjustment which resulted in underbudgeting. If the commission had used increases allowed by the price letter for such items as printing, travel, and communications, the increased funding for operating expenses would have been sufficient to continue basic activities.

Without this current-year adjustment, underbudgeting would recur in the budget year. With this one-time \$15,500 adjustment, past underfunding has been corrected and future increases should be limited to those in the price letter.

Technical Budget Correction

The increase of \$8,814 for temporary clerical personnel includes \$964 in benefits which have been incorrectly scheduled as general expenses. A budget revision is needed to reflect the \$964 in personal services-benefits and to reduce general expenses accordingly. This change has no net effect on the budget totals.

DEPARTMENT OF FINANCE

Item 887 from the General
Fund

Budget p. GG 137

Requested 1981-82	\$12,189,493
Estimated 1980-81.....	11,634,708
Actual 1979-80	9,731,360
Requested increase (excluding amount for salary increases) \$554,785 (+4.8 percent)	
Total recommended reduction	\$60,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Deputy Director's Position. Reduce Item 414 by \$60,000.* Recommend deletion of funding for vacant, duplicative position. 1598
2. Accounting Personnel. Recommend the department report on problems in hiring and retaining competent accounting staff in state agencies. 1598
3. State Office of Information Technology Staffing. Recommend department discuss sufficiency of staff resources to fulfill FDP management responsibilities. 1602

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$12,189,493 from the General Fund for support of the Department of Finance. This is an increase of \$554,785, or 4.8 percent, over the department's estimated General Fund expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The department also anticipates receiving \$865,454 in reimbursements, making total budget-year expenditures \$268,316, or 2.1 percent, more than estimated total 1980-81 expenditures. In addition to the amount budgeted for ongoing activities, the department proposes \$12,648,765 for development of the California Fiscal Information System (CFIS), which is analyzed separately (Item 888).

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

Table 1
Department of Finance
Budget Summary

<i>Programs</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Budget preparation and enactment	\$2,934,028	\$3,541,116	\$3,660,216	\$119,100	3.4%
Budget support and direction	1,702,870	1,880,005	1,890,850	10,845	0.6
Assessment of state programs	5,131,828	5,189,350	5,312,721 ^a	123,371	2.4
Supporting information	1,633,838	2,176,160	2,191,160	15,000	0.7
Administration	(456,477)	(411,218)	(419,183)	(7,965)	1.9
Totals	\$11,402,564	\$12,786,631	\$13,054,947	\$268,316	2.1%
General Fund	\$9,731,360	\$11,634,708	\$12,189,493	\$554,785	4.8%
Reimbursements	1,671,204	1,151,923	865,454	-286,469	-24.9
Personnel-years	318.4	321.7	319.7	-2.0	-0.6

^a As reduced by a proposed special adjustment of \$224,946. The adjustment would eliminate 7 proposed new positions in the State Office of Information Technology.

The increase in budget-year expenditures is primarily due to price and merit salary increases. The budget changes proposed by the department are (1) \$30,600 for data processing costs associated with the use of CFIS, and (2) the conversion of five limited-term audit positions to permanent status.

The major funding change, as Table 1 shows, is a 24.9 percent decrease in reimbursements. This is primarily due to the redirection of the department's auditors from performing reimbursed fiscal audits to conducting nonreimbursed financial and performance evaluations.

CFIS Service Center

The department requests \$30,400 to pay the data processing costs of a unit that is assisting users of the California Fiscal Information System (CFIS). The original function of the unit, which operates within the performance evaluation unit but is reimbursed by CFIS, was to monitor the reliability and consistency of performance measurement data that is being submitted to CFIS. (The performance measures themselves were developed by Department of Finance staff.) During the current year, however, the reimbursed positions also have been retrieving fiscal and performance measures information from the CFIS data base for analysts and

DEPARTMENT OF FINANCE—Continued

management within the department. The department is funding this service from savings during the current year, but costs are expected to rise in 1981-82 as the number of departments in the CFIS data base, and consequently the number of requests for assistance, grow.

Unnecessary Deputy Director Position

We recommend that salary savings be increased to eliminate the funding for a Deputy Director position that has been vacant for five years, for a savings of \$60,000 from the General Fund.

The department is authorized three deputy director positions to provide leadership on policy and management issues. These positions are exempt from civil service requirements. One of these positions has been vacant since 1975. When we reported the vacancy in our analyses of the 1976 and 1977 Budget Bills, the department stated that the position was necessary and would be filled. The department has continued to rely on Career Executive Assignment (CEA) appointments, however, to perform the deputy director's duties.

We see no reason to budget funds for a vacant position, the duties of which are performed by other positions, particularly given the shortage of funds available to maintain existing service levels under other state programs. We recommend that salary savings be increased to eliminate \$60,000 in salary and benefits for the vacant deputy director's position. This recommendation would retain the authorization for this deputy in the budget, but eliminate the excess funds.

Performance Accountability Reviews

The department proposes to convert five limited-term audit positions to permanent status, at an annual cost of \$155,818. These auditors are assigned to the department's Financial and Performance Accountability unit (FPA), which performs financial, budgetary and operational audits of—and is developing internal auditing standards for—state agencies. The unit does not perform detailed fiscal audits, as does the Auditor General's staff; rather, it evaluates state departments' accounting controls and reviews their compliance with state and federal regulations.

The FPA staff of 41 auditors performs the following three functions:

1. Twenty-nine positions review selected programs for inefficient or incorrect fiscal procedures, and assist departments with particular accounting problems. FPA plans to schedule its departmental reviews in the same order as the departments implement the standard accounting system being developed as part of the CFIS project.
2. One position assists departments which have limited audit resources with special audit problems or with making modifications in their existing audit programs.
3. The department is required by law to perform audit services for several state funds and programs. The remaining eleven positions perform these audits. They are also developing procedures to standardize and coordinate the work of all executive branch internal auditors.

Our analysis indicates that there is a significant need for such reviews and the recommendations that they generate.

Accounting and Reporting Problems Indicate Fiscal Control Deficiencies

We recommend that the department, with the assistance of the State Personnel Board, report to the Legislature by October 1, 1981, on (1) the nature and extent of problems in hiring and retaining competent accounting staff in the various state agencies and (2) recommended actions to overcome these problems and prevent their recurrence.

Several recent, major delays and errors in the state's accounting and reporting activities, as well as the conclusions drawn by auditors of various departments, indicate that the state's accounting performance has deteriorated over the past several years. For instance:

- For several months, after top-level fiscal and accounting staff left the Department of Health Services, the General Fund supported more than its share of Medi-Cal expenses because the remaining staff did not know how to maintain current control of the state and federal division of costs. While the state eventually recovered the federal share of the Medi-Cal expenses, it lost investment interest on General Fund monies which were used temporarily in place of the federal funds.
- As we are reporting elsewhere in this year's *Analysis*, the Department of Forestry has failed to bill the federal government promptly and accurately for the reimbursable costs it has incurred while fighting fires on federal land. The Financial and Performance Accountability unit of the Department of Finance estimates that the Forestry Department has lost almost \$7 million in recoveries due to (1) a poor cost accounting system, (2) fire suppression contracts which do not conform with state regulations, and (3) poor management control of cost allocation and billing information.
- An internal audit of the Department of Aging resulted in findings that (1) the department's fiscal branch was left without a trained lead accounting officer after a reorganization, (2) the department's budget is prepared by staff untrained for the task, and (3) there "are no longer any key staff accountants in the accounting section. No one is being trained to understand and know the total Accounting Office."
- Sixteen departments did not submit year-end reports for 1979-80 to the Controller's Office until at least mid-August of 1980, despite the July 20 deadline set in the State Administrative Manual. The Department of Health Services reported on November 3, and the Department of Education reported on December 12. The Controller's Office prepared and published its preliminary 1979-80 financial statements for the General Fund using *estimates* of accruals for the two large departments as well as for several smaller ones.

Conversations with staff of the Controller's Office and the Auditor General's Office have indicated that situations similar to those cited above are widespread. The primary problems appear to be that many departmental staff lack knowledge of basic accounting concepts and state accounting procedures. Often departments do not train back-up personnel for supervisors or staff with particular expertise. Several of the problems described above occurred after the departure of key employees.

As we have noted, accounting problems have led to the loss of federal reimbursements and investment income to the General Fund. Late or qualified financial reports can lead to lower bond ratings and therefore higher borrowing costs for the state. Finally, during a period of budget austerity and General Fund cash-flow problems, departmental accounting errors and delays could cause major difficulties for the state's cash management staff.

The Government Code gives the Department of Finance general power of supervision over all matters concerning the financial and business policies of the state. The department currently provides fiscal oversight and assistance through its Financial Performance and Accountability (FPA) section and its Fiscal Systems and Consulting (FSC) unit. In addition, the California Fiscal Information System (CFIS) task force is developing a standard accounting system and coding structure for the state. The CFIS system will not be fully implemented until 1983-84 at the earliest, however, and the activities of the FPA and FSC units have not prevented the problems cited above.

DEPARTMENT OF FINANCE—Continued

We recognize that the FPA unit was only established in 1979–80, and could not have averted the problems that had developed over a long period of time. Its emphasis, however, is on short-term, high priority reviews. We question whether this approach will solve what appear to be pervasive and basic deficiencies in many departments.

The resources budgeted for these review programs may not be adequate; more importantly, they concentrate on evaluating systems as opposed to personnel. No system will produce timely, accurate, information unless the people operating it understand accounting principles and the state's fiscal system.

We recommend that the department, with the assistance of the State Personnel Board, review the state's approach to hiring and training accounting personnel and staffing departmental accounting sections. We further recommend that it submit to the Legislature a report of its findings, along with recommended actions to overcome any systematic problems, by October 1, 1981.

We suggest the following supplemental language to implement this recommendation:

"The Department of Finance, with the assistance of the State Personnel Board, shall review the state's approach to hiring and training accounting personnel and staffing departmental accounting sections. It shall submit to the Legislature, by October 1, 1981, a report of its findings. The report shall include recommendations to overcome any significant deficiencies in this area and prevent their recurrence.

STATEWIDE ELECTRONIC DATA PROCESSING

The Department of Finance is responsible for statewide coordination and control of electronic data processing (EDP) for all state agencies except the University of California, the State Compensation Insurance Fund, the community college districts, agencies provided for by Article VI of the Constitution, and the Legislature. Its responsibilities are prescribed in the Government Code and Section 4 of the Budget Act of 1980. These responsibilities are carried out through the State Office of Information Technology (SOIT) in the Department of Finance. The office is directed by an appointee of the Governor, and is authorized 14 positions in the current year. The proposed budget for 1981–82 totals \$711,057, an increase of 27 percent over estimated current-year expenditures.

EDP Expenditure Increases Vs. EDP Control

SOIT estimates that the state's total EDP expenditure over which the department has specified responsibility will be \$300 million in the budget year, excluding expenditures by state agencies exempt from the department's control. This amount represents a substantial increase from current-year expenditures of \$250 million, and is more than *double* the amount for 1975–76 (\$128 million). Expenditures are *estimated* because there is no specific accounting for EDP expenditures on a statewide basis.

Reason for Growth

As state agencies seek ways to increase the cost-effectiveness of programs, a growing number are turning to EDP technology as the best solution. In many cases, from a practical perspective, EDP represents the *only* solution. The trend to greater use of EDP is the result of technological developments such as (1) significant reductions in the cost of equipment made possible by advances in microelectronics, (2) an increased array of equipment, including so-called "desk top" computers, (3) significantly improved user-oriented computer software, and

(4) improved operating concepts such as "distributed" data processing, whereby computers are distributed among users and linked to a larger central computing facility.

Legislative Support

State law and policies governing the uses of EDP have evolved over the last 15 years, with the Legislature providing much of the initiative. Most recently, the Legislature restructured state purchasing law to establish a new procedure which recognizes the uniqueness of EDP equipment procurement. The new law, Chapter 761, Statutes of 1980, is intended to facilitate the cost-effective acquisition of EDP equipment to best meet the needs of the state, while at the same time enabling the state to protect itself from manufacturers of faulty equipment. Chapter 643, Statutes of 1980, updated Government Code sections relating to EDP policies and procedures, and added provisions making the Director of Finance the state's advocate in the utilization of information technology.

CITAB Established

On May 5, 1980, the Director of Finance announced the establishment of an advisory group to recommend statewide policy regarding the use of information technology. Titled the California Information Technology Advisory Board (CITAB), its membership consists of the directors of several departments and designated Constitutional officers. This new body was established because of the state's increasing reliance on EDP technology and the recognition of several significant problem areas inhibiting the most cost-effective use of the technology. To address these problems, the board has established standing committees in three key EDP areas: (1) statewide planning, (2) procurement and (3) human resources.

Because CITAB was formed only recently, it is too early to assess its effectiveness. However, since its formation, the board, primarily through its standing committees, has been active in addressing *some* of the key issues facing users of EDP technology.

Significance of Growth

The significance of the substantial growth in EDP expenditures is not the size of the expenditure increase, but the extent to which this increase has affected the way state agencies conduct business. For example, an increasing number of agencies are *relying* on the use of terminal devices which are connected through cables or telephone lines to a computer. In the Health and Welfare Agency alone, the agency data center has predicted that the number of terminals connected to its facility will increase from approximately 840 in the current year to about 2,400 during 1981-82. Approximately 1,000 terminals are connected to the Teale Data Center's computer center. Such major increases in departments' access to computing technology extend the influence of automated systems. When the extent to which automation permeates state operations is considered, the significance of the substantial EDP growth which is occurring goes far beyond the estimated \$300 million outlay for EDP in 1981-82. When a central computer fails to operate, thousands of employees and clients are affected.

Increased Growth and Decreased Control

Our review of the uses of EDP technology by the executive branch indicates that the sustained increase in EDP expenditures is being offset by a substantial decrease in central control of EDP. Although SOIT has in the past been criticized for *overcontrolling* EDP, our review of the office's performance indicates that overcontrol is, for the most part, no longer an issue. The issue now is a *lack* of control because the office has been forced to be more selective in which EDP

DEPARTMENT OF FINANCE—Continued

activities it reviews. SOIT staffing has not been increased to keep pace with the rapid expansion in statewide EDP activities as we discuss below. As a result, there has been to some extent a de facto delegation of authority to departments instead of a carefully selected delegation.

Concurrently, the ability of many departments to apply EDP technology in the most cost-effective manner has not improved significantly. In this analysis we have identified several EDP-related issues with respect to various Budget Bill items which, in the aggregate, demonstrate poor EDP planning and, in some instances, no real planning at all.

This situation has serious implications for the future because of the proliferation of computing power to numerous state agencies, many of which have little or no EDP experience.

Proposed minicomputer acquisitions, particularly those in the "desk-top" category, are showing significant increases. Word-processing, normally *not* considered an EDP activity, is expanding rapidly in an essentially uncontrolled manner at the same time that "office of the future" concepts and equipment are evolving which integrate classical data processing and word processing using the same computer. Clearly, this is *not* the time to relinquish or severely reduce EDP control of individual departmental EDP activities.

Adequacy of Staff

We recommend that the Department of Finance provide the fiscal subcommittees and the Joint Legislative Budget Committee, prior to the budget hearings, a written assessment of the adequacy of the proposed staffing for the State Office of Information Technology, based on the department's reconsideration of the need to increase both control of, and assistance to, state agencies with respect to the uses of EDP technology.

As statewide EDP expenditures and activities increase dramatically, the ability of the Department of Finance to carry out statewide EDP management responsibilities is limited by a relatively small staff. Table 4 displays SOIT staffing from 1975-76 through 1981-82 (the period in which EDP expenditures have doubled).

Table 4
Staffing in the State Office of Information Technology

<i>Fiscal Year</i>	<i>Personnel- Years</i>	<i>Percent Change</i>	<i>Cumulative Change</i>
1975-76	11.4	—	—
1976-77	15.0	30.4%	30.4%
1977-78	16.3	8.7	41.7
1978-79	14.7	-9.8	27.8
1979-80	13.3	-9.5	15.6
1980-81 ^a	14.0	5.3	21.7
1981-82 ^b	14.0	—	21.7

^a Estimated.

^b Proposed.

As shown in Table 4, SOIT staffing in 1981-82 will remain at the current-year level. Workload information provided by SOIT shows significant decreases in numerous workload areas because of insufficient staff resources, and that an additional 16.5 personnel-years is required if the office is to fulfill both its EDP control and EDP advocacy responsibilities. Further, we discuss below several EDP-related areas where there is currently insufficient state activity. Accordingly, we recommend that the department reconsider the proposed staffing for SOIT and provide the fiscal subcommittees and the Joint Legislative Budget Committee, prior to budget hearings, a written assessment of the adequacy of the staffing level.

Statewide EDP Issues

Our review of the state's uses of EDP technology over the past several years as well as current plans for expanded and new EDP uses indicates numerous areas which are receiving little or no attention, but which have *potential* fiscal implications. These areas are summarized as follows:

Optimum Size of Data Centers. In our *Analysis of the 1976-77 Budget Bill*, we recommended that the Department of Finance "... assume leadership responsibility for the development of consolidated data center plans which will recognize a practical limit on the size and scope of each consolidated data center..." The department's response at that time was that it was not practical to develop such plans. Since then, the Teale Data Center has established a second computing facility, with an attendant general rate increase of *18 percent*, and the Health and Welfare Agency Data Center is, according to some observers, approaching a crisis situation.

Proliferation of Minicomputers. The large data centers authorized by the Legislature in 1972 were intended to end the proliferation of independent, departmentally-operated, dedicated computers. Current trends indicate an impending proliferation of independent, departmentally-operated *minicomputers*, some as powerful as the dedicated computers replaced originally by the large data centers. This proliferation is occurring in the absence of statewide planning. As a result, software maintenance, training, system backup and ultimate system growth and conversion—all cost factors—are receiving scant attention from a statewide perspective. The result of this largely uncoordinated decentralization of EDP, coupled with eventual office automation programs, will have an as yet unknown effect on statewide EDP efficiency and cost.

Manufacturer Specific Procurements. There have been a number of computer procurements limited to a specific manufacturer. The State Administrative Manual does not provide adequate policy direction with respect to the reasons which have been used to substantiate these procurements.

Quality of State Consultants. The Department of General Services provides EDP consulting assistance to departments on a reimbursable basis. This assistance includes analysis and programming. The quality of the service provided has ranged from totally inadequate to acceptable. At the same time, as more state agencies look to EDP as a necessary solution to fiscal and program problems, the need for skilled personnel resources will continue to increase.

System Operating Software Maintenance. Systems software specialists are one of the most sought-after EDP specialists, and system software maintenance is a costly activity. The state has three large Sperry Univac-oriented computer facilities and three large IBM-oriented facilities, each with its own separate system software staff. The potential for consolidating system software expertise and standardizing operating systems software should be explored.

Workload Leveling. The major data centers have surplus capacity, generally on the weekends. The Teale Data Center has substantial rate differentials to encourage users to schedule work for nights and weekends in order to reduce weekday demand, which is the demand responsible for frequent augmentations to system capacity. The Teale Data Center operates on weekends on a scheduled basis, and has staggered the work shifts of its operations personnel accordingly. The Health and Welfare Agency Data Center offers no rate differential and schedules weekend processing on an overtime basis. The potential for workload leveling among the IBM and Sperry Univac data centers should be addressed.

Equipment Upgrade Trauma. Frequent equipment capacity upgrades, with attendant system "bugs" and "downtime", have been cited as "traumatic" experi-

DEPARTMENT OF FINANCE—Continued

ences for data centers and users. One way to decrease the number of upgrades would be to contract with the private sector to provide computing resources for overflow work until the amount of work being contracted out is sufficient to justify one major upgrade, as opposed to the several which would normally occur.

Usefulness of EDP Applications. A July 1980 audit of a New York City automated financial management system, conducted by the New York State Comptroller's office, revealed that about 58 percent of 65 monthly reports were not needed, and that over one-half of the remaining reports could be produced less frequently. According to the audit report, approximately \$7.5 million was expended in one year to produce these reports. A recent article in *Computerworld*, a major trade publication, suggested that 10 to 30 percent of automated production jobs were unnecessary. A May 1979 *Review of Data Processing Usage in the Executive Branch*, prepared by the Auditor General, identified a total of 40 EDP applications costing approximately \$300,000 that were described as being of little value. Under current state procedures, the detection of relatively useless EDP applications or reports is essentially left to chance.

Computer Crime. According to *Computerworld*, a recent FBI report disclosed an average "take" of \$430,000 as the result of computer-assisted embezzlement. As the state moves increasingly to automated payroll and disbursement systems, the importance of appropriate security controls becomes critical. Consideration should be given to periodic security audits conducted by an independent agency, including unscheduled visits and attempts to penetrate security.

Data Center Consolidation. Data center facility expansion is costly; yet, present growth trends indicate continued expansion. It would be appropriate to consider the feasibility of designing, constructing and operating secure facilities which would consolidate the existing large data centers into, for example, one IBM-oriented facility and one or two oriented to Sperry Univac equipment.

Statewide Data Communications

State operations involve, on a daily basis, the transmission of millions of electronically-encoded messages among data centers and users. This information is transmitted through data communications networks, primarily ones using leased telephone lines. In recent years, the number, size, and cost of networks dedicated to data centers have grown. Because of this growth, and the possibility for reducing the cost of data communications, we recommend in the *Analysis of the 1980-81 Budget Bill* that SOIT examine the feasibility of consolidating certain network functions.

In response to this recommendation, SOIT and the Department of General Services formed the Data Communications Executive Advisory Committee composed of executive level representatives of ten state agencies which make extensive use of data communications. The advisory committee has scheduled several presentations by both state agencies and private sector firms in an effort to gather information as part of a feasibility study for a state data communications system. Although the report has not been completed, the effort has met resistance from some state agencies which have indicated a preference for independent data communications networks. Originally scheduled for completion on December 1, 1980, the feasibility study report has been rescheduled for later in this fiscal year. The report was rescheduled to address the concerns of these agencies and to gather additional information.

Data communications is assuming an increasingly vital role in state operations, and the efforts of the task force should eventually result in a more effective statewide communications capability. In addition, a new data communications

system could free the state from vendor restrictions imposed on individual communications networks. These restrictions have the effect of *limiting competition* for computing equipment. For these reasons, we will continue to follow this issue closely, and plan to address the advisory committee's feasibility study report, if it is available, during the budget hearings.

Department of Finance CALIFORNIA FISCAL INFORMATION SYSTEM

Item 888 from the General
Fund

Budget p. GG 145

Requested 1981-82	\$12,648,765 ^a
Estimated 1980-81	7,827,337
Actual 1979-80	2,921,902
Requested increase (excluding amount for salary increases) \$4,821,428 ^a (+ 61.6 percent)	
Total recommended reduction	\$965,873
Recommendation Pending	\$2,007,984

^a Item 888-011-001 of the Budget Bill shows an appropriation of \$10,640,781. This corresponds to the amount shown in the Governor's Budget. Provision 4 of the Budget Bill language, however, appropriates an additional \$2,007,984. This is not explained in the Governor's Budget and has not been deducted from the General Fund surplus.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **CALSTARS Implementation.** Reduce Item 888-011-001(b) by \$226,400, Item 888-011-001(c) by \$543,473, and Item 888-011-001(f) by \$196,000. Recommend reduction in support for implementation of the standard accounting system to correct for overbudgeting and to delay the establishment of a San Francisco node until workload warrants it. 1608
2. **Data Processing Appropriation.** Withhold recommendation on \$2,007,984 for data processing costs not explained in the budget. 1609

GENERAL PROGRAM STATEMENT

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

Based on (1) the findings and proposals in the consultant's final report (May 1978), and (2) the policy established in Chapter 1284, Statutes of 1978 (AB 3322), the Legislature provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act. The consultant's final report identified over 120 interrelated CFIS activities to be accomplished over a seven-year period, at an estimated total cost of \$21 million to \$27 million. As we have reported in previous analyses, there is no objective basis upon which to evaluate the precise costs and benefits of the specific activities proposed under CFIS, or analyze the long-range cost estimates.

CALIFORNIA FISCAL INFORMATION SYSTEM—Continued

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

CFIS is administered by a task force which functions as an organizational unit within the Department of Finance. The task force works with representatives of the executive and legislative branches, who serve on the California Fiscal Advisory Board (CFAB), to set CFIS goals and select fiscal management systems. The task force then oversees implementation of these systems.

Table 1
California Fiscal Information System
Budget Summary

<i>Task Force Support</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
Personal services	\$1,050,104	\$1,492,723	\$1,552,093	\$59,370	3.4%
Operating expenses:					
General expenses	208,490	232,709	323,144	90,435	38.9
Facilities operations	76,832	127,678	207,814	80,136	62.8
Outside consultants	134,415	50,000	160,000	110,000	220.0
Services provided by the Department of Finance	(165,000)	220,000	235,400	15,400	7.0
Data processing	198,426	636,208	1,533,789	897,581	141.1
Other	50,785	128,547	140,647	12,100	9.4
Subtotals, operating expense	\$668,948	\$1,395,142	\$2,600,794	\$1,205,652	86.4%
Subtotals, Task Force support	\$1,719,052	\$2,887,865	\$4,152,887	\$1,265,022	43.8%
<i>Special Items of Expense</i>					
Modification of 8 major departmental systems	\$78,116	\$346,884	-	-\$346,884	-100.0%
Departmental participation costs	109,787	358,345	1,000,531	642,186	179.2
CFIS software	171,280	-	-	-	-
CFIS terminals	416,516	-	-	-	-
Develop and implement standard accounting systems (CAL-STARS)	5,337	3,340,641	4,682,158	1,341,517	40.2
Develop and implement State Controller's Fiscal System	459,314	931,102	555,205	375,897	-40.4
Modify State Payroll and State Treasurer's System	-	-	250,000	250,000	N/A
Subtotals, Special Items	\$1,240,350	\$4,976,972	\$6,487,894	\$1,510,922	30.4%
Total expenditures	\$2,959,402	\$7,864,837	\$10,640,781	\$2,775,944	35.3%
Special appropriation for Teale Data Center costs	-	-	2,007,984	2,007,984	N/A
Total authorized expenditures	\$2,959,402	\$7,864,837	\$12,648,765	\$4,783,928	60.8%
<i>General Fund</i>	<i>\$2,921,902</i>	<i>\$7,827,337</i>	<i>\$12,648,765</i>	<i>\$4,821,428</i>	<i>61.6%</i>
Reimbursements	37,500	37,500	-	-37,500	-100.0
Personnel-years	34.7	43.7	44.5	.8	1.8
Nonreimbursed					
CFIS-related positions	22.6	46.9	56.3	9.4	20.0
Nonreimbursed CFIS-related costs	(\$886,815)	(\$1,965,099)	(\$1,974,562)	(\$9,463)	(0.5) %

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$10,640,781 from the General Fund for continued development of CFIS in 1981-82. This is \$2,813,440, or 35.9 percent, over estimated current-year expenditures.

Control language in the Budget Bill appropriates an additional \$2,007,984 for data processing services, for a total appropriation of \$12,648,765. The total amount is \$4,821,424, or 61.6 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year. Table 1 summarizes the CFIS budget by items of expenditure for the past, current and budget year.

As the table shows, the budget provides a \$1,265,022, or 43.8 percent increase for support of the CFIS task force. Almost 75 percent of the increase is due to additional data processing costs for developing and implementing the California Standard Accounting and Reporting System (CALSTARS). The special items of expenditure, which total \$6,487,894 in 1981-82, are more variable because they represent nonrecurring phases of CFIS development. Expenditure increases totaling \$2,609,600 will occur in (1) the implementation of departmental accounting systems and systems developed for the controller, the treasurer and payroll operations, and (2) in support for departmental participation in CFIS. In addition, \$2,007,984 is provisionally appropriated by Budget Bill language to pay for data processing costs associated with the accounting system implementation that are in excess of the amount already budgeted.

Twelve departments have proposed expenditures in their own budgets totaling \$1,974,562 for CFIS-related workload. The workload consists of adapting existing systems to meet CFIS requirements, and preparing fiscal and performance measure input for the CFIS data base. The cost estimate does not include any savings offset that may result from the availability to management of information stored in CFIS, or in accounting operations costs. The proposed expenditures, and number of CFIS-related positions in other departments, are included in Table 1.

CFIS Timetable

The original CFIS timetable, as prescribed by AB 3322, called for the "Big Eight" departments to start submitting current fiscal data to the CFIS data bank by July 1, 1982, and for all other departments to adopt program budgeting and accounting, and submit data to CFIS, by July 1, 1983. In order to accomplish this, the task force adopted a plan to bring the "Big Eight" departments into CFIS in 1980-81, to add 22 other departments and institution entities in 1981-82, 75 more in 1982-83, and the final 62 in 1983-84. However, in order for departments to have implemented a program cost accounting system and be transmitting current data to CFIS on July 1 of these fiscal years, extensive testing and training must take place in those departments the year before implementation is scheduled.

The CFIS task force met most of its planning and system development deadlines during the first two years of the project. The task force developed specifications for the major new systems, implemented bill and budget tracking systems, acquired the core information system software, and selected a consultant for the standard accounting system (CALSTARS). Staff in the Department of Finance have been developing the performance measures required by AB 3322.

The CALSTARS consulting firm has recently completed a General Design Report, and is adapting its basic software system to meet state requirements. Testing of the system at the 22 pilot departments and institution entities will begin in April 1981, and these departments are scheduled to switch to CALSTARS officially on July 1, 1981. Staff from the task force and the consulting firm will assist departments in making the transition to a program cost accounting system, and train

CALIFORNIA FISCAL INFORMATION SYSTEM—Continued

departmental accounting personnel in its use.

The task force plans to offer the same level of assistance to each department as it converts to CALSTARS. Task force staff originally estimated that the work of preparing 75 departments to go "on line" by July 1, 1982, would require 28.3 new positions at a cost of \$1,310,073.

The task force now estimates that it will install CALSTARS in 15 departments in 1981-82. Postponing the conversion of the other 60 departments to CALSTARS will delay full implementation of the standard program cost accounting system beyond the statutory deadline of July 1, 1983. This, in turn, will delay budgeting by program for some departments as well as the availability of their fiscal data through CFIS. The omnibus bill accompanying the Budget Bill (SB 111, AB 251) would change existing law to eliminate the deadline and specify that CFIS shall be implemented in accordance with the funds appropriated to it.

Our analysis indicates that there are several advantages to postponing immediate, large-scale implementation of CALSTARS. The extra time would allow the Controller's Office and line departments to test and refine the control and reporting aspects of their systems at a manageable but representative level of accounting transactions. The results of the actual operating experience of the pilot departments would allow adjustments in the software, capacity requirements, cost estimates, and implementation plan during the early stages of the CALSTARS phase-in. Perhaps more importantly, however, the CFIS task force could devote sufficient resources to CFIS and CALSTARS development workload rather than to administering CALSTARS implementation. Most of the system's development work will be completed by the end of the budget year, and the implementation pace could be accelerated at that time.

Budget Not Fully Adjusted for CALSTARS Delay

We recommend deletion of \$965,873 budgeted for CALSTARS implementation costs, but which is unnecessary in view of the implementation cutback.

As noted earlier, the original CFIS budget for 1981-82 included funds for staff, equipment, communications, facilities modifications and departmental participation costs for 75 departments scheduled to install CALSTARS in the budget year and implement it in 1982-83. When the implementation plan was cut back to 15 departments, only the staff support funds were deleted from the budget.

Table 2 presents the amounts included in the budget for the 75 departments. Using the detailed justification provided by the CFIS task force, we estimate the cost for 15 departments will be \$124,401, or \$493,488 less than the amount requested.

The budget also proposes \$472,385 for hardware, rent, alterations, software, computer operators and data processing costs for a distributed processing node, or center, in San Francisco. Table 2 displays the breakdown of the costs. This center would be similar to the node established in Sacramento in 1980-81 for the pilot CALSTARS agencies. The nodes will perform preliminary processing of CALSTARS data before it is sent to the Teale Data Center, and will support the planned on-line inquiry capability when it is developed. The proposed center would be ready to handle San Francisco area agencies in 1982-83.

We question the necessity of establishing a San Francisco node in the budget year. The revised implementation schedule suggests that, during 1982-83, the departments located in San Francisco could be channeled through the Sacramento node. Two of the pilot agencies will operate this way in 1981-82, and the revised schedule does not appear to create significantly more workload in the San Francisco region during 1982-83.

Table 2
California Fiscal Information System
Budget for 1982-83 CALSTARS Implementation

<i>Departmental Costs:</i>	<i>Budgeted for 75 Depts.</i>	<i>Required for 15 Depts.</i>	<i>Amount Overbudgeted</i>
Equipment	\$112,245	\$26,385	\$85,860
Communications	145,644	29,016	116,628
Space modifications.....	117,000	22,000	95,000
Participation in CFIS	243,000	47,000	196,000
Totals	\$617,889	\$124,401	\$493,488
<i>San Francisco Node:</i>			
Equipment	\$219,926	—	\$219,926
Data processing	150,000	—	150,000
Rent	14,400	—	14,400
Space alterations	50,000	—	50,000
Personnel	26,059	—	26,059
Software	12,000	—	12,000
Subtotals	\$472,385	—	\$472,385
Totals	\$1,090,274	\$124,401	\$965,873

We understand that the CFIS task force is preparing a Department of Finance letter which addresses this issue. At this time, however, the task force is not able to provide justification for the funds budgeted for 60 extra departments or the San Francisco node. Based on the information that is available, we recommend that the unnecessary implementation funds be deleted, for a savings of \$965,873 to the General Fund.

Governor's Budget Does Not Reflect the Entire CFIS Appropriation

We withhold recommendation on \$2,007,984 from the General Fund for provisional and potentially duplicative data processing services.

The Governor's Budget proposes an expenditure plan of \$10,640,781 for the CFIS program in 1981-82. The Budget Bill appropriates this amount from the General Fund. Budget Bill language, however, appropriates an additional \$2,007,984 from the General Fund for CFIS costs at the Teale Data Center. This additional amount is not identified in the Governor's Budget and has not been counted as an expenditure in the budget schedules. *As a result, the General Fund surplus has been overstated by \$2,007,984.*

The \$2,007,984 represents the difference between the \$3,161,679 which CFIS staff understood Teale was budgeting to receive from CFIS, and the \$1,153,695 which the task force estimates will be sufficient to support its actual 1981-82 data processing workload. In fact, the Teale budget includes \$3,300,000 in reimbursements from CFIS.

Table 3
**1981-82 Reimbursements from
 CFIS to Teale Data Center**

<i>Budget Item</i>	<i>Amount</i>
Teale Data Center (TDC)	
Estimated reimbursements from CFIS	\$3,300,000
Less: CFIS allocation for TDC costs	
CFIS support appropriation	1,153,695
CFIS budget language appropriation	2,007,984
Total allocation	\$3,161,679
Estimated reimbursements in excess of appropriations	\$138,321

CALIFORNIA FISCAL INFORMATION SYSTEM—Continued

Table 3 displays the amounts budgeted for CFIS workload by both entities, and shows that the total CFIS allocation for Teale is \$138,321 less than the data center expects to receive.

The Teale estimate is based on preliminary (spring 1980) calculations of the volume of CFIS-related transactions which would be processed at the data center in 1981-82. The CFIS task force has since reduced its estimates because the new Sacramento distributed processing node will do some of the processing.

We have no analytical basis for determining which estimate of 1981-82 CFIS-related processing costs at Teale is more accurate. If the CFIS estimate is correct, the amounts included in its expenditure plan for Teale charges and its own distributed processing costs are sufficient and any additional appropriation is unjustified. If the Teale Data Center estimate is correct, the total CFIS allocation for data processing may be inadequate. We withhold recommendation on the \$2,007,984 proposed in provision 4 of Item 888 in the Budget Bill, pending the administration's resolution of this discrepancy.

OFFICE OF ADMINISTRATIVE LAW

Item 891 from the General
Fund

Budget p. GG 153

Requested 1981-82	\$1,810,631
Estimated 1980-81	1,439,400
Actual 1979-80	-
Requested increase (excluding amount for salary increases) \$371,231 (+25.8 percent)	
Total recommended reduction	None

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
891-001-001—Support of Office of Administrative Law		General	-
—Reimbursements		General	\$1,810,631
Total			\$1,810,631

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Additional staff. Recommend terms of 33 new positions be limited to June 30, 1982. 1613

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL) is an independent state agency established by Chapter 567, Statutes of 1979 (AB 1111). The office is administered by a director who is appointed by the Governor and confirmed by the Senate. The purpose of OAL is to provide executive branch review of all proposed and existing regulations promulgated by state agencies in order to reduce the number and improve the quality of such regulations. The OAL is required to review each regulation submitted by a state agency to determine whether it is (1) *necessary*, (2) promulgated by the agency *authorized* by law to issue regulations in that area,

(3) *clearly written*, (4) *consistent* with existing law, and (5) *referenced* to a specific statute or court decision. The office is also responsible for editing and publishing the California Administrative Code, and developing a general index to it. In addition, the OAL is required to develop procedures and timetables for the review of all existing regulations by the promulgating state agencies.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$1,810,631 for support of the OAL in 1981-82. This is \$371,231, or 25.8 percent, more than estimated expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The administrative costs of the OAL will be paid through reimbursements from the state agencies using OAL review services. Item 891-001-001 of the Budget Bill proposes a zero appropriation from the General Fund in order to authorize the office to expend its reimbursements. (Funds needed by state agencies to reimburse the OAL for its 1981-82 costs have been added to the "consultant and professional services" line item of the various agencies' budgets, in accordance with Department of Finance budget instructions. The amount budgeted for such reimbursements is based on the volume of regulations promulgated by each agency.)

Table 1 presents a summary of the OAL's expenditures and personnel years for the current and budget years. The table shows a \$371,231 (or 25.8 percent) increase in office expenditures in 1981-82. This increase results primarily from annualizing the cost of positions added administratively during the current year. The table also shows an increase of 7.3 personnel-years in the budget year. This increase is due to an anticipated reduction in salary savings as the office fills more of the positions which were added administratively in the current year.

Table 1
Office of Administrative Law
Budget Summary

	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Personal services	\$1,063,856	\$1,386,966	\$323,110	30.4%
Operating expenses and equipment	375,544	423,665	48,121	12.8
Total expenses	\$1,439,400	\$1,810,631	\$371,231	25.8%
Personnel-years	31.7	39.0	7.3	23.0

Background

The OAL became operational in 1980-81. The 1980-81 Governor's Budget proposed, and the Legislature (in the 1980 Budget Act) approved:

- A core staff of 8 positions for OAL and a budget of \$294,000 (Item 430). These funds were to come from user charges (reimbursements) imposed on other state agencies. (The budget stated that additional staffing would be added upon approval of a workplan proposed by the 8 core positions.)
- An appropriation of \$187,000 from the General Fund for a loan to the OAL to provide start-up funds until agency reimbursements were received (Item 431).
- An appropriation of \$3.5 million (Items 432, 433 and 434) to the Director of Finance for allocation to state agencies incurring costs as a result of Chapter 567. (Because of the arbitrary nature of the proposed amount, the Legislature added Budget Act control language requiring the Director to give 30-day notification to the Legislature prior to allocating the \$3.5 million.)

OFFICE OF ADMINISTRATIVE LAW—Continued**Administrative Changes**

On July 1, 1980, the Director of Finance notified the Joint Legislative Budget Committee (JLBC) that 8 additional positions were being established administratively to increase the OAL staff to a total of 16 positions. The full cost of the 16 positions was to be reimbursed from service user charges.

On September 30, 1980, the Director of Finance requested that the JLBC waive the 30-day waiting period required by Section 28 of the Budget Act of 1980 so that she could allocate \$1,488,010 from Items 432, 433 and 434 directly to the OAL to support (1) the 16 authorized positions and (2) 25 additional positions to be added administratively.

A significant number of the 41 positions are to be involved primarily with oversight responsibilities associated with the review of existing regulations required by Chapter 567. The OAL indicates that this review of most agencies' regulations is expected to be completed by December 31, 1982.

The administration's proposal to fund the OAL in the current year from direct appropriations in the Budget Act represented a significant departure from existing statutory and Budget Act provisions. Section 11340.4 of the Government Code states that the OAL "shall collect from each state agency for which services are provided under this chapter reimbursement for its costs of providing services to that particular agency." In recognition of this requirement, the support appropriation for OAL in Item 430 of the 1980 Budget Act was funded totally from reimbursements. The administration proposed to shift the funding mechanism from user charges (reimbursements) to a direct allocation (from 1980 Budget Act Items 432, 433 and 434) because the OAL would not have enough "billable hours" in 1980-81 to support the cost of one-time, start-up activities and the development of agency review guidelines. In other words, it was not feasible to incorporate these large administrative overhead costs into a relatively few agency billings. Therefore, direct allocation for administrative expenses was proposed for the first year of OAL's operations.

The administration's request was approved by letter dated October 8, 1980, based on the understanding that:

1. Approval of the waiver request would not imply an endorsement of the proposed staffing level (41 positions) for future years.
2. The administration would develop and implement a reimbursement system, as required by Government Code Section 11340.4.

In order to comply with the requirements of Section 11340.4, funds for reimbursing OAL for its 1981-82 costs have been included in the budgets of various state agencies. These amounts are to be transferred by the State Controller to the OAL's budget support item (Item 891) at the beginning of the budget year. It is our understanding that the administration intends to continue this funding arrangement in subsequent years.

We recommend approval of this funding approach because:

1. It complies with Government Code Section 11340.4.
2. Transferring the funds to the OAL at the beginning of the budget year will enable the OAL to defray its expenses without experiencing cash-flow problems.

Office Organization

For the 1981-82 fiscal year, the budget proposes that the OAL continue to have 41 positions (30 professional and 11 clerical). The office consists of:

1. A director and executive secretary.

2. An administrative unit having 3 professional positions.
3. A legal division having 18 positions (13 professional and 5 clerical) responsible, among other things, for:
 - Reviewing proposed regulations and orders of repeal.
 - Reviewing proposals for emergency regulations to determine whether a true emergency exists.
 - Reviewing agencies' determinations as to whether their existing regulations meet statutory standards.
 - Taking steps to repeal regulations which do not meet statutory standards.
 - Making recommendations to the Legislature on the repeal or amendment of statutory provisions which affect the operation of regulatory agencies.
4. A regulation management and analysis division consisting of 18 positions (13 professional and 5 clerical) responsible for:
 - Implementing a system to adopt, amend and repeal regulations according to standards specified by Chapter 567.
 - Assisting in the review of regulations in accordance with mandated standards.
 - Assuring timely review and processing of regulations, including editing, codification, filing and publishing.
 - Assuring proper distribution of published regulations.
 - Establishing and monitoring a master plan for all agencies to review their existing regulations against statutory standards.
 - Recodifying the Administrative Code, in cooperation with the Legislative Counsel, to allow cross-referencing and the development of a comprehensive index.

Positions Should be of Limited Duration

We recommend that the 33 additional positions requested to assist OAL comply with its statutory requirements be authorized for the budget year only.

Our analysis indicates that the 33 additional positions requested will be needed in the budget year. However, because the OAL workplan calls for OAL review of most agency regulations to be completed during 1982, it seems likely that many of these additional positions will not be needed in subsequent years. For this reason, we believe continuation of the 33 positions beyond June 30, 1982, should be subject to specific review and approval by the Legislature.

Accordingly, we recommend that the following language be added to the supplemental report:

"The 33 proposed new positions are limited to June 30, 1982."

MILITARY DEPARTMENT

Item 894 from the General
Fund

Budget p. GG 156

Requested 1981-82	\$14,075,144
Estimated 1980-81	14,887,945
Actual 1979-80	10,752,138
Requested decrease (excluding amount for salary increases) \$812,801 (-5.5 percent)	
Total recommended reduction	\$546,180

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *California Specialized Training Program. Reduce by \$546,180.*
Recommend half-year funding of this program. Further recommend that second half-year funding be considered in legislation authorizing the program.

1617

GENERAL PROGRAM STATEMENT

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

Army National Guard

The troop strength of the Army National Guard is determined by the U.S. Department of the Army to meet the current contingency plans of the United States, as developed by the Joint Chiefs of Staff, with the concurrence of the Governor. The Army National Guard currently consists of 21,045 officers and enlisted personnel in 185 company-sized units.

Air National Guard

The Air National Guard consists of four flying bases providing tactical airlift, tactical air support, air rescue and recovery, and air defense capabilities, as well as communications units at six locations in the state. The U.S. Department of the Air Force allocates the units and the 5,244 authorized personnel throughout the state, with the concurrence of the Governor.

Office of the Commanding General

The Office of the Commanding General is composed of state active duty personnel and state civil service employees. The office has two elements: (1) command management and (2) military support to civil authority. Command Management determines overall policies and exercises general supervision over those activities necessary to accomplish departmental objectives. The military support element collects data and prepares plans, procedures, and orders for the deployment of California National Guard personnel and resources to assist state and local authorities in responding to natural or man-caused emergencies. Also included in this activity is the California Specialized Training Institute (CSTI) at Camp San Luis Obispo, which provides training courses in civil emergency management, officer

survival and internal security, school security and aspects of terrorism for civilian and military personnel.

Military Retirement

The Military Retirement program applies only to military personnel who were ordered to state active duty prior to October 1, 1961, and served 20 or more years, at least 10 of which were on active duty status. The benefits provided by this program are similar to those provided by the federal military retirement system. Persons ordered to active duty subsequent to the specified date are members of the Public Employees' Retirement System.

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

California Cadet Corps

The objective of the California Cadet Corps is to develop in youth the qualities of leadership, patriotism, and citizenship under conditions of military discipline. The program provides training in basic military subjects, first aid, survival and marksmanship, using credentialed instructors through the regular educational system. A portion of the instruction is conducted in a one-week training session at Camp San Luis Obispo, which is one of several military facilities operated by the state. Approximately 80 junior and senior high schools will participate in the program, and enrollment is estimated at 4,000 cadets.

Farm and Home Loan Program

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

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$14,075,144 from the General Fund for departmental support in 1981-82. This represents a decrease of \$812,801, or 5.5 percent, below estimated current-year expenditures. The department's expenditures will increase by the amount of salary or staff benefit increase approved for the budget year. The General Fund support for each program of the department is shown in Table 1.

The total proposed budget for the Military Department, including state and federal funds, is \$157,734,643. Of this amount, 90.5 percent is federally funded, 0.6 percent is financed by reimbursements and 8.9 percent is supported by the General Fund.

If current-year General Fund expenditures are adjusted to exclude the one-time cost of the Farm and Home Loan program (\$2,500,000), the budget proposed for 1981-82 represents an increase of \$1,687,199, or 13.6 percent, over estimated current-year expenditures. The \$1,092,359 General Fund amount requested to support the California Specialized Training Institute in the budget year accounts for most of this increase. The institute is discussed later in this analysis.

MILITARY DEPARTMENT—Continued

Table 1
Military Department
Budget Summary

<i>Program</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Army National Guard	\$6,486,612	\$6,766,153	\$279,541	4.3%
Air National Guard	1,013,831	1,051,466	37,635	3.7
Commanding General	3,272,284	4,531,887	1,259,603	38.5
Military Retirement	1,202,443	1,291,513	89,070	7.4
Cadet Corps	412,775	434,125	21,350	5.2
Farm and Home Loan Program	2,500,000	—	-2,500,000	-100.0
Totals	\$14,887,945	\$14,075,144	-\$812,801	-5.5%

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

Army National Guard

Table 1 shows that \$6,766,153 is requested from the General Fund to support the Army National Guard in 1981-82 an increase of \$279,541, or 4.3 percent, over estimated current-year expenditures. State and federal funding and reimbursements for this program total \$95,356,032 in 1981-82.

The net increase of \$279,541 in General Fund expenditures proposed for the budget year results from routine merit salary, staff benefit, and operating cost increases, partly offset by reductions in staff resulting from the transfer of Fort Irwin from the state operated federally reimbursed category to a direct federal operation. This transfer results in the termination on June 30, 1981, of five positions in the Office of the Commanding General.

The California Impact Program is a combination job training and National Guard recruitment program. Originated in Oakland in 1977-78, the program was expanded to the City of Los Angeles in the current year. Program costs are reimbursed by the local governments where the program operates. The budget contains 24 positions for the Los Angeles program and nine for the Oakland program. The positions are limited to September 30, 1981, to coincide with the period of the local grants. The department expects that the programs will be continued if local funds are available.

Air National Guard

General Fund expenditures for the Air National Guard in the budget year are proposed at \$1,051,466, an increase of \$37,635, or 3.7 percent, over estimated current-year expenditures. The increase results from routine merit salary and price increase adjustments.

In 1981-82, federal and state funding for this program is proposed at \$54,821,706, an increase of \$3,956,848, or 7.8 percent, above estimated current-year expenditures.

Office of Commanding General

The budget proposes General Fund expenditures of \$4,531,887 for support of the Office of Commanding General in 1981-82. This is an increase of \$1,259,603, or 38.5 percent, above estimated current-year expenditures. Total federal and state funding plus reimbursements for support of this program in 1981-82 is proposed at \$5,814,800.

California Specialized Training Institute

We recommend that the California Specialized Training Institute be funded through the Budget Act only until January 1, 1982, and that funding for the second half of the budget year be considered in legislation establishing the program, for a General Fund reduction of \$546,180 (Item 894-001-001).

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

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

Originally, the program was funded entirely by grants from the Office of Criminal Justice Planning (OCJP). In recent years, funding was changed to approximately two-thirds from OCJP grants and one-third from the Peace Officer Training Fund. However, federal funding for the program is no longer available because it has been supported for more than the usual three-year period.

Current-year funding problem. For 1980-81, the Governor's Budget requested no General Fund support for CSTI, proposing instead, that the program be funded by the Peace Officers' Training Fund and tuition fees from some participants. This proposal was accepted by the Legislature, and the Commission on Peace Officer Standards and Training (POST) subsequently approved an allocation of \$492,242 from the Peace Officers' Training Fund for support of the program.

The Military Department reports that the POST allocation plus anticipated tuition payments will not be sufficient to continue the program through the current year. The funding deficit is expected to approximate \$150,000. Department of Finance staff indicate that it may allocate General Fund monies to the program from the appropriation for contingencies or emergencies.

Report on CSTI. In our *Analysis of the 1980 Budget Bill*, we recommended that the Commission on Peace Officer Standards and Training evaluate this program because of (1) the lack of specific legislative authority for CSTI, (2) the uncertainty as to whether adequate funding would be available, and (3) the possibility that CSTI duplicates training provided by other state and local agencies.

The Legislature approved supplemental language directing POST to evaluate the need to continue CSTI, and to report thereon to the fiscal and policy committees by December 1, 1980.

In its report, POST indicates that:

1. A need exists for law enforcement and other local officials to be prepared, through training, to handle emergency situations caused by natural or man-made disasters.
2. It is a matter of state concern that local officials be prepared to cope with disasters and disorders.
3. CSTI appears uniquely qualified, as a training arm of the state, to provide such assistance to local authorities.

MILITARY DEPARTMENT—Continued

The Governor's Budget requests \$1,092,359 from the General Fund to support CSTI in 1981-82. The budget proposes that program emphasis be shifted from regular law enforcement training, which duplicates training available in other POST-certified training programs, to emergency planning and management.

Because these training programs and the institute have not been specifically authorized by legislation, the Legislature does not have an adequate basis for holding the department accountable for the administration of the program or for overseeing and controlling the use of state funds. For this reason, we recommend that funding for the CSTI be provided for only the first six months of 1981-82. Funding for the balance of the fiscal year should be considered in connection with legislation authorizing the program. In order to facilitate legislative oversight of the program, such legislation should specify program guidelines and require periodic reports on the program's effectiveness.

Military Retirement

The budget proposes an appropriation of \$1,291,513 from the General Fund for benefits that will be paid to certain military retirees during 1981-82. This amount is \$89,070, or 7.4 percent, more than estimated current-year expenditures.

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

California Cadet Corps

The budget proposes a total expenditure of \$450,592 for support of the Cadet Corps in 1981-82. The expenditure includes \$434,125 from the General Fund and \$16,467 in reimbursements. The General Fund request is an increase of \$21,350, or 5.2 percent, above estimated current-year expenditures. The increase in General Fund support results from routine merit salary, staff benefit, and adjustments in operating expenses.

Farm and Home Loan Program

The Farm and Home Loan program provides low interest loans to certain members of the guard for the purchase of farms and homes. The department advises that approximately 420 home loans will be made in the current year. Two positions, funded by bond sale proceeds are currently authorized for administration of the program in the Military Department.

MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 894-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 164

Requested 1981-82	\$701,100
Recommended approval	648,850
Recommended reduction	52,250

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Armory—Fresno. Reduce by \$5,750.* Recommend deletion of previously appropriated funds for architectural and engineering expenses. 1619
2. *New Aircraft/Helicopter Repair Facility—Fresno. Reduce by \$12,100.* Recommend deletion of previously appropriated funds for architectural and engineering expenses. 1620
3. *Minor Capital Outlay. Reduce by \$34,400.* Recommend deletion of unsupported budget item. 1621

ANALYSIS AND RECOMMENDATIONS**Capital Outlay Program**

The Military Department is requesting an appropriation of \$701,100 from the General Fund, Special Account for Capital Outlay, for a portion of the architectural planning cost of various projects in its 1981-82 capital outlay program. In addition, the budget requests \$21,740,800 under Item 894-301-890 from the Federal Trust Fund for a portion of the architectural planning, and all construction costs, of the department's anticipated 1981-82 capital outlay construction projects. The federal fund item is informational only and no legislative action is required. Budget language under these items specifies that the state funds can be spent only if the department receives written assurance from the federal government that the construction phase of a project will be funded.

The department's request for state funds consists of four proposals. A discussion of the proposals and our recommendation for each follows.

Project Planning

We recommend approval of Item 894-301-036(a), for project planning.

The budget proposes an expenditure of \$129,000 for planning, working drawings, and supervision of construction projects financed from federal funds. The Military Department is anticipating the receipt of \$5,177,000 in federal funds for construction projects at various Army National Guard bases around the state. The federal government only partially finances architectural and engineering costs related to these projects and the requested appropriation is to finance the remainder of these costs.

New Armory—Fresno

We recommend Item 894-301-036(b), preliminary plans and working drawings, Fresno armory, be reduced by \$5,750.

The Military Department has requested an appropriation of \$160,000 from the General Fund, Special Account for Capital Outlay for architectural planning of a new 300-man armory in Fresno. The requested building will be a 30,800 gross

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

square foot, two-story facility, with assembly halls, locker rooms, classroom, offices, latrines, and food preparation areas. It will house two transportation companies which currently occupy inadequate facilities.

This project will be funded jointly by the state and federal governments, with the state funding partial architectural/engineering costs, and the federal government funding the remaining architectural/engineering costs and all construction costs. The total project cost is anticipated to be \$1,960,000 (\$45 per gross square foot), and a future cost of \$1,848,000 is anticipated for construction in 1982-83. Previous state funding of \$5,750 for budget schematics was financed from a blanket appropriation for budget schematics in Item 427, Budget Act of 1977.

The proposed facility will replace the Shields Avenue armory, which is a converted wood-frame, World War II vintage, warehouse containing 9,600 gross square feet. The facility lacks a kitchen, drill hall, and provides only minimal latrine and administration space. The new armory will also alleviate crowded conditions at the Chance Avenue armory, which serves as headquarters for three battalion commands. The Chance Armory was constructed in 1954 and lacks adequate office space.

We recommend approval of the project due to the age of the buildings and the current overcrowded conditions which exist at the Chance Avenue armory. However, we recommend a reduction of \$5,750 under Item 894-301-036(b) because this amount has already been appropriated.

New Aircraft/Helicopter Repair Facility

We recommend a reduction of \$12,100 under Item 894-301-036(c), preliminary plans and working drawings, new aircraft/helicopter repair facility.

The department has proposed the construction of a 74,540 square foot aircraft/helicopter repair facility in Fresno which will contain a hangar area of 66,640 square feet, a paint shop and storage area of 4,400 square feet, and a general support building of 3,500 square feet. Paving for open storage, wash pads, a taxi way, and landing and repair pads are also included in the project. The proposed facility will provide general support maintenance for 556 aircraft for Army National Guard units from 15 western states.

The present aircraft/helicopter repair facility occupies two buildings located at the Fresno Municipal Airport complex. One building is a steel-frame, World War II vintage hangar, and the other building is a wood-frame structure. These buildings have inadequate electrical systems and a structural composition which does not lend itself to controlled atmospheric conditions. This requires that a significant amount of aircraft repair component work be subcontracted to local vendors. Furthermore, the existing area of 47,800 gross square feet is one-half of the area authorized by the Department of Defense to service adequately the number of planes requiring maintenance.

The total cost of this project is anticipated to be \$5,925,300, with a building cost of \$3,786,200—\$51 per gross square foot. The department has requested an appropriation of \$377,000 to finance the state's share of preliminary plans and working drawings related to the project. Previous state funding of \$12,100 for budget schematics has been allocated to the department from planning funds. This amount is included within the requested \$377,000 and should be deleted. Funding of \$5,600,750 for construction will be requested in 1982-83, and will be totally financed by federal funds.

Due to the age and condition of the present facility we recommend approval of this project. However, we recommend a reduction of \$12,100 in the requested state funds because this amount has already been appropriated.

Minor Capital Outlay

We recommend deletion of Item 894-301-036(d) for minor capital outlay, for a savings of \$34,400.

Budget Item 894-301-036(d) requests an appropriation of \$34,400 for the 1981-82 minor capital outlay program (\$100,000 or less per project). The amount requested represents 50 percent of the Military Department's request for minor capital outlay. Neither the department nor the Department of Finance has identified the projects to be funded from the requested amount. Consequently, we have no basis on which to evaluate the proposal, and we recommend that the funds be deleted.

TAX RELIEF SUMMARY**Item 910****Summary of State Tax Relief Expenditures**

The state provides local tax relief, both as subventions to local governments and as direct payments to eligible taxpayers, through ten different programs, each of which is funded under a separate item. Table 1 summarizes, by program, total tax relief expenditures for the prior, current, and budget years.

Table 1
Tax Relief Expenditures
Summary by Program^a
(in millions)

Tax Relief Program	Actual 1979-80	Estimated 1980-81	Proposed 1981-82	Change	
				Amount	Percent
Senior citizens' property tax assistance	\$24.5	\$21.0	\$21.0	—	—
Senior citizens' property tax deferral	3.2	3.5	5.0	\$1.5	42.9%
Senior citizen renters' tax assistance ..	46.3	51.5	51.5	—	—
Personal property tax relief	224.4	495.7	493.2	-2.5	-0.5
Homeowners' property tax relief	328.2	332.0	126.0	-206.0	-62.0
Open space subventions to local government	13.2	14.0	14.0	—	—
Payments to local governments for sales and property tax revenue losses	2.5	3.0	3.4	0.4	13.3
Renters' tax relief	357.5	405.0	425.0	20.0	4.9
Substandard housing	0.1	0.1	0.1	—	—
Alternative energy tax credits	—	1.5	5.0	3.5	233.3
Total, Tax Relief Expenditures	\$1,000.0	\$1,327.2	\$1,144.2	-\$183.0	-13.8%

^a Details may not add to total due to rounding.

Of the \$1,144.2 million budgeted for tax relief in 1981-82, \$493.2 million, or about 43 percent of the total, is proposed for subvention to local governments as reimbursement for revenue losses resulting from personal property tax relief (consisting largely of the 100 percent business inventory exemption). Another \$126 million will be used to fund homeowners' property tax relief, which is provided as a subvention to local governments to reimburse them for revenue losses resulting from the \$7,000 homeowners' property tax exemption. This is less than the full current law cost of the homeowners' exemption because the budget proposes to reduce this reimbursement in order to capture a portion of the 1978-79 unsecured taxes collected by local agencies. Tax relief for renters will require \$425 million, and is provided as a refundable income tax credit. A total of almost \$78 million will go to low- and moderate-income senior citizens and disabled persons through