

Our review indicates that the proposed support budget for the GSL program will provide four full-time supervisors to administer seven full-time specialists. We cannot identify any rationale for providing 1 supervisor to administer an average of 1.4 specialists. Our review indicates that the supervisor-to-specialist ratio can be reduced without causing major disruptions in the management of GSL operations.

For these reasons, we recommend that the four positions be deleted including costs for personnel benefits, operating expenses, and related clerical support, we estimate this recommendation will reduce the GSL support budget by \$171,000.

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General
Fund and Indemnity Fund

Budget p. GG 1

Requested 1982-83	\$14,987,000
Estimated 1981-82.....	16,240,000
Actual 1980-81	9,792,000
Requested decrease (excluding amount for salary increases) \$1,253,000 (-7.7 percent)	
Total recommended reduction	\$2,533,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,341,000
8100-001-214—Support		Indemnity	414,000
8100-101-001—Local Assistance—various programs		General	7,612,000
8100-101-214—Local Assistance—various programs		Indemnity	4,620,000
Total			\$14,987,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Unnecessary Commitment of General Funds. Recommend Budget Bill language reverting \$325,000 to the General Fund because the funds are not needed. 1607
2. *Career Criminal Apprehension Program. Reduce Item 8100-101-001 by \$1,250,000 (General Fund).* Recommend funding for the Career Criminal Apprehension Program only through December 31, 1982, when authorization contained in existing law expires. Funding for the balance of 1982-83 should be considered in connection with enactment of legislation extending the program. 1608
3. *Community Crime Resistance Program. Reduce Item 8100-101-001 by \$1,250,000 (General Fund), Item 8100-001-001 by \$33,000 (General Fund), and Item 8100-001-890 by \$33,000 (federal funds).* Recommend funding for the Community Crime Resistance Program only through December 31, 1982, when authorization contained by existing law expires. Funding for the balance of 1982-83 should be considered in connection with legislation extending the program. 1609

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

The Office of Criminal Justice Planning (OCJP) was created by Ch 1047/73 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.

OCJP is divided into four program areas—(1) planning and operations, which provides staff support to various federal and state grant programs, (2) administration, (3) state and private agency awards, which allocates federal grants to state and private agencies, and (4) local project awards, which allocates state and federal grants to local governments. In the current year, OCJP has an authorized staff of 59 personnel-years.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure program for the Office of Criminal Justice Planning in 1982–83 is \$30,110,000, consisting of \$9,953,000 from the General Fund, \$5,034,000 from the Indemnity Fund, and \$15,123,000 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 four programs.

Table 1
Office of Criminal Justice Planning
1982–83 Program Expenditures
(in thousands)

	<i>General Fund</i>	<i>Indemnity Fund</i>	<i>Federal Funds</i>	<i>Totals</i>
1. Planning and operations.....	\$1,087	\$414	\$331	\$1,832
2. Administration	1,254	—	190	1,444
3. State and private agency awards	—	—	3,844	3,844
4. Local project awards.....	7,612	4,620	10,758	22,990
Totals.....	\$9,953	\$5,034	\$15,123	\$30,110

Year-to-Year Expenditure Comparisons Are Not Meaningful

Table 2 summarizes total OCJP expenditure levels for the current and budget years. While it appears from Table 2 that OCJP's General Fund requirements are decreasing by \$2.2 million, or 18.4 percent, 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 state and federal grant funds which are available for three fiscal years. In preparing the budget, all presently available state 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. If the current-year expenditures were adjusted to eliminate the effect of the prior-year funds, there would be a \$37,000, or 0.3 percent, decrease in General Fund support for OCJP between the current and budget years.

Indemnity Fund Support Increases

OCJP requests an increase of \$995,000, or 24.6 percent, in Indemnity Fund support for 1982-83. This consists of a \$500,000 increase in support for local victim and witness assistance centers, an additional \$250,000 for local sexual assault centers, and \$250,000 to expand the sexual assault program to address the problem of sexual exploitation of children.

There is considerable uncertainty over whether revenues to the Indemnity Fund will be sufficient to support the proposed level of expenditures for these programs. For this reason, the Budget Bill contains language providing that the additional amounts identified above will be available for expenditure only upon certification by the Director of Finance that sufficient funds are available, and after 30-day prior notification has been given to the Joint Legislative Budget Committee.

Table 2
Office of Criminal Justice Planning
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change from</i> <i>1981-82 to 1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Funding					
1. General Fund	\$6,807	\$12,201	\$9,953	-\$2,248	-18.4%
2. Indemnity Fund	2,985	4,039	5,034	995	24.6
3. Federal Trust Fund	31,572	21,678	15,123	-6,555	-30.2
Totals	\$41,364	\$37,918	\$30,110	-\$7,808	-20.6%
Program					
1. Planning and operations	\$1,244	\$1,984	\$1,832	-\$152	-7.7%
Personnel-years	20.4	23	21	-2	-8.7
2. Administration	1,545	1,462	1,444	-18	-1.2
Personnel-years	29.7	36	33.5	-2.5	-6.9
Subtotals	\$2,789	\$3,446	\$3,276	-\$170	-4.9%
Personnel-years	50.1	59	54.5	-4.5	-7.6
3. State and private agency awards	\$6,602	\$5,807	\$3,844	-\$1,963	-33.8%
4. Local project awards	31,973	28,665	22,990	-5,675	-19.8
Totals	\$41,364	\$37,918	\$30,110	-\$7,808	-20.6%
Personnel-years	50.1	59	54.5	-4.5	-7.6

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 Streets Act of 1968, as amended.

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 (FFY 80) 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, and OCJP anticipates that no additional funds will be appropriated in 1982. 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 \$9.5 million, have already been allocated through contracts to various state and local programs.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

OCJP will continue to administer funds allocated to California by the federal Office of Juvenile Justice and Delinquency Prevention (JJDP). OCJP advises that an estimated \$9.2 million of prior-year funds have been allocated through contracts to various state and local programs, but have not yet been expended. In addition, OCJP anticipates that California will receive about \$4 million of JJDP funds from the FFY 82 budget.

Legislation Expands OCJP's Responsibilities

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

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. Chapter 713, Statutes of 1979, increased penalty assessments for felonies and misdemeanors, and provided that the additional revenue would be deposited in the Indemnity Fund to be divided equally between OCJP, for allocation to local victim and witness assistance centers, and the Board of Control, for the Indemnification of Private Citizens Program, which provides direct assistance to crime victims and citizens who sustain injuries while aiding crime victims. Companion legislation to the 1981 Budget Act (Ch 102/81) reauthorized the local victim and witness assistance center program, increased revenues to the Indemnity Fund, and provided that Indemnity Fund revenues may be used to support the program.

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.

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.

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.

Sexual Assault Programs

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 sexual assault counseling centers which operate 24-hour telephone counseling services, and meet other specified criteria. The act also requires OCJP to establish an advisory committee to develop a training course for district attorneys in the investigation and prosecution of sexual assault cases.

Chapter 1062, Statutes of 1981, requires that the sexual assault centers and the training courses for district attorneys also address the needs of children who are victims of sexual exploitation or abuse.

Gang Violence Suppression Program

Chapter 1030, Statutes of 1981, established a Gang Violence Suppression Program to provide financial and technical assistance to district attorneys to enable them to concentrate prosecution efforts and resources on persons involved in gang-related violent crime. The act specifies that it will become operative only if federal funds are made available for its implementation.

Unnecessary Commitment of General Funds

We recommend Budget Bill language reverting to the General Fund \$325,000 appropriated to the Office of Criminal Justice Planning in prior years because the funds are not needed.

The budget indicates that \$780,000 in General Funds are available for expenditure from appropriations made to OCJP for state operations in previous years. Most of these funds were made available for expenditure for three-year periods because they were intended to be used as state matching funds for federal grant money which was available for three years. Because of OCJP's method of accounting for General Fund amounts available for more than one year, all of the funds are shown as current-year expenditures, regardless of whether OCJP anticipates spending them in the current or budget year.

OCJP advises that it intends to utilize the \$780,000 for the following purposes:

1. \$268,000 to provide state matching funds for federal grant money that will be expended in the current and budget years;
2. \$150,000 to continue implementation of Ch 917/80, which made funds available without regard to fiscal year for sexual assault programs.
3. \$37,000 to be used for unspecified purposes related to the Career Criminal Prosecution Program. The legislation which authorized the program, however, expired on January 1, 1982, and according to the State Controller's office, the funds are not available for expenditure after that date;
4. \$250,000 to reimburse the federal government if an audit reveals that insufficient state funds were spent to match federal grants in previous years; and
5. \$75,000 to be used for unspecified purposes.

Our analysis indicates that \$325,000 of the \$780,000 probably will not be needed in the current or budget years. First, OCJP advises that \$250,000 may be used to reimburse the federal government if state, local, and private agencies in California are found to have provided insufficient

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

funds to match federal grants received from the Law Enforcement Assistance Administration. An audit of the program, which is scheduled to be performed in the spring of 1983, will determine if OCJP is required to make this reimbursement. OCJP indicates that such reimbursement probably will not be necessary because it is likely that California agencies have provided more than the required amount of matching funds during the life of the grant program. Thus, our analysis indicates that the \$250,000 budgeted for this purpose represents contingency budgeting. Funds for such reimbursement should be appropriated after the amount of state liability, if any, is determined.

Second, OCJP advises that it has no plans to utilize \$75,000 of the budgeted amount. By allowing the funds to remain available for expenditure for unspecified purposes, the budget unnecessarily restricts the use of General Fund resources that otherwise could be used by the Legislature to meet high priority state needs.

For these reasons, we conclude that OCJP has not justified the retention of \$325,000 that has been made available to it from the General Fund. To provide the Legislature with increased fiscal flexibility in allocating limited state resources to high-priority state needs, we recommend adoption of the following Budget Bill language:

“Notwithstanding any other provisions of law, as of June 30, 1982, \$325,000 of the unencumbered balances of the appropriations provided by Budget Act of 1977, Item 360, the Budget Act of 1979, Item 408, and the Budget Act of 1980, Item 458, shall revert to the unappropriated surplus of the General Fund.”

Career Criminal Apprehension Program

We recommend that Item 8100-101-001 be reduced by \$1,250,000 in order to limit funding for the Career Criminal Apprehension Program to the six-month period (July 1, 1982 through December 31, 1982) for which funding is authorized under existing law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1982, support funds be included in the legislation.

The Career Criminal Apprehension Program was established by Ch 1167/78, 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 budget requests \$2,500,000 from the General Fund for the program in 1982-83, which is the same funding level as in the current year. The Budget Bill contains language specifying that half of the funds, or \$1,250,000, shall be available for expenditure in the budget year only if legislation is enacted to reauthorize the program. The OCJP advises that if such legislation is enacted, approximately \$1.7 million of the requested amount will be used to continue support for 19 projects started in the current year, and about \$800,000 will be used to create additional projects in local law enforcement agencies.

Our analysis of this request indicates that although the statute authorizing the program includes a sunset clause which terminates the program on December 31, 1982, the budget includes funding for the program through June 30, 1983. 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, 1983, be deleted from the Budget Bill. Specifically, we recommend that Item 8100-101-001 be reduced by \$1,250,000. This would leave adequate funds to support the program until its authorization expires. 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 1982-83 be provided in the proposed legislation.

Community Crime Resistance Program

We recommend a reduction of \$1,316,000 (\$1,250,000 General Fund in Item 8100-101-001, \$33,000 General Fund in Item 8100-001-001, and \$33,000 federal funds in Item 8100-001-890) in order to limit funding for the Community Crime Resistance Program to the six-month period (July 1, 1982 through December 31, 1982) for which funding is authorized under existing law. We further recommend that, if the Legislature enacts legislation to continue the program beyond December 31, 1982, support funds be included in the legislation.

The Community Crime Resistance Program was established by Ch 578/78, and it is scheduled to terminate on January 1, 1983. The program provides funds to local governments to encourage citizen involvement in crime resistance efforts.

The budget requests \$1,250,000 from the General Fund for local assistance grants and \$130,000, consisting of half federal funds and half General Fund money, for program administration in 1982-83. This is the same amount as appropriated for the current year. The OCJP advises that the funds will be used to support approximately 15 local projects which probably will receive funding in the current year, and at least 10 new projects. The Budget Bill contains language specifying that half of the funds, or \$625,000, shall be available for expenditure in the budget year only if legislation is enacted to reauthorize the program.

Our review of the program indicates that the local assistance funds appropriated to the program for the current year will be sufficient to fully support it through January 1, 1983, when the program is scheduled to terminate. According to OCJP, the \$1,250,000 General Fund amount appropriated for local assistance grants in the current year has not yet been allocated to projects. Even if these funds were allocated immediately, they would be sufficient to support the projects for a full year, or until January 1983.

In addition, our analysis of this request indicates that although the statute authorizing the program includes a sunset clause which terminates the program on December 31, 1982, the budget includes funding for the program through June 30, 1983. 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.

Because local assistance funding provided in the current year will fully support the crime resistance projects through January 1, 1983, and because the statutory authority for the program will sunset on that date, we recommend deletion of (1) all funds requested for local assistance and (2) half of the funding requested for program administration. Specifically, we recommend a reduction of \$1,250,000 from Item 8100-101-001, \$33,000 from Item 8100-001-001, and \$33,000 from Item 8100-001-890. This would leave

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

adequate funds to support the program until its authorization expires. 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 1982-83 be provided in the proposed legislation.

COMMISSION ON PEACE OFFICERS' STANDARDS AND TRAINING

Item 8120 from the Peace Officers' Training Fund

Budget p. GG 7

Requested 1982-83	\$22,639,000
Estimated 1981-82	19,386,000
Actual 1980-81	18,858,000
Requested increase (excluding amount for salary increases) \$3,253,000 (+ 16.8 percent)	
Total recommended reduction	\$32,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8120-001-228	Commission Support	Peace Officers' Training	\$4,227,000
8120-101-228	Assistance to Cities and Counties	Peace Officers' Training	18,412,000
Total			\$22,639,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Video Program. Reduce Item 8120-001-228 by \$65,000.* Recommend deletion of proposed project because it is duplicative of an existing private sector service. 1612
2. *Standards Research.* Recommend that five positions be limited to June 30, 1984, to correspond to completion of work product. 1613
3. *California Peace Officer's Legal Sourcebook. Augment Item 8120-101-268 by \$33,000.* Recommend Peace Officers' Training Fund, rather than the General Fund, finance a law enforcement sourcebook, prepared by the Department of Justice. 1613

GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the level of professional competence of local law enforcement agencies by establishing minimum recruitment and training standards, and by providing management counseling. Through a local assistance program, the commission reimburses agencies for costs incurred as a consequence of participating in the training courses. The commission has 77.4 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$22,639,000 from the Peace Officers' Training Fund for support of the commission in 1982-83. This is an increase of \$3,253,000, or 16.8 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The commission and its local assistance program are supported by the Peace Officers' Training Fund (POTF), which derives its revenues from penalty assessments on criminal and traffic fines. These penalty assessments are deposited first in the Assessment Fund, and then transferred to other funds, including the POTF, by a statutory formula. Chapter 966, Statutes of 1981 (SB 210), increased the POTF share from 24.17 percent to 30.83 percent until January 1, 1986, and reduced the Driver Training Penalty Assessment Fund share by a corresponding amount.

The adjustments in the penalty assessment distribution rates 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
(dollars in thousands)

	<i>Assessments on Fines</i>	<i>Income^a</i>	<i>Other Total</i>
1979-80	\$15,308	\$704	\$16,012
1980-81	16,544	912	17,186
1981-82 (est.)	18,444	756	19,200
1982-83 (est.)	19,744	756	20,500

^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 Officers' Standards and Training
Budget Summary
(dollars in thousands)

	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Standards	\$1,974	\$2,217	\$243	12.3%
Training	1,992	2,010	18	0.9
Administration	(2,292)	(2,121)	(-171)	(-7.5)
Assistance to cities and counties	15,420	18,412	2,992	19.4
Totals	\$19,386	\$22,639	\$3,253	16.8%
Personnel-years	77.4	86.6	9.2	11.9

Assistance to Cities and Counties

We recommend approval.

The budget proposes an appropriation of \$18,412,000 from the Peace Officers' Training Fund to provide qualifying local governments with reimbursement for training costs, including per diem, travel, tuition, and partial reimbursement of participants' salaries. This is an increase of \$2,992,000, or 19.4 percent, over the amount budgeted in the current year.

COMMISSION ON PEACE OFFICERS' STANDARDS AND TRAINING—Continued

The increase would allow the commission to reimburse local governments for approximately 44 percent, rather than 30 percent, of the salary costs of participants in certain POST courses.

In recent years, POST has reimbursed local agencies for 30 percent of the salaries of participants in many certified courses. An additional reimbursement of up to 20 percent of salaries was provided from funds remaining in the commission's local assistance appropriation at the end of the fiscal year. In 1980-81, reimbursements were ultimately funded at a total of 45 percent. In 1981-82, no surplus is expected, and reimbursements are projected to remain at the 30 percent level. Our analysis indicates that even with the increased state assistance, local governments will continue to bear most of the costs of training peace officers.

Test Item Bank Should Improve Examination Quality

We recommend approval.

The budget proposes to redirect \$86,000 from consulting services to fund 1.5 positions to establish an automated bank of test items from which ongoing proficiency and training academy examinations may be assembled. A recent POST review of over 3,000 test items resulted in the identification of fewer than 300 which it considered to be valid. The commission advises that this proposal will enable it to upgrade the various examinations currently administered under POST auspices, and to maintain a higher level of test validity.

We recommend approval of this redirection because it should allow the commission to provide more timely and valid tests to law enforcement trainers.

Video Programs

We recommend the deletion of a proposed video clearinghouse because it duplicates a service that is already available, for a savings of \$65,000 (Item 8120-001-228).

The budget requests \$65,000 for 1.5 positions to establish an automated clearinghouse of training videotapes produced by law enforcement agencies throughout the state. The commission states that currently many local agencies produce training videotapes because they are unaware that others have already produced similar tapes. It expects that the program will reduce unnecessary duplication in the production of these tapes.

Our analysis indicates that this proposal duplicates a service that is already available. The California Peace Officers Association (CPOA) produces an annual catalogue listing various training materials available to law enforcement agencies throughout the state. This catalogue contains materials from 34 agencies, including the major providers of POST training courses. It covers films, slides, and audiotapes, as well as videotapes, thus making a much broader scope of materials available to a potential user. The POST system, by cataloging only videotapes, would not inform a potential videotape producer of available training materials on the same subject, but produced using another medium.

The commission contends that the more frequent updating allowed by an automated system provides a significant advantage to potential users. It is unclear, however, that this advantage justifies the cost of the project, or overcomes the limitations of the proposed one-medium system. Be-

cause the system is largely duplicative of a service that is already provided by the private sector, we recommend deletion of the proposal, for a savings to the Peace Officers' Training Fund of \$65,000.

Standards Research

We recommend that five positions proposed to comply with Ch 1180/80 be limited to June 30, 1984.

The commission requests \$326,000 and five positions to develop job-related education and selection standards for law enforcement jobs. This would be the first year of a proposed two-year project. The commission indicates that approximately the same staffing level and dollar amount will be requested in 1983-84.

Under Ch 1180/80, the commission is required to develop and adopt standards for physical agility, vision, hearing, and emotional stability, by January 1, 1985. Chapter 1180 mandates that the standards be supported by the commission's research.

Based on our analysis, the five new positions that the budget requests to perform these studies are reasonable. However, because the commission indicates that the workload will be completed at the end of 1983-84, we recommend that these five positions be limited to June 30, 1984.

California Peace Officer's Legal Sourcebook

We recommend an augmentation of \$33,000 to the commission's budget (Item 8120-001-228) to reimburse the Department of Justice for its costs related to the California Peace Officer's Legal Sourcebook.

The Department of Justice has developed a plan to print and distribute a publication entitled the *California Peace Officer's Legal Sourcebook*. The sourcebook is intended to provide California peace officers with a simple analysis of current statutory and case law, and to explain constitutional issues which affect law enforcement activities. It will be modeled after a sourcebook developed for Arizona law enforcement officers. Department staff indicate that the publication will consist of an 800-page text bound in a looseleaf binder format, which will allow for revisions on a quarterly or as-needed basis. They advise that videotapes eventually may be produced to accompany specific chapters or sourcebook revisions.

In the current year, the department is developing the text of the sourcebook, and printing and distributing 2,000 copies of the publication, at a General Fund cost of \$109,067. The commission tentatively has agreed to finance the publication of approximately 5,000 additional copies, at a cost of \$35,000, and to distribute them to law enforcement agencies for use in a pilot program to determine the usefulness of the sourcebook.

In the budget year, the department anticipates that its General Fund costs to develop, print, and distribute sourcebook updates will be \$33,242. Additional costs to print and distribute up to 40,000 more sourcebooks for all California peace officers may be incurred if the pilot program indicates that the publication is effective.

There is no need to use General Fund resources to finance this project. Because it will provide legal training to local law enforcement officers, the sourcebook and associated videotape programs are clearly within the scope of POST's mandate, and could be financed by the Peace Officers' Training Fund.

In order to increase the flexibility of the Legislature in managing the state's resources, we recommend that all costs related to the sourcebook be financed from the Peace Officers' Training Fund. Specifically, we rec-

COMMISSION ON PEACE OFFICERS' STANDARDS AND TRAINING—Continued

ommend an augmentation of \$33,000 from the Peace Officers' Training Fund to reimburse the Department of Justice for its costs related to the sourcebook. In our analysis of the Department of Justice budget (Item 0820), we recommend a General Fund reduction of \$33,000 and a \$33,000 increase in reimbursements.

STATE PUBLIC DEFENDER

Item 8140 from the General

Fund

Budget p. GG 11

Requested 1982-83	\$7,677,000
Estimated 1981-82.....	7,632,000
Actual 1980-81	6,323,000
Requested increase (excluding amount for salary increases) \$45,000 (+0.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The office of State Public Defender was created in 1976. Its primary responsibility is 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 an indigent defendant. These same services may also be provided by private attorneys appointed by the court. The Public Defender has offices in Los Angeles, Sacramento, San Diego, and San Francisco, and is authorized 165.9 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$7,677,000 from the General Fund for the support of the State Public Defender in 1982-83. This is an increase of \$45,000, or 0.6 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The requested increase primarily reflects routine merit salary adjustments and price increases for operating expenses, partially offset by a 5 percent baseline reduction. To achieve this reduction, which the administration required of many General Fund agencies, the office proposes to eliminate \$404,000 and 10.5 positions from its base budget. As a result of the staff reduction, the office expects the number of appeals it is able to handle to decline from 1,500 to 1,400 per year, a decrease of 6.7 percent.

During the current year, the office's expenditures were reduced by \$156,000 in response to the Governor's executive order which called for 2 percent reductions in General Fund expenditures for state operations.

Growth in Workload Shifted to Appointed Private Counsel

In prior years, the State Public Defender has indicated that the office's goal was to handle 50 percent of the appeals filed 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 criminal appeals caseload. The percentage of cases assigned to the State Public Defender increased to 38.3 percent in 1977-78, and 45.2 percent in 1978-79. Since then, however, the percentage has declined—to 37.4 percent in 1979-80 and to 33.9 percent in 1980-81. It probably will decline further in the current and budget years because the number of appeals will increase while the office's staffing level is being reduced.

The decline in the number of appeals handled by the State Public Defender has resulted in a proportionate increase in the number of indigent criminal appeals assigned by the courts to private counsel. Accordingly, the Governor's Budget requests \$3,079,000 for the courts of appeal and the Supreme Court (Item 0250) to pay fees of private appointed counsel. This is an increase of 14.6 percent over the current-year amount. Because there is a time lag between the appointment of private counsel and the payment of their fees, it is likely that costs for appointed counsel will continue to rise in the future as a result of budget-year reductions in staffing for the State Public Defender. Nevertheless, this shift in workload from the State Public Defender to private counsel results in savings to the state because, on the average, cases handled by the State Public Defender cost two to three times more than cases handled by private counsel. Because we have no basis for judging the relative quality of the work product or the relative complexity of the cases handled by each group of attorneys, we are not able to draw conclusions regarding the cost-effectiveness of the State Public Defender.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Item 8160 from the General

Fund

Budget p. GG 13

Requested 1982-83	\$1,775,000
Estimated 1981-82	1,775,000
Actual 1980-81	1,566,000
Requested increase—None	
Total recommended reduction	\$1,000,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8160-101-001—Public Defender Assistance		General	\$775,000
8160-111-001—Capital Case Defense		General	1,000,000
Total			\$1,775,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Capital Case Defense. Delete Item 8160-111-001.* Recommend deletion of \$1,000,000 requested to reimburse counties for nonmandated costs relating to defense of indigents in capital cases.

1616

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS—Continued**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 Ch 1048/77, 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

The budget proposes appropriations totaling \$1,775,000 from the General Fund for assistance to counties for defense of indigents in 1982-83. The requested amounts equal estimated current-year expenditures.

Public Defender Assistance

We recommend approval.

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

Capital Case Defense

We recommend deletion of this item, for a General Fund savings of \$1,000,000 (Item 8160-111-001), because the state is not mandated to pay these costs.

Between 1977-78 and 1980-81 the state provided approximately \$3.1 million to counties to reimburse them for costs associated with Ch 1048/77, on the assumption that it was required to do so by the Revenue and Taxation Code.

According to an opinion issued by the Legislative Counsel on January 26, 1980 (Opinion No. 16006), Chapter 1048 does *not* require counties to provide indigent defendants with any additional services beyond those that they are required by the United States Constitution to provide. Specifically, the opinion states that "a county is required by the United States Constitution to provide funds for investigators, experts, and others for an indigent defendant in a capital case if a showing of need is made." Chapter 1048 simply established a procedure whereby the defendant's counsel could request funds needed for an adequate defense. Because Chapter 1048 merely restates a constitutional provision, it does not fall within the definition of a state mandate, nor does it result in state-mandated costs as defined in either the Revenue and Taxation Code or Article XIII B of the California Constitution. Consequently, state reimbursement of costs attributed to Chapter 1048 is not required.

Because the original basis for the appropriation no longer exists, we see no reason to continue it. Therefore, we recommend that these payments be deleted, for a General Fund savings of \$1,000,000.

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS

Item 8170 from the General
Fund

Budget p. GG 13

Requested 1982-83	\$3,250,000
Estimated 1981-82.....	3,681,000
Actual 1980-81	1,836,000
Requested decrease \$431,000 (-11.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

This item reimburses counties for increased costs mandated by Ch 1357/76. 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 \$3,250,000 from the General Fund to reimburse local governments for the mandated costs of the conservatorship/guardianship program in 1982-83. This amount is 11.7 percent below current-year estimated expenditures of \$3,681,000.

The 1981 Budget Act appropriated \$1,836,000 to reimburse local governments for mandated costs under the conservatorship/guardianship program. Because that amount proved to be insufficient, an additional \$644,000 was appropriated in Ch 1090/81 (a local government claims bill). In addition, a deficiency of \$1,201,000 is identified in the Governor's Budget to pay 1979-80 and 1980-81 claims that exceed appropriations for those years.

This year, the Controller's Office has received claims covering 1981-82 amounting to approximately \$3 million. Based on this information, the budgeted amount appears appropriate to fund claims in the budget year.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALSItem 8180 from the General
Fund

Budget p. GG 14

Requested 1982-83	\$100,000
Estimated 1981-82	1,884,000
Actual 1980-81	1,121,000
Requested decrease \$1,784,000 (-94.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item proposes an appropriation of \$100,000 from the General Fund to reimburse counties for costs resulting from homicide trials to the extent that the costs of such trials exceed the revenue derived from 1.25 cent local property tax rate. Expenditures for this program since 1971-72 are shown in Table 1.

Table 1
Reimbursements to Counties for Cost of Homicide Trials
1971-72 through 1982-83

	<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	1,121,000
1981-82 (estimated)	1,884,000
1982-83 (proposed)	100,000

The Governor's Budget shows estimated current-year and proposed budget-year expenditures of \$1,884,000 and \$100,000, respectively. The current-year amount includes funding for the Corona (Sutter County), Hittson (Siskiyou County), Stanley (Lake County), and Hawkins (Del Norte County) trials. Whether this amount will cover the state's share of the costs of 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 8190 from the General
Fund

Budget p. GG 14

Requested 1982-83	\$500,000
Estimated 1981-82.....	1,575,000
Actual 1980-81	2,643,000
Requested decrease \$1,075,000 (-68.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. No Plan for Medfly Claims Payment and Administration. 1621
Recommend the Department of Finance report to the fiscal committees, prior to budget hearings, on the administration's plan to finance the payment and administration of tort liability claims related to the Medfly eradication program.
2. Underbudgeting. Recommend the Department of Finance report to the fiscal committees, prior to budget hearings, on the ability of the state to pay tort liability claims with the amount budgeted for that purpose. 1622

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 conducts an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred to that agency for investigation and litigation. The Department of Justice investigates all other claims to determine their validity, and provides legal services to the board.

Claims Payment

Funds are appropriated in this item to pay claims of up to \$50,000 each against all General Fund agencies except the University of California (claims against the University are funded under Item 6440). The Department of Justice administers the funds and, with the approval of the Board of Control, directly settles any claim up to \$25,000. Approval of the Department of Finance must be obtained for the payment of any claim between \$25,000 and \$50,000. Claims above \$50,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$500,000 from the General Fund for payment of tort liability claims in 1982-83. This is the same amount as *appropriated* by the 1981 Budget Act. However, total General Fund *expenditures* in 1981-82 are expected to be \$1.5 million because of special legislation, Ch 964/81, which appropriated \$1,000,000 from the General Fund.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

Table 1 summarizes statewide tort liability claims in the current and budget years. In addition to the \$500,000 appropriated for claims of up to \$50,000 against General Fund state agencies, \$7,732,000 is budgeted for claims against the Department of Transportation in 1982-83. Thus, the total amount budgeted in 1982-83 for claims against state agencies is \$8,232,000.

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i> 1981-82 to 1982-83	
				<i>Amount</i>	<i>Percent</i>
1. Staff Services					
a. Department of Justice					
General Fund.....	\$2,149	\$2,969	\$2,676	-\$293	-9.9%
Special Fund.....	1,632	1,626	1,789	163	10.0
b. Department of Transportation	4,968	5,266	5,266	-	-
c. Board of Control	74	74	75	1	1.4
Subtotals	\$8,823	\$9,935	\$9,806	-\$129	-1.3%
2. Claim Payments					
a. Department of Justice					
General Fund.....	\$1,588	\$1,500	\$500	-\$1,000	-66.7%
Special Fund.....	1,055	75	-	-75	-100.0
b. Department of Transportation	6,869	7,364	7,732	368	5.0
Subtotals	\$9,512	\$8,939	\$8,232	-\$707	-7.9%
3. Insurance Premiums					
a. General Fund.....	\$125	\$149	\$143	-\$6	-4.0%
b. Special Fund	413	188	189	1	0.5
Subtotals	\$538	\$337	\$332	-\$5	-1.5%
Totals	\$18,873	\$19,211	\$18,370	-\$841	-4.4%

Table 2 shows total tort claims workload (excluding Caltrans) from 1977-78 through 1980-81. While the *number* of claims filed with the Board of Control decreased from 1979-80 to 1980-81, tort claim *payments* increased by 34 percent. Claim payments and administrative costs have increased each year during the four-year period, although the rate of increase has fluctuated widely.

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

	1977-78	1978-79	1979-80	1980-81
1. Tort claims filed with Board of Control ^a	1,424	1,536	1,636	1,510
Change from prior year	7%	8%	7%	-8%
2. Total claims payments	\$1,542	\$1,952	\$1,965	\$2,643
Change from prior year	114%	27%	1%	34%
3. Administrative costs	\$2,658	\$2,863	\$3,185	\$3,855
Change from prior year	56%	8%	11%	21%

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

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 budget estimates that the state will spend \$337,000 on such policies in the current year. This amount is \$201,000, or 37 percent less than was expended in 1980-81. In Section 4.7 of the 1981 Budget Act, the Legislature adopted language to prohibit the use of funds appropriated in the Budget Act to purchase 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 policies.

No Plan for Medfly Claims Payment and Administration

We recommend the Department of Finance report to the fiscal committees prior to budget hearings on the administration's plan to finance the payment and administration of tort liability claims related to the Medfly eradication program.

In response to major infestations of the Mediterranean Fruit Fly, which occurred primarily in the Santa Clara Valley, the Department of Food and Agriculture implemented a program to eradicate the pest. Eradication methods have included removing and destroying fruit from the infested area, releasing billions of sterile flies, and making aerial applications of pesticides.

As a result of the eradication program, the State Board of Control has received almost 7,300 claims for reimbursement for damages which the claimants believe resulted from the state's eradication efforts. The board advises that, while none of the claims have been approved for payment, the amount claimed to date totals an estimated \$26 million. This consists of about \$10.5 million for 7,250 property damage claims, and \$15.5 million for 44 bodily injury claims.

The Board of Control and the Department of Justice already have incurred significant costs related to this claims workload. The Department of Finance has authorized the board to spend approximately \$75,000 to employ temporary staff to process and acknowledge the receipt of the claims in the current year. The board advises that this amount probably will be inadequate to cover its costs. In August 1981, the Department of Finance notified the Legislature, pursuant to Section 28 of the 1981 Budget Act, that it intended to authorize the Department of Justice to establish 7.6 positions in the current year to organize a tort claims processing system, and to begin preparing the state's legal defense against claims related to the Medfly eradication program. The department utilized 1,500 hours of attorney services in 1980-81, and over 2,000 hours in the first five months of 1981-82 on the Medfly program. The Department of Finance advises that a deficiency appropriation will be requested at a later date to pay for any of these expenditures which cannot be absorbed within existing re-

**ADMINISTRATION AND PAYMENT OF
TORT LIABILITY CLAIMS—Continued**

sources.

Our analysis indicates that it is likely that the Board of Control and Department of Justice will continue to need additional staff in the budget year. First, the Department of Food and Agriculture advises that it will begin aerial spraying again in northern California in March 1982. Because damage claims may be submitted up to 100 days after the incident in which the damage occurred, it is likely that the board will continue to receive new claims into the budget year. The board estimates that it would need additional staff for about five months beyond the date of the final spraying to insure that the damage claims are all received, acknowledged, and scheduled for administrative hearings. In addition, the board must inform claimants of the hearing dates, hold administrative hearings, and notify the claimants of the board's decisions on their claims.

Second, the Department of Justice anticipates that it will continue to provide legal advice to Medfly project staff and prepare the state's legal defense in the budget year. As the Department of Finance advised in its Section 28 notification in August 1981, the department probably will need additional legal staff once litigation of damage claims begins.

Our review of the budget indicates that the administration has not provided any funds in either the current or budget year to finance costs of Medfly claims payments, administration or related legal work. Further, the budget proposes no staff for either the Board of Control or the Department of Justice to handle workload related to the claims in 1982-83. We are concerned that the budget (a) does not identify these potentially major costs, (b) does not present a plan to address the Medfly claims workload, and (c) does not provide financing for liability claims and administrative staff.

By ignoring these potential liabilities, the budget distorts the state's financial position, and fails to provide the Legislature with a complete revenue and expenditure plan for 1982-83. Furthermore, because the budget fails to provide funding for any of the costs which the state can expect to incur as a result of damage claims arising from the Medfly eradication program, it reduces the ability of the Legislature to assess the amount of state resources that are available to support various other state departments and programs. Therefore, we recommend that the Department of Finance report to the fiscal committees prior to budget hearings on the administration's plan to finance the payment and administration of tort liability claims related to the Medfly eradication program.

Historical Underbudgeting for Tort Liability Claims

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

The General Fund amount required to pay routine tort liability claims against state agencies has exceeded the \$500,000 budgeted for this purpose in each of the last three years. In 1978-79, 1979-80, and 1980-81, it was necessary for the Department of Finance to allocate additional funds from the reserve for contingencies or emergencies (\$250,000 in 1978-79, \$316,000 in 1979-80, and \$200,000 in 1980-81) to the tort liability item because the \$500,000 appropriated to pay such claims was not sufficient.

In view of the fact that the \$500,000 appropriated in this item was

inadequate in 1978-79, 1979-80, and 1980-81, our analysis indicates that the budget probably does not provide adequate funding for the payment of routine tort liability claims in the budget year. Failure to budget for these costs distorts the state's financial position and reduces the ability of the Legislature to assess the amount of state resources available to finance various other state departments and programs. Therefore, we recommend the Department of Finance report to the fiscal committees prior to budget hearings on the ability of the state to pay anticipated tort liability claims with the amount budgeted for that purpose.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—REVERSION

Item 8190-495 to the Motor Vehicle Account, State Transportation Fund

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 1225, Statutes of 1980, appropriated \$80,000 from the Motor Vehicle Account, State Transportation Fund, to the Department of Justice to pay the claim of Forrest and Judy Painter against the State of California. The Controller's records indicate that the claim was paid in the amount of \$77,000, and \$3,000 of the appropriation remains unencumbered. This item would revert the unencumbered balance to the Motor Vehicle Account, State Transportation Fund.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 8200 from the General Fund

Budget p. GG 16

Requested 1982-83	\$336,000
Estimated 1981-82	328,000
Actual 1980-81	304,000
Requested increase (excluding amount for salary increases) \$8,000 (+2.4 percent)	
Total recommended reduction	\$5,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *In-state Travel. Reduce Item 8200-001-001 by \$5,000.* Rec- 1625
ommend deletion to correct for overbudgeting.

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, including 6 members of the Legislature, and is chaired by the Lieutenant Governor. The commission's statutory responsibilities include considering and recommending economic development programs for im-

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

proving the California economy. A 17-member advisory council, appointed by the Lieutenant Governor, assists the commission in carrying out its responsibilities.

In addition, several task forces provide private-sector expertise to the commission in developing solutions for specific problem-areas. Current task forces include those on agriculture, the housing industry, water, rural economy, and alternate fuel development.

The commission must report annually its activities and recommendations to the Legislature and to the Governor.

The staff of the commission consists of 6.8 positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of \$336,000 for the support of the commission in 1982–83. This is \$8,000, or 2.4 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or benefit increase approved for the budget year.

The past, current, and budget year requirements of the commission are summarized in Table 1.

Table 1
Commission for Economic Development
Budget Requirements
(dollars in thousands)

	<i>Actual 1980–81</i>	<i>Estimated 1981–82</i>	<i>Proposed 1982–83</i>
Personal Services	\$173	\$196	\$199
Operating Expenses	144	151	142
Total Costs	\$317	\$347	\$341
Funding			
General Fund	\$304	\$328	\$336
Reimbursements	13	19	5
Personnel-Years	6.3	6.8	6.8

Budget Year Changes

The proposed \$8,000 increase in the commission's expenditures during the budget year reflects the following changes:

1. A \$3,000 increase in personal services for merit salary and associated benefit increases;

2. An increase of \$6,000 for in-state travel;

3. A \$14,000 General Fund increase to offset a \$14,000 reduction in reimbursements. This reduction is proposed because revenue from the sale of publications has been less than anticipated and there will be a decline in lease-revenues from other state agencies which will no longer use the commission's copying machine; and

4. A \$15,000 reduction in operating expenses to comply with the 5 percent reduction imposed on many General Fund-supported agencies by the administration. The budget proposes to decrease general expense by \$7,000 and interdepartmental consultant services by \$8,000. According to the commission's staff, these proposed reductions are not expected to affect the commission's ability to meet its statutory responsibilities.

Table 2 summarizes the budgetary effects of these proposed changes.

Table 2
Budget Year Changes
(in thousands)

	<i>Expenditures</i>
1981-82 Revised Budget	\$328
1. Cost Changes	
a. Merit salary adjustment.....	3
b. In-state travel	6
c. General Fund offset for reduced reimbursements	14
2. Five Percent Reduction	-15
1982-83 Proposed Net Budget	\$336
Net Total Changes	\$8

Current-Year Activities

The commission met twice during the July-December 1981 period. At these meetings, the commission moved to implement its 1981-82 legislative program, developed by its task forces on housing, agriculture, energy, and rural economy. It endorsed legislation pertaining to affordable housing, enterprise zones, unitary taxation, small business, transportation, and the regulatory process for business development.

In addition, the commission authorized the publication of updated versions of *Doing Business in California* and the *California Energy Almanac*. It also contracted for a study on the state's energy needs and a guide for industrial development in California. The energy study was published in August 1981. The industrial development guide is being prepared by California State University, Sacramento, and is scheduled to be published in January 1982.

During the fall of 1981, the commission formed additional task forces on water supply and development of alternative fuels. As their predecessors, these new task forces are charged with the responsibility of identifying economic development-related problems in their respective areas and making recommendations to the commission for solution of these problems.

The commission has at least two more meetings scheduled during the January-June 1982 period, and it anticipates meeting at least quarterly during 1982-83.

In-State Travel Overbudgeted

We recommend a reduction of \$5,000 from the General Fund (Item 8200-001-001) to correct for overbudgeting.

The budget proposes \$17,000 for in-state travel by the commission and its staff in 1982-83. This is \$6,000, or 54.5 percent, more than the estimated 1981-82 expenditures for this item (\$11,000).

Our analysis indicates that the 54.5 percent increase for in-state travel is unjustified for the following reasons:

1. Taking \$11,000 as the budget base for 1982-83 and applying a 7 percent price increase, the amount budgeted for 1982-83 would be \$12,000, instead of the \$17,000 proposed.
2. The budget does not propose a staff increase, and no other justification for the increase has been submitted.
3. As of December 31, 1981, the commission had spent only \$3,656 (33 percent) of its total (\$11,000) travel budget in 1981-82. During the January-June 1982 period, the commission anticipates having the same number of

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued

meetings. This would require about the same level of travel expenditures as during the first six-month period. Therefore, it is reasonable to assume that the commission will not exceed its travel allotment of \$11,000 in 1981-82.

For these reasons, we recommend that \$5,000 for in-state travel be deleted from the proposed budget to correct for overbudgeting.

MOTION PICTURE COUNCIL

Item 8220 from the Motion Picture Council Account of the Special Deposit Fund

Budget p. GG 17

Requested 1982-83	\$208,000
Estimated 1981-82	203,000
Actual 1980-81	166,000
Requested increase (excluding amount for salary increases) \$5,000 (+2.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Motion Picture Council (MPC) was established in 1974 as an advisory body to encourage production of motion pictures in California. It is composed of 14 members. Ten public members, with specific qualifications, are appointed by the Governor. The remaining four members represent the Legislature, two from each house, appointed, respectively, by the Speaker of the Assembly and the Senate Rules Committee.

Responsibilities of the MPC include (1) developing and distributing promotional materials which encourage producers to make films in California, (2) helping movie companies to secure filming locations and permits, (3) establishing fees and granting permits for filming on state-owned property, and (4) coordinating activities of local entities which perform similar functions.

Activities of the council are funded from fee-revenues which are deposited in the Motion Picture Council Account of the Special Deposit Fund. Annual expenditures of the council are limited to the amount of fee revenues collected each year and any surplus which may be available in the account from previous years.

The staff of the MPC consists of four positions in the current year.

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

The budget proposes an appropriation of \$208,000 from the Motion Picture Council Account of the Special Deposit Fund for support of the council in 1982-83. This is \$5,000, or 2.5 percent, more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increased approved for the budget year.

Budget Year Changes

The budget proposes no staff or program changes. The proposed \$5,000 increase for 1982-83 is the net result of two changes: (1) an \$11,000 reduction in personal services expenditures reflecting termination, during 1982, of a special consultant paid from unscheduled salary savings realized during the current year, and (2) a \$16,000 increase in operating expenses for anticipated price increases. Table 1 shows the council's budget requirements for the past, current, and budget years, as well as the proposed changes for 1982-83.

Table 1
Motion Picture Council
Budget Requirements and Budget Year Changes
(dollars in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Budget</i> <i>Year</i> <i>Changes</i> <i>Amount</i>	<i>Percent</i>
Personal Services.....	\$116	\$126	\$115	-\$11	-8.7%
Operating Expenses.....	50	77	93	16	20.8
Totals	\$166	\$203	\$208	\$5	2.5%
Personnel years	3.8	4	4	—	—

Fee Collections Lag, But Expenditures Remain Within Revenue Limits

Expenditures by the MPC are funded from fees which the council is authorized to establish and charge for the use of state-owned property in filming motion pictures and commercials. Revenues from these fees are also used as reimbursements to affected state agencies (e.g., The California Highway Patrol and the Department of Parks and Recreation) for their expenses associated with such filming.

Currently, the fees range from \$600 to \$1,200 per day of filming, depending on the number of vehicles admitted to the filming site. A special fee of \$100 per day is charged during set construction, strike, or "hold" days.

Table 2 summarizes the council's fee revenues and expenditures for the past, current, and budget years. It also shows the actual, current year revenues and expenditures, as of December 31, 1981.

Table 2
Motion Picture Council
Summary of Revenues and Expenditures
(in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>1981-82</i>		<i>Projected</i> <i>1982-83</i>
<i>Revenues</i>		<i>Actual as of</i> <i>12/31/81</i>	<i>Estimated</i> <i>Full-Year</i>	
Beginning surplus	\$89	\$40	\$40	\$40
Fee revenues.....	117	68	203	208
Total revenues	\$206	\$108	\$243	\$248
Expenditures	166	58	203	208
Ending surplus	\$40	\$50	\$40	\$40

Table 2 indicates that the fee revenues collected during the first half of 1981-82 were less than one-half of the amount of fee revenues estimated to be collected during 1981-82. The council attributes the shortfall to unfavorable weather and television schedule constraints which caused

MOTION PICTURE COUNCIL—Continued

delays and cancellations of projected filming sessions. Table 2 also shows that Motion Picture Council expenditures were adjusted during the July-December 1981 period to stay within the resources available from fee collections during that period. Based on past years' experience, the council anticipates collecting more fee revenues during the January-June 1982 period than during the first half of the fiscal year. In the event the estimated revenues do not materialize, however, expenditures will be reduced during the second half of 1981-82. The council indicates that, if necessary, similar adjustments of expenditures will be made during 1982-83.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General
Fund

Budget p. GG 18

Requested 1982-83	\$11,555,000
Estimated 1981-82.....	11,751,000
Actual 1980-81	10,110,000
Requested decrease (excluding amount for salary increases) \$196,000 (-1.7 percent)	
Total recommended reduction	\$641,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8260-001-001—Support		General	\$2,423,000
8260-011-001—Grants		General	6,982,000
8260-101-001—Local Assistance		General	1,400,000
Chapter 1258, Statutes of 1980—Local Assistance		General	750,000
Total			\$11,555,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Administrative Costs. Reduce Item 8260-001-001 by \$104,000.* Recommend deletion of overbudgeted administrative costs. 1630
2. *State/Local Partnership Program. Reduce Item 8260-101-001 by \$537,000.* Recommend adoption of a September-through-August funding cycle to tie expenditure of funds to the year for which they are appropriated. 1631

GENERAL PROGRAM STATEMENT

The enabling legislation for the California Arts Council directs it to (a) encourage artistic awareness and expression, (b) assist local groups in the development of arts 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 council has 52.1 authorized personnel-years during the current

year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$11,555,000 from the General Fund for the California Arts Council in 1982-83. This is a decrease of \$196,000, or 1.7 percent, from 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 \$845,000 in 1982-83. Also, the council's Interagency Arts program, a component of the statewide projects element, expects to receive \$16,000 in reimbursements. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$12,416,000, a decrease of \$271,000, or 2.1 percent, from estimated current-year expenditures.

Table 1
California Arts Council
Budget Summary
(dollars in thousands)

<i>Funding</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$11,751	\$11,555	-\$196	-1.7%
Federal funds	920	845	-75	-8.2
Reimbursements	16	16	—	—
Totals.....	\$12,687	\$12,416	-\$271	-2.1%
<i>Program</i>				
Cultural participation	\$2,493	\$2,151	-\$342	-13.7%
Grant expenditures	(1,904)	(1,538)	(-366)	-19.2
Administrative costs	(589)	(613)	(24)	4.1
Personnel-years	4.7	4.4	-0.3	-6.4
Organizational grants	6,825	6,877	52	0.8
Grant expenditures	(5,709)	(5,710)	(1)	—
Administrative costs	(1,116)	(1,167)	(51)	4.6
Personnel-years	8.9	8.9	—	—
Direct support and training for artists.....	119	118	-1	-0.8
Grant expenditures	(80)	(73)	(-7)	-8.8
Administrative costs	(39)	(45)	(6)	15.4
Personnel-years	0.3	0.3	—	—
Statewide projects	3,250	3,270	20	0.6
Grant expenditures	(2,560)	(2,531)	(-29)	-1.1
Administrative costs	(690)	(739)	(49)	7.1
Personnel-years	5.5	5.5	—	—
Central administration (distributed)	(1,694)	(1,815)	(121)	7.1
Personnel-years	32.7	32.2	-0.5	-1.5
Totals (all funds)	\$12,687	\$12,416	-\$271	-2.1%
Grant expenditures	(\$10,253)	(\$9,852)	(-\$401)	-3.9
Administrative costs	(\$2,434)	(\$2,564)	(\$130)	5.3
Personnel-years	52.1	51.3	-0.8	-1.5

Five Percent Reduction

In response to the 5 percent budgetary reduction imposed on many General Fund agencies by the administration, the council reduced its requests for grant funds by \$367,000 and for administrative support by \$128,000.

CALIFORNIA ARTS COUNCIL—Continued**Administrative Costs Overbudgeted**

We recommend a reduction of \$104,000 (Item 8260-001-001) to eliminate overbudgeted expenses, for a corresponding savings to the General Fund.

The Arts Council's budget request includes \$2,564,000 for administrative expenses. Our analysis of the proposed expenditures indicates that \$104,000 of this amount is not justified, as summarized in Table 2. A discussion of each item follows.

Table 2
California Arts Council
Reductions in Administrative Costs Recommended by Analyst

<i>Purpose</i>	<i>Amount Requested</i>	<i>Analyst's Proposal</i>	<i>Difference</i>
Newsletter	\$138,000	\$69,000	\$69,000
Photocopier rental	19,000	—	19,000
Attorney General fees	6,000	—	6,000
Training	11,000	6,000	5,000
Intermittent help.....	10,000	5,000	5,000
Total			\$104,000

Newsletter. The council's budget includes \$138,000 for production and mailing of a monthly newsletter. In January 1982, after the budget was submitted, the council decided to publish the newsletter on a bimonthly basis, at an annual cost of \$69,000. As a result, funds for the newsletter are overbudgeted by \$69,000, and we recommend that this amount be deleted.

Photocopier Rental. The Governor's Budget includes \$19,000 to lease a photocopier and \$34,000 to buy the same machine. Because the purchase of the machine would be to the state's long-term economic advantage, we recommend that funds requested for the copier be approved. Use of these funds will make it unnecessary to continue leasing the copier. Accordingly, we recommend that the unneeded lease funds be deleted, for a savings of \$19,000.

Attorney General Fees. The Governor's Budget includes \$6,000 for legal services to be provided by the Attorney General's office. Because the Arts Council is supported by the General Fund, the Attorney General does not bill it for legal services. Therefore, the \$6,000 is unneeded, and we recommend its deletion.

Training. The council requests \$11,000 for training during 1982-83, which is an increase of \$8,000, or 367 percent, over 1980-81 expenditures. The council has not identified how \$5,000 of the proposed amount would be used. Without documentation of the need for or purpose of these funds, we cannot recommend that they be approved.

Intermittent Help. The council proposes to double its use of intermittent pool employees (from one to two) in 1982-83, at an increased cost of \$5,000. For the current year, however, the Legislature approved six new positions for the council's administrative staff, in response to workload problems. The increased permanent staff should obviate the need for additional intermittent help. Therefore, we recommend a reduction of the \$5,000 requested for this purpose.

Fund State/Local Partnership Program on Fiscal-Year Basis

We recommend that the State/Local Partnership program be shifted to a September-through-August funding cycle in order to tie the expenditure of funds to the year for which they are appropriated, for a General Fund savings of \$537,000 (Item 8260-101-001).

The Governor's Budget requests \$1,400,000 for the council's State/Local Partnership program in 1982-83. This is the same amount as appropriated for the program in the current year. Under this program, counties receive two types of grants. First, each participating county receives a \$12,000 block grant which, statewide, totals \$684,000. The remaining funds—\$716,000—are awarded to counties as Local Priorities Grants (LPGs), based on population and "effort."

This June, the council will award the \$716,000 provided for LPGs by the 1981 Budget Act to counties for expenditure during the next 12 months. As a result, nearly all of the LPG funds budgeted for 1981-82 will be spent during 1982-83, and similarly, nearly all of the \$716,000 LPG funds proposed in the Governor's Budget for 1982-83 probably would actually be spent in 1983-84. While some funding delay is unavoidable as contracts are processed after the start of a fiscal year, an 11-month delay unnecessarily ties up limited General Fund resources. To the extent practicable, we believe that funds should be budgeted for the year in which they will be expended.

Consistent with this approach, and recognizing that some time is required between the enactment of the budget and the award of grants, we recommend that the council shift the State/Local Partnership program to a September-through-August funding cycle. Funds appropriated in the 1981 Budget Act will be awarded to counties in June 1982 and will cover the program through May 1983. To insure no interruption in funding, funds should be appropriated in the 1982-83 budget to cover June 1983 through August 1983. At that point, the program would shift to a September-through-August cycle, with the period September 1983 through August 1984 being funded in the 1983-84 budget. Such a shift would require \$179,000 (three months of full-year funding) in LPG funds for 1982-83, thereby allowing a one-time reduction of \$537,000. This reduction would not have any adverse impact on program continuity.

This recommendation is consistent with the council's decision to shift the Technical Assistance (TA) program from a January-through-December cycle to an October-through-September cycle. The council has indicated that because the TA grants would be continuous, there would not be a break in services.

Since funding programs during the fiscal year in which the funds are to be expended provides the Legislature with greater flexibility in allocating limited state funds and avoids unnecessarily tying up funds, we recommend the deletion of funds which will not be spent in the budget year and are not needed for program continuity. This would result in a General Fund reduction of \$537,000 (Item 8260-101-001).

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General

Fund

Budget p. GG 28

Requested 1982-83	\$182,000
Estimated 1981-82	199,000
Actual 1980-81	205,000
Requested decrease (excluding amount for salary increases) \$17,000 (-8.5 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. The commission has 4.2 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$182,000 from the General Fund for support of the commission in 1982-83. This is a decrease of \$17,000, or 8.5 percent, from estimated current-year expenditures. The decrease reflects elimination of funding for a limited-term archaeologist position and a 5 percent reduction in baseline expenditures required by the Governor, offset by increases for operating expenses. The decrease in commission expenditures shown in the budget, however, makes no allowance for any salary or staff benefit increases that may be approved for the budget year.

Because the two-year limited-term archaeologist position authorized by the 1980 Budget Act and scheduled to terminate on June 30, 1982, was not filled until January 30, 1980, the budget proposes that the position be extended for seven months into the budget year. Funds to support the extension of this position will be redirected from existing resources. Our analysis indicates that this would be appropriate.

Duplicate Services

The Supplemental Report of the 1981 Budget Act requires our office to (1) review the activities of other agencies, both private and public, which provide services to Native Americans to determine if any of these agencies duplicate the services provided by the Native American Heritage Commission (NAHC), (2) explore the possibility of relying on the Federal Bureau of Land Management or Bureau of Indian Affairs, rather than the NAHC, to provide these services, and (3) determine if other states receive federal funding for performing activities similar to those performed by the NAHC.

In response to this language, we surveyed a variety of agencies and individuals which either provide direct services to or are associated with

Native Americans. We were unable to identify any agency which duplicates the services of the Native American Heritage Commission. Discussions with staff at the Bureau of Land Management and Bureau of Indian Affairs indicated that services provided by NAHC are substantially different from those provided by either of these federal agencies. The Bureau of Indian Affairs oversees and provides services only as they directly relate to activities on reservations. The Bureau of Land Management oversees activities only as they relate to federal land. Finally, we were unable to identify any federal funds presently subsidizing programs in other states similar to those administered by California's NAHC.

Budget Bill Language Requires Termination

Language contained in the 1981 Budget Act (Item 8280-001-001) provides that the Native American Heritage Commission be phased out over the period 1981-82 through 1984-85. This language is also contained in the 1982 Budget Bill.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 8290 from the General
Fund and Environmental
License Plate Fund

Budget p. GG 29

Requested 1982-83	\$2,643,000
Estimated 1981-82.....	2,095,000
Actual 1980-81	880,000
Requested increase (excluding amount for salary increases) \$548,000 (+26.2 percent)	
Total recommended reduction	\$279,000
Recommendation pending	\$350,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8290-001-001—Support		General	\$2,293,000
8290-001-140—Support		California Environmental License Plate	350,000
Total			\$2,643,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Telecommunication Applications Within State Government. Reduce Item 8290-001-001 by \$124,000.* Recommend deletion of \$124,000 in commission baseline activities because these activities fall outside the commission's mandate.

1636

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

2. *Interconnection and Systems Integration. Reduce Item 8290-001-001 by \$139,000.* Recommend reduction in state portion of hardware and administration to reflect historical trends. Further recommend supplemental language directing the commission to study the feasibility of alternative cost-recovery rate fees for the use of these uplinks and the potential for using those monies to establish a public broadcasting fund to finance future hardware needs. 1637
3. *Statewide Planning.* Withhold recommendation on \$350,000, pending the March 1, 1982 submission of reports concerning the cost-effectiveness of this program. 1637
4. *Attorney General Fees. Reduce Item 8290-001-001 by \$14,000.* Recommend deletion of \$14,000 for Attorney General services because the commission is a General Fund agency and, therefore, is not billed for these services. 1638
5. *Unbudgeted salary savings. Reduce Item 8290-001-001 by \$2,000.* Recommend reduction because of unbudgeted salary savings. 1638

GENERAL PROGRAM STATEMENT

The California Public Broadcasting Commission (CPBC) was established by Ch 1227/75, as an independent entity in state government. The commission is composed of 11 members and is charged with encouraging 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.

As a result of Ch 1086/79 (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.

The commission has 11.2 authorized personnel-years in 1982-83.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the budget proposes appropriations of \$2,643,000 for support of the California Public Broadcasting Commission in 1982-83, consisting of \$2,293,000 from the General Fund and \$350,000 from the Environmental License Plate Fund. The proposed expenditures are \$548,000, or 26.2 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The proposed \$548,000 increase for 1982-83 reflects \$709,000 in proposed program changes, increases to offset the effects of inflation, \$103,000 in

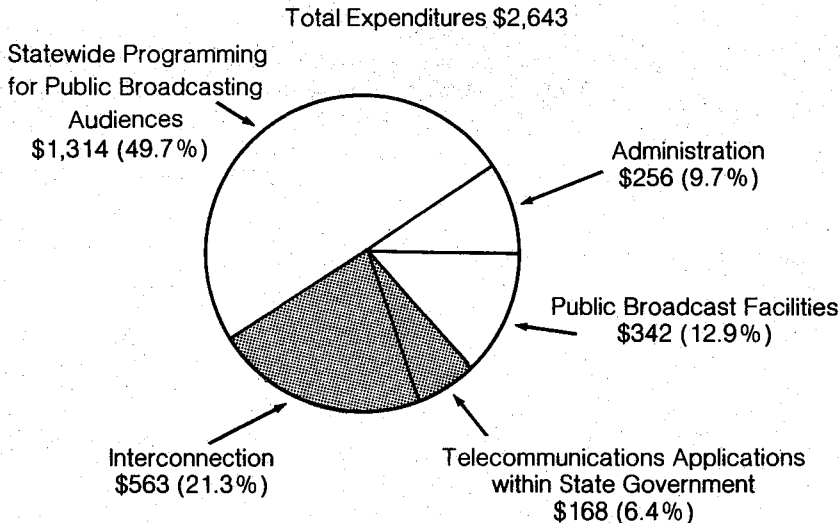
reductions resulting from the Governor's mandated 5 percent budget reduction, and a reduction of \$100,000 in one-time expenditures. The nature of the commission's ongoing activities and its attempts at entering the field of telecommunications have the potential to increase significantly the amount of General Fund support required in future years. Particularly large increases in hardware costs may be anticipated if the commission secures a larger role in telecommunications.

Table 1
California Public Broadcasting Commission
Budget Summary by Program
(dollars in thousands)

	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Funding Sources				
General Fund	\$1,995	\$2,293	\$298	14.9%
California Environmental License Plate Fund.....	100	350	250	250.0
Totals	\$2,095	\$2,643	\$548	26.2%
Programs				
10. Statewide Programming	\$1,100	\$1,314	\$214	19.5%
Grant Expenditures	(1,030)	(1,248)	(218)	(21.2)
Administrative Costs	(70)	(66)	(-4)	(-4.0)
Personnel-years	2.3	2.1	-0.2	-8.7
20. Interconnection	\$225	\$563	\$338	150.2%
Hardware	(109)	(307)	(198)	(182.0)
Administrative Costs	(116)	(256)	(140)	(120.7)
Personnel-years	2.1	2.8	0.7	33.3
30. State Government				
Telecommunications	\$200	\$168	-\$32	-16.0
Administrative Costs	(200)	(168)	(-32)	(-16.0)
Personnel-years	2.1	1.8	-0.3	14.3
40. Public Broadcast Facilities	\$360	\$342	-\$18	-5.0%
Grant Expenditures	(274)	(264)	(-10)	(-3.7)
Administrative Costs	(86)	(78)	(-8)	(-9.3)
Personnel-years	2.1	1.9	-0.2	-9.5
50. Administration				
(undistributed)	210	256	46	21.9
Personnel-years	2.6	2.6	—	—
Totals	\$2,095	\$2,643	\$548	26.2%
Total Personnel-years	11.2	11.2	—	—

State Telecommunications Policy

The commission's interconnection and systems integration programs amount to approximately 28 percent of the commission's budget, as shown in Chart 1. These programs have the potential to duplicate activities now being undertaken by other agencies in state government. For example, the commission is in the process of awarding a contract to conduct an assessment of existing and planned telecommunication interconnection systems in California. This study will concentrate on video transmission, but will also include audio and data transmission. Meanwhile, the Communications Division of General Services has awarded a contract the first phase of which also examines existing facilities and future user needs for data communications.

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued**Chart 1****California Public Broadcasting Commission
Proposed Expenditures by Program
1982-83 (in thousands)**

In our analysis of the proposed budget of the Communications Division of General Services, we point out that the Office of Planning and Research, the University of California, the California State University, and the State Office of Information Technology, among others, are all involved in various aspects of telecommunications. In that analysis, we recommend that the appropriate legislative policy committees hold hearings on state data communications policy in order to identify any need for legislation to coordinate data communications systems planning and operation by state agencies. The intent of this recommendation is to avoid duplication and insure that the systems now being established by the state are complementary. We recommend that the interconnection and systems integration programs of the CPBC be included on the agenda of these hearings.

Statewide Telecommunications Applications

We recommend a reduction of \$124,000 in Item 8290-001-001 in telecommunications applications within state government because these activities are outside the commission's mandate.

The budget proposes \$168,000 for telecommunications applications within state government. Of this amount, \$124,000 is for new demonstration projects for public telecommunications involving local governments and \$44,000 is for completion and analysis of teleconferencing demonstration projects already under way.

Under existing law, the CPBC's mandate is limited to public broadcasting and cable television. The Division of Communications of the Department of General Services is mandated to develop and oversee telecommunications usage by state government and has, in fact, com-

pleted several demonstrations of this technique. We therefore recommend a reduction of \$124,000 in Item 8290-001-001 because this activity falls outside the legislative mandate of the commission.

Interconnection

We recommend a reduction of \$139,000 included in the grants for interconnection hardware. We further recommend the adoption of supplemental report language directing the CPBC to study the feasibility of a cost-recovery program for these "uplinks."

The budget proposes \$359,000 in new monies for interconnection planning and systems integration. Included in this amount is \$204,000 in grants to public broadcasting stations for the construction and operation of two satellite "uplinks" (ground to satellite transmitters) located in San Francisco at KQED and Los Angeles at KCET. The uplinks would allow for the following to be efficiently and cost-effectively distributed statewide and nationally via satellite to any (or all) population centers: public affairs productions of all 12 public television stations; the instructional material of each postsecondary institution; the instructional material originating from each of the regional instructional consortia for K-12; and other governmentally and nongovernmentally financed productions.

An additional \$1 million for the project will be available from federal funds (\$700,000) and from California public broadcasting television stations (\$300,000). Funding of the state's portion of the project, proposed at 15.7 percent, is contingent on the availability of the federal and private funds.

Our analysis indicates that historically, the state has provided up to 5 percent of total income for local public broadcasting television stations through the grant process. We have no analytical basis for recommending that the state's proportional share of the interconnection program be greater than what the Legislature has historically provided for contributions to local stations. We therefore recommend a reduction in Item 8290-001-001 of \$139,000.

The two uplinks will be used by public broadcasters and state agencies on some type of marginal cost basis. We further recommend the adoption of supplemental report language directing the CPBC to report to the fiscal committees and the Joint Legislative Budget Committee by January 1, 1983 on the alternatives for adopting full cost recovery rate structures for the use of the uplinks. In addition, this report should examine the potential for developing a special revolving public broadcasting fund which could be used to finance future hardware needs of public broadcasters.

Statewide Programming

We withhold recommendation on one-year funding for television and radio reporting on environmental issues, pending analysis of a forthcoming report evaluating this activity in the current year.

The budget proposes \$350,000 from the Environmental License Plate Fund to provide for the expansion of environmental reporting by California Public Radio (\$100,000), two public television documentaries on environmental issues (\$100,000), and three debates on environmental issues through the University of California (\$150,000). The funds will be awarded through the commission's grant making process.

Use of license plate funds for the purpose of environmental education is authorized by statute. In the current year, the commission is spending \$100,000 of Environmental License Plate Fund monies on environmental

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

issues. The Supplemental Report of the 1981 Budget Act directed the CPBC to "evaluate the cost effectiveness" of utilizing television and radio as a means for protecting the environment, and to report to the Legislature by March 1, 1982. Because the report has not yet been completed, we have no analytical basis for approving this budget change proposal. We therefore withhold recommendation, pending the submission of the above-mentioned report. We will submit a supplemental analysis to the fiscal committees at that time.

Attorney General Fees

We recommend a reduction of \$14,000 to Item 8290-001-001 to correct for overbudgeting.

The budget includes \$14,000 for the payment of legal services provided by the Attorney General's office. Because the Public Broadcasting Commission is a General Fund agency, the Attorney General does not bill the commission for its service. Therefore the \$14,000 is unneeded, and we recommend its deletion.

Unbudgeted Salary Savings

We recommend a reduction of \$2,000 to Item 8290-001-001 because of unbudgeted salary savings.

The commission has proposed to add one program analyst position in 1982-83. Our analysis indicates that the proposed position is necessary. Department of Finance budget instructions specify that a minimum of 5 percent salary savings be budgeted for each new position. In its budget change proposal on system integration and interconnection, however, the commission failed to budget a salary savings. We therefore recommend that salary savings of 5 percent be budgeted, allowing for a reduction of \$2,000.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General

Fund

Budget p. GG 35

Requested 1982-83	\$9,355,000
Estimated 1981-82	9,239,000
Actual 1980-81	7,889,000
Requested increase (excluding amount for salary increases) \$116,000 (+1.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board (ALRB) protects the right of agricultural workers to join employee organizations, bargain collectively with their employers, and 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.

Current-year staffing for the board is 200.2 personnel-years.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$9,355,000 from the General Fund for support of the ALRB in 1982-83. This is an increase of \$116,000, or 1.3 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
(dollars in thousands)

	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Administrative services (distributed)	(\$681)	(\$698)	(\$17)	(2.5%)
Personnel-years	18.3	17.2	-1.1	-6.0
Board administration				
a. Representation cases	974	944	-30	-3.1
Personnel-years	17.3	16.1	-1.2	-6.9
b. Unfair labor practice cases	2,656	2,584	-72	-2.7
Personnel-years	47.2	43.9	-3.3	-7.0
c. Policies, procedures, and motions	282	273	-9	-3.2
Personnel-years	5.1	4.7	-0.4	-7.8
General counsel administration				
a. Representation cases	373	384	11	2.9
Personnel-years	7.9	7.5	-0.4	-5.1
b. Unfair labor practice cases	4,331	4,528	197	4.5
Personnel-years	91.3	86.9	-4.4	-4.8
c. Court litigation	623	642	19	3.0
Personnel-years	13.1	12.5	-0.6	-4.6
Totals	\$9,239	\$9,355	\$116	1.3%
Personnel-years	200.2	188.8	-11.4	-5.7

The General Fund increase of \$116,000, or 1.3 percent, includes \$68,000 to cover higher mileage allowances and fees paid to persons called as witnesses at board hearings, as required by Ch 184/81. The remainder of the increase consists of merit salary and price adjustments, partially offset by a reduction of 11.4 personnel-years to implement the 5 percent budget reduction imposed on many General Fund agencies by the Governor.

Workload High. The workload of the ALRB continues to remain at a relatively high level, compared to earlier periods. In 1978, for example, the number of unfair labor practice charges, which is the major determinant of staffing requirements, averaged only 42 charges per month. In 1980-81, these charges averaged 76 per month.

Moreover, some of the backlog resulting from the 1979 lettuce strike remains to be processed. The board currently has 72 cases awaiting hearings by administrative hearing officers, representing a backlog of approximately eight months. The five-member board, which hears appeals of decision made by hearing officers, has a total of 78 cases awaiting deliberations. This backlog along with continuing workload, should fully occupy the board and its staff well into the budget year.

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General
Fund

Budget p. GG 44

Requested 1982-83	\$4,837,000
Estimated 1981-82	4,796,000
Actual 1980-81	3,955,000
Requested increase (excluding amount for salary increases) \$41,000 (1.0 percent)	
Total recommended reduction	\$82,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Response to Legislative Directive Inadequate. Recommend Legislature direct the board to report on case processing procedures. 1641
2. *Operating Expenses Overbudgeted. Reduce by \$82,000.* 1643
Recommend deletion of unjustified operating expense funds.

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board guarantees to public education and state civil service employees, the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages, and working conditions. In so doing, the board administers three acts: (1) the Education Employment Relations Act (EERA), which affects public education employees (K through 14), (2) the State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA).

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,837,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1982-83. This is an increase of \$41,000, or 1.0 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 \$41,000 increase is due primarily to merit salary adjustments, inflationary factors, and the establishment of a new regional attorney function.

During 1981-82, the board anticipates spending \$625,000 from the \$978,000 remaining from a 1979 appropriation for one-time costs associated with the implementation of HEERA and SEERA. For 1982-83, the board is requesting reappropriation of the balance, \$353,000, for costs primarily associated with HEERA. Thus, the board proposes a total expenditure of \$5,190,000 in 1982-83. This is \$231,000, or 4.3 percent, below current-year expenditures (including expenditures from the 1979 appropriation).

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

Table 1
Public Employment Relations Board
Program Expenditures
(dollars in thousands)

Program	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change from 1981-82	
				Amount	Percent
Administration (distributed to other programs)	(\$759)	(\$1,062)	(\$1,072)	(\$10)	0.9%
Personnel-years	(21.2)	(33.5)	(33.5)	—	—
Board operations	1,270	1,744	1,694	-50	-2.9
Personnel-years	31.5	42.6	38.1	-4.5	-10.6
Regional office operations	1,199	1,242	1,351	109	8.8
Personnel-years	26.8	31.5	30.5	-1.0	-3.2
Administrative law	1,486	1,505	1,493	-12	-0.8
Personnel-years	30.1	32.9	31.3	-1.6	-4.9
General counsel	—	305	299	-6	-2.0
Personnel-years	—	4.8	3.8	-1.0	-20.8
Totals, ongoing costs	\$3,955	\$4,796	\$4,837	\$41	1.0%
Unallocated workload adjustment ^a	—	625	353	-272	-43.5
Totals	\$3,955	\$5,421	\$5,190	-\$231	-4.3%
Personnel-years	88.4	111.8	103.7	-8.1	-7.2

^a One-time costs funded from reappropriations.

Five Percent Reduction

The board's budget was reduced by \$255,000 to comply with the administration's directive that the budgets of many state agencies be reduced by 5 percent. This reduction consists primarily of the termination of 6.6 temporary help positions and decreases in operating expenses and equipment. Our analysis indicates that these reductions will have a minor impact on board operations.

New Function Established Administratively

During the current year, PERB reclassified three vacant public employment representative positions to three legal attorney positions, in order to establish a new function in its regional operations element. Only one of the three reclassifications is reported in the budget.

The primary purpose of the new function is to screen unfair labor practice charges in order to eliminate nonmeritorious charges before they reach the hearing stage. Under the new procedure, the hearing process will not start until after a regional attorney ensures that there is a probable valid basis for the charge and issues a complaint. Formerly, all non-meritorious charges were eliminated at an informal conference conducted by a hearing officer. It is too early to evaluate the effectiveness of the new function.

Case Processing Needs to be Expedited

We recommend that the board report to the fiscal committees prior to budget hearings on the procedures it has established to expedite its case processing.

Chapter 1088, Statutes of 1980, which became effective January 1, 1981, increased the board from three to five members to allow it to accelerate its processing of cases. Although more than 13 months have passed since this administration-supported bill took effect, the Governor has not filled

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

one of the two new positions. While he has filled the other new position, there is no evidence that the one additional filled position has increased board productivity.

In our analysis last year, we demonstrated that the PERB is more than four times slower than the Agricultural Labor Relations Board, three times slower than the New York Public Employment Relations Board, and almost eight times slower than the Massachusetts Labor Relations Commission in processing unfair labor practice cases at the board level. (For a more complete discussion of the board's performance relative to other boards with similar duties, see *Analysis of the Budget Bill for the Fiscal Year 1981-82*, pp. 1513-1515.) In response to our recommendation, the Legislature adopted in the *Supplemental Report to the 1981 Budget Act*, language requiring the board to "establish realistic time targets and *related procedures*" for its case processing system and report to the Joint Legislative Budget Committee by December 1, 1981.

The board has submitted a report identifying time targets which it had adopted. The board, however, has not described the procedures which it must adopt in order to meet these timetables. Moreover, the board's recent performance provides no indication that its performance is improving. Our analysis indicates that at the board level, cases were processed at a slower pace in 1981 than in the previous year. In 1980, a median time of 591 days elapsed between the receipt of an appeal of a hearing officer's decision and all related materials on an unfair labor practice case and the issuance of the decision by the board. For 1981 decisions, the board had the cases for a median time of more than 800 days. It issued decisions in representation cases in a median time of 194 days during 1980, and 200 days during 1981.

This slow rate of issuing cases is also increasing the board's backlog. From December 29, 1980, to December 21, 1981, the total number of cases on the board's docket rose from 82 to 119, an increase of 45.1 percent. On December 29, 1980, the oldest case on the docket had been there almost 2.5 years. On December 21, 1981, the oldest case had been on the board's docket for more than three years. Exceptions to hearing officer decisions on unfair labor practice charges, one of the major elements of the board's caseload, rose from 57 to 86 cases during this period, an increase of 51 percent.

Some of the cases on the board's docket involve allegations by employees that they suffered discrimination by their employer or employee organization because they exercised their rights under the new collective bargaining laws. Such discrimination cannot be remedied, nor can the rights of other employees be protected, until the board issues its decisions.

The board's processing time target for unfair labor practice charge cases, which it adopted pursuant to the supplemental language, is 80 days. The board, however, does not calculate the time period from when it *receives* a case. Instead, it calculates the period from the date of *deliberation* before the board. All of the other boards in other states, as well as the ALRB, base their target dates on when they receive the case and all other related materials.

Problem not Due to Lack of Budget Resources. As demonstrated last year, 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 use 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. Although the board's budget was based on the assumption that the number of attorneys assigned to each board member would be reduced to two because of the increase in the number of board members, the budget shows that until December 31, 1981, each board member was assigned an additional attorney, using temporary help funds.

Our analysis indicates that the board's case processing problems are due to a lack of sound case management procedures designed to ensure that cases are processed expeditiously. It was the Legislature's intent in adopting supplemental report language last year to encourage the board to improve its procedures. When measured against this objective, we find the board's response deficient. The board's report did not explain the procedures which it needs to adopt to expedite case processing, as the Legislature directed. Consequently, we recommend that, prior to budget hearings, the board outline those procedures for the fiscal committees.

Operating Expenses Overbudgeted

We recommend a reduction of \$82,000 to eliminate overbudgeting in operating expenses and equipment.

PERB is requesting \$964,000 for operating expenses and equipment, and \$100,000 as a special item of expense for factfinding. The latter amount is used to pay the costs of the chairpersons of three-member factfinding panels which are called to try to resolve labor impasses affecting primarily local school districts after mediation has failed.

The board is requesting \$429,000 for rented office space and \$28,000 for facilities planning in its facilities operation category. Our review of the board's rental contracts indicates that it will pay about \$400,000 for office space in 1982-83. It will need no funding for facilities planning in 1982-83 because none of its leases expire until 1987. The board is, therefore, overbudgeted in this category by \$57,000.

The board has also consistently overbudgeted for factfinding. Its request of \$100,000 in 1982-83 is not consistent with actual expenditures in this category of \$71,000 in 1978-79, \$64,000 in 1979-80, and \$53,000 in 1980-81. It spent \$22,830 in the first half of the current year.

While it is difficult to estimate future factfinding costs, which depend on the number and severity of labor disputes that may be referred to factfinding, the board appears to be overbudgeted in this category by at least \$25,000, on the basis of actual experience.

We recognize that it is entirely *possible*, due to the erratic nature of labor relations, for the board's expenditures to dramatically increase in any one year above past year actual expenditures. Nevertheless, we do not believe it is appropriate to tie up limited General Fund resources for such a possibility that may not materialize, thereby reducing the amount available to the Legislature to meet high priority state needs.

It generally has been the Legislature's policy not to budget for contingencies on a program-by-program basis. Rather, the Legislature appropriates funds based on past experience, and permits agencies to receive allocations from the reserve for contingencies or emergencies or to request a deficiency appropriation to cover unusual and unpredictable in-

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

creases in program costs. We recommend that this policy be applied to the board's budget.

We therefore recommend that facilities operations and factfinding be reduced by \$82,000 (General Fund).

**PUBLIC EMPLOYMENT RELATIONS
BOARD—REAPPROPRIATION**

Item 8320-490 from the General
Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Item 375 of the 1979 Budget Act appropriated \$1,285,812 for the implementation of two new collective bargaining acts affecting state civil service employers and employees of the state's two higher education systems. Of this amount, \$1,238,070 was reappropriated by the 1980 Budget Act and \$978,000 was reappropriated by the 1981 Budget Act. The budget shows that the board will spend approximately \$625,000 of the 1981 reappropriation in 1981-82, and is requesting that the balance—\$353,000—be reappropriated for expenditure in 1982-83.

These funds were initially appropriated to cover the one-time costs associated with dividing employees into "bargaining units", and holding elections in each unit to determine which, if any, employee organization is to represent the employees in the unit for bargaining purposes. Most of these costs result from administering mail-ballot elections to give more than 200,000 employees affected by the new laws the opportunity to vote on which employee organizations are to represent them.

Elections for bargaining units for state civil service employees have nearly been completed. The board expects to conclude the elections for employees of the California State University in the current year. The 1982-83 reappropriation would be used primarily for elections affecting employees of the University of California.

Because the funds will be used for the purpose for which they were originally appropriated, we recommend approval of the request.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General
Fund

Budget p. GG 48

Requested 1982-83	\$77,828,000
Estimated 1981-82	94,516,000
Actual 1980-81	88,169,000
Requested decrease (excluding amount for salary increases) \$16,688,000 (-17.7 percent)	
Total recommended reduction	\$26,524,000
Recommendation pending	\$583,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8350-001-001—Departmental Support		General	\$57,828,000
8350-101-001—Local Mandates		General	\$20,000,000
Total			\$77,828,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. User Fees. Recommend department report the actions it will take if user-fee legislation is not implemented by July 1, 1982, and the effect that any implementation delay will have on the General Fund. 1650
2. Travel Costs. Recommend that department report on overexpenditure of 1981-82 travel budget. 1651
3. *Facilities Operations. Reduce Item 8350-001-001 by \$130,000 (General Fund), Item 8350-001-890 by \$25,000 (federal funds) and reimbursements by \$3,000.* Recommend reduction to correct for overbudgeting. 1651
4. *Personal Services. Reduce Item 8350-001-001 by \$800,000.* Recommend reduction to correct for underbudgeting of salary savings. 1652
5. Budget Procedures. Recommend Department of Industrial Relations, under the supervision of the Department of Finance, take steps to improve its overall budget procedures and report to the legislative fiscal committees on its progress by November 15, 1982. 1652
6. Uninsured Employers' Fund (UEF) Benefits. Withhold recommendation on \$5,509,000 financed by user-fee revenue, pending clarification of the proposal's constitutionality. 1653
7. UEF Reform. Recommend legislation requiring the UEF to operate more as an administrative agency and less as a litigious system. 1653
8. Legal Defense of the UEF. *Reduce Item 8350-001-001 by \$577,000.* Recommend existing legal defense costs be funded by user-fee reimbursements. 1654
9. UEF Attorneys. Withhold recommendation regarding proposed \$1,155,000 augmentation for attorneys, pending receipt of specified information. 1654
10. *Subsequent Injuries Staffing. Reduce Item 8350-001-001* 1654

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

- by \$23,000 (General Fund) and reduce reimbursements from the Subsequent Injury Fund by \$29,000. Recommend reduction because program is overstaffed.*
11. *Subsequent Injuries. Reduce Item 8350-001-001 by \$136,000.* Recommend all administrative and defense costs of subsequent injury program be paid from Subsequent Injury Fund, for General Fund savings of \$136,000 and an increase of \$107,000 in reimbursements. 1655
 12. *Elevator-Pressure Vessel Inspection. Reduce Item 8350-001-001 by \$5,112,000.* Recommend appropriation of \$2,085,000 from the new Elevator Safety Account and \$3,027,000 from the new Pressure Vessel Account to make programs self-supporting, consistent with Ch 102/81. Further recommend department report on problems that have delayed implementation of Ch 102/81. 1656
 13. *Amusement Rides and Aerial Tramways.* Recommend legislation making the amusement ride and aerial passenger tramway inspection programs self-supporting, and requiring state and local governmental agencies to pay for elevator and pressure vessel inspections (potential savings to the General Fund: \$506,000 annually). 1657
 14. *Occupational Health.* Withhold recommendation on \$583,000 for increased staffing for occupational health standards development and health inspections, pending receipt of workload information justifying proposed positions. 1658
 15. *Federal Funding for Cal-OSHA Enhancements.* Recommend that the department apply for maximum federal funding. Further recommend that control language be added to reduce General Fund support in an amount equal to unanticipated increases in federal support. 1659
 16. *Cal-OSHA Standards.* Recommend legislation requiring Department of Industrial Relations to adopt and enforce federal standards except in cases where such standards are inappropriate (potential General Fund savings: up to \$3.0 million). 1659
 17. *Labor Standards Staffing. Reduce Item 8350-001-001 by \$170,000 (General Fund) and reduce reimbursements from the Industrial Relations Construction Industry Enforcement Fund by \$138,000.* Recommend deletion of nine positions to eliminate overstaffing. 1661
 18. *Cash-Pay Self-Funding. Reduce Item 8350-001-001 by \$331,000.* Recommend cash-pay program funding be appropriated from the new Industrial Relations Construction Industry Enforcement Fund. 1663
 19. *Performance Standards.* Recommend Division of Labor Standards Enforcement establish performance standards for field operations and report to the legislative fiscal committees by December 1, 1982. 1664
 20. *Licensing and Registration.* Recommend legislation making various licensing and registration functions in the Division of Labor Standards Enforcement self-supporting (potential General Fund savings: \$300,000 annually). 1664

21. **Apprenticeship Standards. Reduce Item 8350-001-001 by \$1,245,000.** 1666
Recommend deletion of new function which duplicates existing state and local activities.
22. **Legislative Mandates. Reduce Item 8350-101-001 by \$18 million.** 1666
Recommend termination of reimbursement for inflation adjustments to workers' compensation benefits.

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; 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, approve rehabilitation plans for disabled workers, and administer the Uninsured Employers' Fund.

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 work places (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 talent agents 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.

The department is authorized 2,336.3 personnel-years in 1981-82.

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 8350-101-001) contains funding for five different measures enacted since that time, which increase workers' compensation benefits and affect local entities as employers.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget requests two appropriations totaling \$77,828,000 from the General Fund for support of the Department of Industrial Relations in 1982-83. This is \$16,688,000, or 17.7 percent, below estimated General Fund expenditures for the current year. This decrease in General Fund support does not reflect a decrease in the scope or level of the department's programs. Instead, it reflects a switch in the funding source for the workers' compensation adjudication program from the General Fund to user fees.

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

Table 1
Department of Industrial Relations
Budget Summary
(dollars in thousands)

<i>Funding</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund				
Budget Bill appropriations	\$94,516	\$77,828	-\$16,688	-17.7%
Reappropriation from 1981 Budget Act	—	254	254	—
Subtotals	\$94,516	\$78,082	-\$16,434	-17.4%
Reimbursements	1,807	34,532	32,725	1,811.0
Federal funds	16,388	17,203	815	5.0
Totals	\$112,711	\$129,817	\$17,106	15.2%
Program				
Administrative support, distributed to other programs	(\$6,958)	(\$8,366)	(\$1,408)	20.2%
Administrative support, undistributed	20	20	—	—
Personnel-years	154.7	191.7	37.0	—
Regulation of workers' compensation insurance plans	1,022	1,106	84	8.2
Personnel-years	23.9	23.9	—	—
Conciliation of labor disputes	1,394	1,504	110	7.9
Personnel-years	26.6	26.6	—	—
Adjudication of workers' compensation disputes	31,001	37,846	6,845	22.1
Personnel-years	774.2	895.7	121.5	15.7
Prevention of industrial injuries and deaths	34,354	40,169	5,815	16.9
Personnel-years	696.8	780.3	83.5	12.0
Enforcement of laws relating to wages, hours, and working conditions	16,976	19,612	2,636	15.5
Personnel-years	456.6	516.3	59.7	13.1
Apprenticeship and other on-the-job training	5,175	6,832	1,657	32.0
Personnel-years	137.0	168.3	31.3	22.8
Labor force research and data dissemination ..	2,769	2,728	-41	-1.5
Personnel-years	66.5	66.5	—	—
Subtotals	\$92,711	\$109,817	\$17,106	18.5%
Personnel-years	2,336.3	2,669.3	333.0	14.3
Local Mandates	20,000	20,000	—	—
Totals	\$112,711	\$129,817	\$17,106	15.2%

The budget proposes a total expenditure program for the department of \$129,817,000, including expenditures from reimbursements, federal funds, and the reappropriation of \$254,000 from the 1981 Budget Act. This amount is \$17,106,000, or 15.2 percent, above estimated current-year expenditures. The department's expenditures will increase by the amount of any salary or staff benefit increase approved for the budget year.

As noted above, the proposed reduction in General Fund expenditures and the increase in reimbursements reflect, primarily, the department's proposal to make the Division of Industrial Accidents self-supporting. Included within the companion bills to the Budget Bill (AB 2361 and SB 1326) is a proposal to allow the division to assess user fees against private employers to cover the costs of workers' compensation adjudication in the private sector, including the costs of the Uninsured Employers' Fund. (The element of the program serving public employment would continue to be financed by the General Fund.) This proposal is expected to result in General Fund savings of \$7.8 million to the department in 1982-83.

These savings are partially offset by a request of \$8.6 million from the General Fund (plus \$6.1 million from reimbursements) for workload changes and new or expanded programs.

Table 2 shows that the department's total proposed increase in expenditures consists primarily of workload changes totaling \$5,586,000 and new or expanded programs totaling \$8,301,000.

Table 2
Department of Industrial Relations
Proposed 1982-83 Budget Changes
(in thousands)

<i>Current-Year Expenditures (Revised)</i>	
General Fund.....	\$94,516
Federal funds.....	16,388
Reimbursements	1,807
Total, Current-year expenditures	\$112,711
<i>Budget-Year Changes</i>	
Administrative adjustments	\$269
Merit salary adjustments.....	550
Price increases.....	2,400
Workload changes:	5,586
• Increase legal defense of the Uninsured Employers' Fund.....	(1,155)
• Expand workers' compensation adjudication	(4,084)
• Enable OSHA Standards Board to comply with Ch 567/79 (AB 1111)	(347)
Program changes:	8,301
• Assume legal defense of the Subsequent Injury Fund from the Department of Justice	(547)
• Increase Cal-OSHA self-initiated occupational health inspections and voluntary compliance programs.....	(1,783)
• Develop additional occupational health regulations and conduct occupational health studies relating to male infertility and emergency response personnel	(2,193)
• Establish a new education outreach program for the Hazardous Evaluation System and Information Service	(241)
• Expand outreach program to enforce provisions of the Labor Code.....	(1,861)
• Implement Ch 929/81 (AB 440), licensing of athletic agents and Ch 633/80 (SB 545), garment manufacturers.....	(431)
• Establish new program to improve classroom instruction for apprenticeship and employment-based training programs.....	(1,245)
Total, Budget-year changes	\$17,106
Total, Budget-year request.....	\$129,817

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

The new or expanded programs relating to Cal-OSHA and the Hazardous Evaluation System and Information Services are proposed as part of the Governor's Toxic Substance program. The apprenticeship and employment-based training program is part of the Governor's "Investment in People Initiative." These programs are discussed later in this *Analysis*.

ADMINISTRATION**Budget Based on Tenuous Assumption**

We recommend that, prior to budget hearings, the department report to the fiscal committees on what actions it will take if user fee legislation is not implemented by July 1, 1982, and what the effects of any delay will be on the General Fund.

The budget of the Department of Industrial Relations is presented on the assumption that legislation establishing a user fee program for the Division of Industrial Accidents will be passed by the Legislature and *fully implemented* by July 1, 1982. The statutory changes needed to accomplish this have been included in the companion bills to the Budget Bill (AB 2361 and SB 1326).

The proposal would require the division to recover the costs of the private sector workers' compensation adjudication program by assessing user fees on private employers. The proposal would generate additional revenue of approximately \$37.5 million in 1982-83 to cover \$27.0 million of the division's current baseline budget, plus proposed increases of (a) \$3.8 million primarily to meet rising workload in the division, (b) \$5.5 million for benefits financed by the Uninsured Employers' Fund (UEF), and (c) \$1.2 million for legal defense of additional claims against the UEF. Under the proposal, the costs of the public sector workers' compensation program (about 16 percent of total program costs) would continue to be borne by the General Fund. Consistent with the proposal, the budget indicates that the division will be supported primarily by reimbursements beginning July 1, 1982.

Implementation Schedule Too Short. It is doubtful that the legislation can be enacted and implemented by July 1, 1982, for several reasons. First, both AB 2361 and SB 1326 (as introduced) require the department to establish, and adjust annually, user fees which would be assessed against private employers. In order to do this, the division would need to develop proposed regulations, hold public hearings, and write the final regulations before the new fees could be put into effect. (In response to our inquiries, the department advises that amendments will be offered to make public hearings unnecessary during the first year.)

Second, the department has not been able to implement on a timely basis similar legislation enacted last year. Specifically, at the time this analysis was written the department had not implemented (1) Ch 102/81 (AB 251), which took effect June 28, 1981, and requires the elevator and pressure vessel inspection programs to be self-supporting and (2) Ch 1172/81 (AB 1095), which took effect January 1, 1982, and provides for the self-financing of the Labor Commissioner's program to ensure that contractors in the state are not violating the law regarding payroll deductions.

If the proposed legislation is not implemented by July 1, 1982, it may not generate sufficient user-fee revenue to fund several departmental programs in 1982-83. Therefore, we recommend that, prior to the budget

hearings, the department report to the fiscal committees on what actions it will take if user-fee legislation is not implemented by July 1, 1982, and what the effects of any delay will be on the General Fund.

Overexpenditure of Travel Budget Appears Likely

We recommend that prior to budget hearings, the department report to the fiscal committees on how it intends to comply with mandated reductions in its 1981-82 travel budget.

Control Section 27.10 of the 1981 Budget Act reduced the General Fund travel budget of most state agencies—including the Department of Industrial Relations—by 25 percent. Under its authority to make certain adjustments in budget categories pursuant to Section 28 of the Budget Act, the Department of Finance (DOF) permitted departments to submit requests for an exemption to the 25 percent travel reduction and to redirect resources from other categories. The DOF granted the exemptions when departments clearly demonstrated that the curtailment of travel resources adversely affected public health and safety or revenue-generating activities.

The Department of Industrial Relations did not receive an exemption from the provision of Control Section 27.10.

Our analysis indicates that the department has failed to manage its 1981-82 travel budget in such a way as to abide by this legislative requirement. Based on its rate of expenditure for the first six months of the current year, the department may overspend its travel budget by as much as \$821,000 (49 percent). Of the \$1,663,000 General Fund allocation for travel, it spent approximately \$1,242,000, or 75 percent, in the first half of the year. At this rate of expenditure, it will exhaust its General Fund travel budget by April 1, 1982.

We recommend that the department report to the fiscal committees prior to the budget hearings on its plans to ensure that this category is not overspent without curtailing services to the public.

Facilities Operations Overbudgeted

We recommend a reduction of \$158,000 in facilities operations to eliminate overbudgeting, for a savings of \$130,000 from the General Fund (Item 8350-001-001), \$25,000 in federal funds, and \$3,000 in reimbursements.

The Department of Industrial Relations (DIR) proposes an expenditure of \$6,735,000 for facilities operations in 1982-83. Of this amount, \$5,523,000 is from the General Fund, \$1,078,000 is from federal funds, and \$134,000 is from reimbursements.

Based on a study of DIR's space needs completed on August 12, 1981, by the Space Management Division of the Department of General Services, we conclude that the \$6,735,000 requested by DIR for 1982-83 is excessive. Table 3 displays DIR's 1982-83 facilities operations request and the amount required using information from the study conducted by the Space Management Division. Based on this information, our analysis indicates that DIR has overbudgeted facilities operations by \$158,000.

Accordingly, we recommend a total reduction of \$158,000, which consists of \$130,000 from the General Fund, \$25,000 in federal funds, and \$3,000 in reimbursements.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 3
Department of Industrial Relations
Facilities Operations Requirements
1982-83
(in thousands)

	<i>Department's Proposal</i>	<i>Analyst's Recommendation</i>
Rent for existing leased space	\$5,396	\$5,241 ^a
Space management service charge	57	54
Rent for leased space for requested positions	858	858
State police services	248	248
Alterations, maintenance, and repair	176	176
Total requirements	\$6,735	\$6,577
Amount overbudgeted		\$158

^a From August 1981 Space Management Division study.

Personal Services Overbudgeted

We recommend that Item 8350-001-001 be reduced by \$800,000 (General Fund) to eliminate overbudgeting in personal services.

The Department of Industrial Relations requests a General Fund increase of \$800,000 for personal services in 1982-83. The department explains that the increase is requested to remedy an underfunding problem primarily caused by the transfer of \$850,000 from personal services to facilities operations in 1980-81. Apparently, this amount was available for transfer because salary savings in that year were considerably higher than budgeted.

The department has not provided any reason why salary savings will be \$800,000 lower in 1982-83 than they were in 1980-81. In fact, our analysis indicates that salary savings probably will be *greater* in the budget year than in past years because past experience indicates that several of the categories of new positions (such as workers' compensation judges, industrial hygienists, and physicians) will be difficult to recruit. Any recruitment difficulty will lead to larger salary savings.

Accordingly, we recommend deletion of the proposed \$800,000 increase, for a corresponding savings to the General Fund (Item 8350-001-001) in 1982-83.

Departmental Budget Procedures Need Improving

We recommend adoption of supplemental report language requiring the Department of Industrial Relations to take steps, under the supervision of the Department of Finance, to improve its overall budgeting procedures and report to the legislative fiscal committees on its progress by November 15, 1982.

As we noted above, the department has failed to control and manage its travel budget so as to comply with provisions of the budget in a manner that does not jeopardize services to the public. In addition, the Department of Finance reports that the Department of Industrial Relations was several weeks late in submitting its budget requests and back-up justification documents. Our review indicates that the quality of most of the back-up material was inadequate to permit legislative review. For example, in some cases the dollar costs shown in the summaries were inconsistent with the amounts shown in the detailed analysis. In other cases, the department failed to provide workload justification for requests to increase staff when such justification was readily available. We also note

that, to date, the department has failed to implement properly four measures passed by the Legislature last year. Accordingly, we recommend that the following supplemental language be adopted:

"The Department of Industrial Relations shall, under the supervision of the Department of Finance, take steps to improve its overall budget procedures and report to the fiscal committees and the Joint Legislative Budget Committee on its progress by November 15, 1982."

Uninsured Employers' Fund Benefits

We withhold recommendation on the department's request to expend \$5,509,000 of user-fee revenue to pay workers' compensation benefits from the Uninsured Employers' Fund, pending clarification of the constitutionality of the proposal.

The Uninsured Employers' Fund (UEF) provides workers' compensation benefits to workers who are injured in the course of employment in cases where the employer fails to meet his legal obligation to provide workers' compensation benefits. Theoretically, the state is supposed to recover the costs of the benefits from the uninsured employer. Few such recoveries, however, have been made. The UEF has derived its revenue primarily from General Fund appropriations and from fines and penalties assessed against employers who are found not to have insurance.

For 1982-83, the budget requests \$5,509,000 to cover the cost of UEF benefits. The expenditure would be funded by reimbursements derived from user fees assessed on private employers.

There is some question as to whether this proposal is consistent with the State Constitution. The Constitution appears to make employers liable only for the cost of workers' compensation benefits paid to their own employees. In 1972, for example, it was necessary to enact a constitutional amendment to allow death benefits, in cases where there is no surviving heir, to go to the state so that they could be used to offset the cost of workers' compensation benefits of the subsequent injury program.

We have asked the Legislative Counsel for a formal opinion on this issue. We withhold recommendation on the UEF benefit request, pending receipt of the opinion.

Uninsured Employers' Fund Program Too Litigious

We recommend that legislation be enacted requiring UEF claims to be reviewed through an administrative claims process prior to litigation.

Under existing law, payment of UEF benefits cannot commence until after a workers' compensation judge issues a judgment. Our analysis indicates that this provision results in excessive litigation costs and delays the resolution of many UEF cases. If claims against the fund were first reviewed by a workers' compensation claims examiner with authority to settle routine cases, only those cases that cannot be resolved at this stage would need to be litigated. This would permit the program to operate more efficiently, in the same manner as most workers' compensation insurance companies operate.

In order to improve the efficiency of the system and the timeliness of awards, we recommend that legislation be enacted to require that UEF claims first be examined by a claims examiner and resolved at that level, if possible. Only those claims which are still disputed should be litigated.

The recommended legislation would produce savings in three ways. First, it takes less personnel time to administratively adjust workers' compensation claims than to litigate them. Second, claimers' examiners who

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

would administer such claims are less costly to the state than attorneys. Third, the legislation would reduce litigation before the Workers' Compensation Appeals Board. The amount of such savings would depend on the manner of implementation.

Existing Uninsured Employers' Fund Legal Defense Should be Supported by User Fees

We recommend that funding for seven existing attorney and related support staff which defend the UEF be provided by user fee reimbursements, rather than from the General Fund, for a General Fund savings of \$577,000.

The budget requests \$1,155,000 from user fee reimbursements for 13 additional attorneys and 28 related staff positions because of increased claims against the UEF. These positions would augment the department's currently authorized staff of seven attorneys and nine claims adjusters which defend the state against these claims.

Our analysis indicates that defense costs of the UEF should be funded by user fees, rather than from the General Fund. The budget proposal, however, does not follow this policy consistently. It funds both the \$1,155,000 augmentation and the nine existing claims adjusters from user fee reimbursements, but funds the seven existing attorney positions from the General Fund. On the same basis used by the department to justify user funding for the claims adjusters, we recommend that the existing positions be funded from the same source, for a General Fund savings of \$577,000.

Uninsured Employers' Fund Attorneys Not Justified

We withhold recommendation on a request for 13 proposed new attorneys and 28 related support positions, pending receipt of specified workload data.

As mentioned above, the department proposes an augmentation of \$1,155,000 from user fee reimbursements for 13 additional attorneys and 28 related support staff because of increased claims against the UEF.

We recognize that the department's legal unit needs additional staff to defend claims against the state before the Workers' Compensation Appeals Board. We are aware that there is a significant number of cases where no representation is available because of the lack of staff. The department, however, has failed to provide adequate justification for the 13 proposed attorney positions. For example, it has failed to identify the total number of UEF hearings at which attorneys need to appear and the personnel-years that are needed to cover those hearings. The department has not been able to identify the number and percent of the hearings that are not covered. We withhold recommendation on the proposal to add 13 attorneys and related support staff, pending receipt of information needed to justify the new positions.

DIVISION OF INDUSTRIAL ACCIDENTS**Subsequent Injury Fund Staffing Excessive**

We recommend deletion of one attorney and two workers' compensation assistants which are not justified by workload, for a savings of \$52,000 consisting of \$23,000 from the General Fund and \$29,000 from the Subsequent Injury Fund.

The Subsequent Injury Fund (SIF) provides workers' compensation benefits to employees with preexisting disabilities who suffer work-related injuries. In some cases, when a worker with a preexisting disability has an industrial accident, the total workers' compensation liability can be greater than the combination of the two disabilities (the old and the new). The program is designed to encourage employers to hire handicapped persons by providing that the employer is only liable for benefits associated with the second injury, with the state being responsible for any balance.

In the past, the Department of Justice (DOJ) has defended the state against SIF claims filed by employees. In the current year, DOJ is authorized two attorneys, six claims examiners, 5.6 clerical positions, and approximately three special investigators.

The budget proposes to administratively transfer responsibility for the program to the Department of Industrial Relations (DIR). The department is requesting 17 positions, at a total cost of \$547,000 in 1982-83, to implement the transfer. Of this amount, \$159,000 is from the General Fund and \$388,000 is from the SIF in the form of reimbursements.

The DIR is proposing approximately the same *total* staffing level currently being utilized by the DOJ. The DIR, however, plans to discontinue use of the special investigators because of declining workload and effectiveness. In their place, DIR proposes one additional attorney and two additional workers' compensation assistants. No workload data is available to support these positions. Therefore, we recommend that they be deleted, for a total program savings of \$52,000, consisting of \$23,000 from the General Fund and \$29,000 from the SIF.

Consolidation of Subsequent Injury Defense Costs

We recommend that all administrative and defense costs of the subsequent injury program be paid from the Subsequent Injury Fund, for a General Fund savings of \$136,000 (Item 8350-001-001) and a commensurate increase in reimbursements.

The Labor Code prohibits the Department of Justice from receiving reimbursements from the SIF to cover the costs of attorney services. The DIR has assumed that it is also covered by this prohibition. Consequently, the department requests a General Fund appropriation to cover attorney costs in 1982-83. The remainder of the program (claims adjusting) is proposed to be supported from reimbursements. The Attorney General, however, recently advised the department that the prohibition is not applicable to DIR. On the basis of this opinion, we recommend that the DIR attorneys be funded from reimbursements, rather than from the General Fund.

Adoption of our recommendation would reduce General Fund expenditures by \$136,000 and increase reimbursements by a commensurate amount. (The \$136,000 amount assumes adoption of our recommendation to eliminate funding for three unjustified positions.)

DIVISION OF OCCUPATIONAL SAFETY AND HEALTH

Mine Safety

The Department of Industrial Relations and the U.S. Department of Labor currently provide rigorous mine safety inspection programs affecting the same mines in California. The Legislature adopted language in the *Supplemental Report to the 1981 Budget Act*, requiring the department to "explore with the federal government methods for eliminating duplica-

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tion between the state and federal mine safety programs” and report to the Legislature by December 1, 1981. The language required the report to contain “a detailed comparison” of the functions of the two agencies, an identification of “the functions that are duplicative,” and recommendations for any necessary legislation. Finally, the language required this office to include a discussion of the department’s report in the *Analysis of the 1982 Budget Bill*.

Report Inadequate and Inaccurate. The department’s five-page report does not contain a detailed comparison of the functions of the two programs, as mandated by the Legislature. Moreover, of the 28 features of the two programs which are compared in the report, the department inaccurately represents at least six of the federal features.

The report also fails to mention features of the federal program which appear to be more comprehensive than the state program. For example, the federal program has a staffing level of 16 inspectors in California compared to six state inspectors. The report fails to mention that the federal program has a technical support program which provides highly trained specialists and equipment to assist mine owners and federal mine safety compliance personnel in solving special mine safety and health problems, whereas the state has no such program.

Program Effectiveness. Even though the state and federal programs employ different approaches to the problems of mine safety and health, it cannot be demonstrated that either program is more effective than the other in preventing work-related injuries to miners. In fact, according to data maintained by the federal government, California’s incidence of work-related injuries and deaths to miners was slightly higher than the national average in 1980 and 1981.

Elimination of Duplication. The department’s report lists several options for eliminating duplication between the two programs. These include:

- Abolishing either the state or federal program,
- Eliminating either state or federal civil penalties for violation of mine safety regulations,
- Establishing a state plan program patterned after the OSHA cost-sharing program.

At this time, the most feasible option may be federal legislation establishing a state plan program similar to the OSHA program. Legislation (S 1423) has been introduced in Congress which would effectuate this concept. Under the proposed legislation, the federal government would pay up to 50 percent of the costs of state mine safety programs, as it now does for the Cal-OSHA program.

Self-Funding Legislation not Implemented

We recommend that \$2,085,000 for the elevator inspection program and \$3,027,000 for the pressure vessel program be appropriated from the new Elevator Safety Account and the Pressure Vessel Account to implement Ch 102/81, and that General Fund support be reduced commensurately, for a total General Fund reduction of \$5,112,000.

We also recommend that the department report, prior to budget hearings, on the problems that have delayed implementation of the new statute.

The Division of Occupational Safety and Health proposes to spend \$6.2

million in 1982-83 for its elevators and pressure vessel inspection programs, as part of its program to protect the health and safety of California workers. The budget shows that the division will collect \$2,696,000 in fee revenue to offset the costs of these inspection activities. The elevator program includes elevators, escalators, amusement rides, aerial passenger tramways, and other related devices. The pressure vessel program includes pressurized air tanks, liquid petroleum gas tanks, and boilers of various types.

Chapter 102, Statutes of 1981 (AB 251), permits the division to set fees for the inspection of elevators and pressure vessels at levels to cover the costs "of having the inspections performed by a division safety engineer, including administrative costs." It also creates the elevator safety and pressure vessel accounts in the General Fund to support the inspection activities. The legislation did not address the inspection of amusement rides and aerial passenger tramways, nor does the legislation authorize the division to charge state and local government agencies for inspecting elevators and pressure vessels. It is also not clear whether the legislation covers some of the special activities of the division, such as complaint and accident investigations involving elevators and pressure vessels.

Although Ch 102/81 took effect on June 28, 1981, the department's budget does not reflect any additional fee revenue.

We recommend that the Budget Bill be amended to reflect the fee increases authorized by this legislation, and to appropriate funding for the elevator and pressure vessel programs from the two new accounts. Because all of the functions of the two inspection programs are not covered by fees it is necessary to split funding between the General Fund and each of the two new accounts. According to our analysis, \$2,085,000 of the \$2,710,000 which is proposed for the elevator program should be appropriated from the Elevator Safety Account and the balance, \$625,000, should come from the General Fund. Of the \$3,450,000 which is proposed for the pressure vessel program, \$3,027,000 should be appropriated from the Pressure Vessel Account and \$423,000 should be appropriated from the General Fund.

Implementation of Ch 102/81 along these lines will result in a *reduction* of \$5,112,000 in Item 8350-001-001. This, however, represents a net *savings* of only \$2,416,000 because the budget shows that General Fund revenues of \$2,696,000 would be generated by the programs without implementation of the new legislation.

We further recommend that the department report to the fiscal committees, prior to budget hearings, on the problems that have delayed implementation of the new legislation.

Legislation Needed to Make Inspection Programs Self-Supporting

We recommend that legislation be enacted to permit the division to recover its costs for inspecting amusement rides, aerial passenger tramways, and elevators and pressure vessels owned by state and local agencies.

Current law does not authorize the division to recover the full costs of inspecting amusement rides and aerial passenger tramways. The division reports that in 1982-83 inspection of these devices will cost approximately \$148,000, but will generate revenue of only \$42,000. Current law also does not authorize the division to charge local governmental agencies a fee for inspecting elevators or pressure vessels. The division estimates that it will incur costs of approximately \$400,000 in 1982-83 to inspect elevators and pressure vessels for state and local governmental agencies.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Our analysis indicates that there is no basis for requiring the division to recover the full costs of elevator and pressure vessel inspections but not the cost of inspecting other devices such as amusement rides and aerial passenger tramways. Furthermore, we can find no basis for requiring private owners of such devices to pay for inspections, but not public owners. Requiring public entities to pay for these services probably would not meet the constitutional test of a legislative mandate (see our recommendation regarding legislative mandates (Item 8350-101-001)).

We therefore recommend that legislation be enacted making the amusement ride and aerial passenger tramway inspection programs self-supporting, and requiring state and local governmental agencies to pay fees for the inspection of elevators and pressure vessels. This would result in total General Fund savings of approximately \$506,000 annually.

Occupational Health

We withhold recommendation on six proposed attorneys, two physicians, and seven related clerical positions, pending receipt of additional justification.

The budget proposes General Fund augmentations totaling more than \$4.0 million for the Division of Occupational Safety and Health as part of the Governor's toxic substance program. These augmentations would (1) add 20 occupational health compliance officers and related support staff to improve the ability of the division to conduct self-initiated health inspections, (2) add eight positions to enhance the division's ability to formulate voluntary compliance programs, (3) add 40 positions to develop additional health standards for hazardous substances, and (4) fund several special studies on the health effects of hazardous substances to assist with the health standards development process.

Our analysis indicates that there is a need for several elements of the proposed augmentation. In the past, for example, the Legislature has expressed dissatisfaction with the level of self-initiated health inspections completed by the division. Moreover, the federal government, which staffs its safety and health compliance personnel on the basis of assigning one health position for every safety position, has indicated that the state should have 142 health compliance personnel. The state has approximately 160 safety compliance officers, but only 60 health compliance officers at the current time. The Legislature has also expressed dissatisfaction with the relatively slow rate at which occupational health standards have been issued. Since Cal-OSHA began in 1973, the state has developed health standards for only 800 of the more than 2,000 chemicals that are currently known to be hazardous.

Our analysis indicates, however, that the department has not provided adequate workload justification for some of these new positions. The proposed increase includes six attorneys, two physicians, and seven related clerical positions, at a General Fund cost of \$583,000 in 1982-83. Two of the six attorneys and the two medical positions are proposed for the health standards development process, and the remaining four attorneys are proposed for the health compliance inspection program. The department has failed to justify this level of staffing. In addition to the workload issue, these positions raise significant policy questions. First, attorneys heretofore have not been involved in the standards development function. The department has not provided an adequate explanation as to how

the program has changed to warrant the addition of two attorney positions.

Secondly, the division indicates that the four attorneys proposed for the health compliance function would allow the division to be represented in all health cases being heard by the Cal-OSHA Appeals Board. This appears to violate a longstanding state policy of only furnishing attorneys when the employer does so. Again, the division has not adequately explained why this policy should be changed.

We are aware that the appeal rate of citations for Cal-OSHA violations has increased, and that recent court cases have increased legal workload in the division (such as the requirement to obtain inspection warrants). But the division has not quantified these workload increases or related them to the request for new positions. We therefore withhold recommendation on these positions, pending receipt of additional justification from the department.

Lack of Federal Funding for New Cal-OSHA Programs

We recommend that the department be required to request maximum federal funding to offset the General Fund costs of the proposed Cal-OSHA program increases. We further recommend that control language be added to Item 8350-001-001 to reduce General Fund support by an amount equivalent to any additional federal funds received.

All of the new or expanded programs proposed for the Division of Occupational Safety and Health are part of the Cal-OSHA program, and should qualify for 50 percent federal funding. The budget, however, requests total General Fund support, at a cost of \$4.2 million. The department explains that given current federal budget policies, it is unlikely that federal matching funds will be available.

We recommend that the department request maximum federal funding (up to \$2.1 million) for these program increases because federal OSHA support may be provided at a later date. We also recommend that the following control language be adopted (Item 8350-001-001) to reduce the department's 1982-83 appropriation commensurately with any increased federal funds that it receives:

"Provided, that the amount appropriated by Item 8350-001-001 for the Cal-OSHA program shall be reduced by the Director of Finance by the amount of any additional federal funds made available for the purpose of this item."

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 \$3.0 million annually (\$2.3 million General Fund and \$700,000 federal funds).

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. The act, however, 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

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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 24.4 personnel-years to evaluate and write standards, and the budget requests \$1,295,000 to support it in 1982-83.

Cal-OSHA standards are found in Title Eight of the State Administrative Code. 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.

In addition, the board promulgates several sets of standards which are not part of the Cal-OSHA program. These include standards involving elevators, pressure vessels, mine safety, aerial passenger tramways, and amusement rides. However, most of the board's resources and efforts are devoted to Cal-OSHA standards.

In recent years our analyses have indicated that it is not cost-effective for the state to promulgate its own OSHA standards in all cases. (For a more complete discussion, see the *Analysis of the Budget Bill for the Fiscal Year 1981-82*, pp. 1519-1522.) Our conclusion is based on the following factors.

1. **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.

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. Chapter 1091, Statutes of 1981 (SB 216), requires all remedial rulemaking to be completed within six months. The standards board has estimated that implementation of Ch 567/79 would result in the need to add 27 new positions at a cost of more than \$1.0 million annually.

The budget shows that nine limited-term positions have been added administratively in the current year to implement Ch 567/79. Ten additional limited-term positions are proposed to implement Chapter 567 and Chapter 1091, at a General Fund cost of \$347,000 in 1982-83. Although the federal government pays up to 50 percent of the costs of the Cal-OSHA program, it has refused to share the costs resulting from Chapter 567.

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 reim-

bursement for Cal-OSHA standards relating to fire fighter 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 potential Cal-OSHA related claims is very large. A proposal to fund these claims is currently before the Legislature (AB 171).

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.

In sum, 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 and health 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 whether the standard needs to be modified for California.

Based on this analysis, we recommend that legislation be enacted requiring the Department of Industrial Relations to adopt and enforce federal OSHA standards, except in those cases where it is demonstrated that such standards are inappropriate for California. The legislation should prohibit the department from considering proposals to establish unique California standards unless conclusive evidence is presented demonstrating that the federal standard is inappropriate for the state. A reduced staff would need to be maintained to deal with standards that are unique to California. The size of the staff and its costs would depend on the number and extent of the unique standards which would be considered and adopted by California, as well as on the effectiveness of the department in screening out proposals where there is little basis for difference between the state and federal standards. This legislation could result in savings of up to \$2.3 million annually from the General Fund and \$700,000 in federal funds, depending on the extent to which California promulgates its own standards.

DIVISION OF LABOR STANDARDS ENFORCEMENT

Hearing Officers Overstaffed

We recommend deletion of nine proposed positions in the new concentrated enforcement program to eliminate overstaffing, for a savings of \$170,000 to the General Fund and \$138,000 to the Industrial Relations Construction Industry Enforcement Fund.

The division proposes a total augmentation of \$1,861,000 to add 58 positions to expand its field enforcement staff for inspecting industries which have a high incidence of violating provisions of the Labor Code. Currently, the major focus is on employers in the garment and restaurant industries in the Los Angeles-Orange County, and San Francisco-San Jose areas. At present, the division devotes more than 50 personnel-years to this effort, at an approximate cost of \$2.2 million. This program, while accounting for approximately 15 percent of the division's field enforcement staff,

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detected 25 percent of the minimum wage and overtime violations found by the department in 1980–81. The remainder of the department's enforcement staff is located in 27 field offices and primarily resolves complaints of violations of labor laws and claims for back wages.

The augmentation request of \$1,861,000 consists of (1) \$872,000 from the General Fund for 28 positions to expand the concentrated enforcement program to new areas in the state and to new industries such as extended care facilities and (2) \$989,000 for 30 positions to concentrate on the cash-pay problem in the construction industry. Of the second part of the augmentation, \$501,000 is requested from the General Fund and \$488,000 from the new Industrial Relations Construction Industry Enforcement Fund. The latter fund was established by Ch 1172/81 (AB 1095), and derives its revenue from a \$100 civil penalty per employee assessed against unlicensed contractors.

The practice of contractors making wage payments in cash poses a serious problem to workers and governmental agencies. By avoiding payroll deductions, many contractors are depriving workers of benefits, such as contributions to union pension programs. The practice also deprives various governmental agencies of payroll tax revenue. Often, these contractors also are failing to comply with state licensing laws and prevailing wage laws affecting public works contracts.

Our analysis indicates that this augmentation addresses a significant problem with regard to the enforcement of labor laws in California. The department, however, has made no attempt to justify the attorneys and hearing officers on a workload basis.

The augmentation request includes funding for two deputy labor commissioner II (DLC II) positions and related clerical support to conduct the formal hearings required to resolve disputes regarding claims for back pay and violations of labor law ("Berman hearings"). Deputy Labor Commissioner II's also conduct formal hearings involving disputes over the penalties assessed against employers who are found to be illegally without workers' compensation insurance.

Our analysis indicates that the division is already overstaffed with DLC II's. Table 4 shows the average number of Berman and workers' compensation penalty hearings held in 1980–81 in the five most productive offices compared with the five least productive offices in the division.

As shown in Table 4, the DLC II's in the five most productive offices held an average of more than twice the number of Berman hearings as their counterparts in the five least productive offices. If the DLC II's in the least productive offices were required to achieve the productivity levels of their counterparts in the most productive offices, five DLC II positions could be eliminated (one from each office). However, because the division does not have performance standards for DLC II's, it is unlikely the least productive offices will achieve the higher workload level in the near future. We do not believe, however, that it is unrealistic for the five least productive offices to increase DLC II productivity by at least two personnel-years. On this basis, the division does not need the two new DLC II's requested in the augmentation.

In addition, the department did not provide workload justification for an administrative assistant and two attorneys for the program.

Table 4
Comparative Workload Data
Selected Offices of the Labor Commissioner

	<i>Number of DLC II's</i>	<i>Berman Hearings Held</i>	<i>Workers' Compensa- tion Hearings Held</i>	<i>Berman Hearings Held Per Position</i>	<i>Workers' Compensation Hearings Held Per Position</i>
<i>Most Productive Offices</i>					
Long Beach	2	828	97	414	49
San Diego	2	754	164	377	82
Inglewood	2	647	68	323	34
Sacramento	3	951	111	317	37
Santa Ana	3	925	43	308	14
Average per DLC II				342	40
<i>Least Productive Offices</i>					
Panorama City	3	571	58	190	19
Burlingame	2	375	41	187	20
Santa Barbara	2	301	55	151	27
Bakersfield	2	273	120	136	60
San Francisco	2	260	58	130	29
Average per DLC II				161	30

We therefore recommend deletion of two proposed DLC II's, two attorneys, one administrative assistant, and four clerical positions, for a savings of \$170,000 to the General Fund and \$138,000 from the Industrial Relations Construction Industry Enforcement Fund.

New Cash Pay Fund Improperly Implemented

We recommend that (1) funds in the Industrial Relations Construction Industry Enforcement Fund for the support of the cash-pay-enforcement program be appropriated in the budget bill and (2) all proposed cash-pay positions be funded from the new fund, for General Fund savings of \$331,000.

Chapter 1172, Statutes of 1981 (AB 1095), established a new Industrial Relations Construction Industry Enforcement Fund to support the division's cash-pay-enforcement program. The fund derives its revenue from a civil penalty of \$100 per employee which is paid by contractors who fail to comply with state licensing requirements. That measure specifies that *money in the fund cannot be spent until appropriated by the Legislature*. The Budget Bill fails to make this appropriation, but instead show expenditures from the fund as reimbursements. We recommend that the budget bill be amended to make this appropriation, as required by law.

All Cash Positions Should be Funded by New Fund. As noted above, the department requests the establishment of 30 positions for the new cash-pay-enforcement program, at a total cost of \$989,000. However, it requests that only \$488,000 of this amount be paid from the new Industrial Relations Construction Industry Enforcement Fund. Our analysis indicates that all of the cash-pay positions should be financed from the new fund, consistent with the purpose of Ch 1172/81 which established a special-fund program to support cash-pay-enforcement activities. This would result in a General Fund savings of \$501,000 in 1982-83. (If our recommendation to delete nine positions from the program is adopted, the General Fund reduction would be \$331,000.)

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**Performance Standards Needed**

We recommend adoption of supplemental report language directing the division to establish performance standards for all elements of its field enforcement work and report these standards to the legislative fiscal committees by December 1, 1982.

The division has not established performance standards for its field enforcement staff. This has contributed to uneven production among the division's 27 field offices. As shown in Table 4, the DLC II's in the five least productive offices of the division hold, on the average, one-half as many Berman hearings as their counterparts in the five most productive offices.

Establishment of performance standards would represent a first step towards equalizing production among the division's field offices. Our analysis of the division's workload indicates that staffing standards are also needed for the DLC I's, which do most of the investigative work of the division, screen cases for Berman hearings and hold many less formal hearings. We therefore recommend adoption of the following supplemental report language.

"The Division of Labor Standards Enforcement in the Department of Industrial Relations shall develop performance standards for all elements of its field enforcement functions and shall report these standards to the fiscal committees by December 1, 1982."

We recognize that with the implementation of collective bargaining for state workers, the development and implementation of such standards will need to occur within the framework of the bargaining process.

Other Legislation Improperly Implemented

The department's budget does not reflect properly the financing mechanisms contained in Ch 633/80 (SB 545), which establishes a fee-financed garment manufacturing registration program, and Ch 929/81 (AB 440), which requires the licensing of athletic managers (also funded by fees). The budget treats both programs as if funded by reimbursements, even though the revenue generated by the two programs is deposited directly into the General Fund. The Department of Finance (DOF) reports that it plans to have the companion bills to the Budget Bill (AB 2361/SB 1326) amended to establish new special fund accounts for these programs. If this is not done, a technical adjustment will need to be made to the Budget Bill to appropriate \$431,000 for these two programs from the General Fund.

Licensing Function Should be Self-Supporting

We recommend that legislation be enacted to make the various functions in the licensing and registration program of the Division of Labor Standards Enforcement self-supporting (potential additional General Fund revenue of approximately \$300,000 annually).

The Special Programs Section in the Division of Labor Standards Enforcement assists the field enforcement staff to ensure that employers comply with the legal requirement to obtain workers' compensation insurance. It also issues licenses and permits for purposes of regulating special employment relationships in which there have been or may be problems complying with various provisions of the Labor Code. These relationships include (1) agents who counsel, direct, or arrange engagements for artists

and entertainers, (2) farm labor contractors, (3) garment and apparel manufacturers, (4) firms which have employees who are paid for performing work in their homes, (5) employees who are paid for performing work in their homes, (6) agents who recruit athletes for a fee to sign with professional athletic teams, (7) persons who are paid to load and unload agricultural products, (8) sheltered workshops which are permitted to pay less than minimum wages to severely handicapped workers, and (9) minors who are employed in various theatrical productions.

The section also grants exceptions to minimum wage and other requirements of the IWC orders. Most of the minimum wage exemptions are granted to sheltered workshops.

The division is authorized to charge fees for issuing licenses and permits in all of these programs except sheltered workshops, theatrical permits for minors, and special exemptions from the minimum wage and other provisions of the IWC orders. Only the athletic agent and garment manufacturing programs are required to be self-supporting. The statutes provide that the agricultural produce unloader program be self-supporting in the San Francisco Bay area, but not in other parts of the state. The remaining licensing, registration, and special exemption programs require substantial General Fund subsidies. Table 5 shows the maximum fee that the division may charge for each program (except for the athletic agency and garment manufacturers' programs, whose fees are set administratively at levels to make them self-supporting) and the last year in which the fee was adjusted by the Legislature.

Table 5
Division of Labor Standards Enforcement
Maximum Fees for Various License and Registration Programs

<i>Program Element</i>	<i>Current Fee</i>	<i>Year Last Adjusted</i>
1. Talent agencies		1978
Filing fee	\$25	
Initial fee	150	
—for each branch office	50	
Annual renewal fee	150	
—for each branch office	50	
2. Farm labor contractor		1976
Filing fee	10	
Initial fee	100	
Annual renewal fee	100	
Examination fee	35	
3. Licensing of firms which contract for home work	100	1975
4. Permits for employees who perform home work	25	1975
5. Produce dealers	400 ^a	1980
6. Sheltered workshops	None	
7. Theatrical permits	None	
8. Special minimum wages	None	
9. IWC exemptions	None	

^a Applies to the San Francisco Bay area only.

Our analysis indicates that, with one exception, there is no analytical basis for requiring the General Fund to subsidize these programs. The one exception to the policy of making these programs self-supporting is the services that are provided to sheltered workshops, which fulfill a public welfare need by providing training and employment opportunities to

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

severely handicapped people. Consequently, we recommend that legislation be enacted to require the division to establish fees administratively at levels which would make all but the sheltered workshop programs self-supporting. The legislation should be modeled after the new athletic agency legislation (Ch 929/81), except that a new special account should be established in the General Fund to ensure that the program is funded from the fee revenue.

Projected Additional Revenue. It is not possible to estimate precisely the additional General Fund revenue that would be generated by this legislation because the division does not maintain its expenditure records in a manner to distinguish between the costs of the licensing, registration, and special exemption programs and the program that assists field staff to enforce workers' compensation laws. Based on an estimate furnished by the division, the special licensing, registration, and exemption programs will cost approximately \$651,000 in 1982-83. The division expects to collect approximately \$329,000 to offset these costs. (These amounts do not include the athletic agency or the garment manufacturing programs, which are self-supporting.) Based on these estimates, enactment of the recommended legislation would result in General Fund savings of approximately \$300,000 annually.

DIVISION OF APPRENTICESHIP STANDARDS

We recommend deletion of 37 positions proposed to ensure the quality of classroom instruction for employment-based training programs, for a General Fund savings of \$1,245,000.

As part of the Governor's "Investment in People Initiative," the budget proposes 37 new positions "to establish a new function which will ensure that the classroom instruction provided to employment-based training programs is of a high quality and meets industry's needs."

Our analysis has identified several problems with this proposal:

1. The Labor Code gives the sole responsibility for direction of classroom study for apprentices and trainees to the state and local boards of education. Given existing law, the division currently has no legal authority to ensure the quality of classroom instruction for employment-based training programs.

2. The division has produced no reliable evidence that there currently are problems with the quality of such instruction.

3. The department has not provided an adequate work plan to demonstrate how it would approach the problem of ensuring the quality of such instruction. Our analysis indicates, therefore, that adequate justification for the 37 proposed positions has not been provided, and we recommend that they be deleted, for a General Fund savings of \$1,245,000.

LEGISLATIVE MANDATES

We recommend that the practice of reimbursing local governmental agencies for the increased costs of providing periodic inflation adjustments to workers' compensation benefits be discontinued, for a General Fund savings of \$18 million (Item 8350-101-001).

The state currently reimburses local governments for costs incurred under five statutes dealing with workers' compensation:

1. *Chapter 1021, Statutes of 1973*, which reduced the period during which a worker must be disabled in order to qualify for temporary disability benefits.

2. *Chapter 1022, Statutes of 1973*, which increased the maximum death benefit from \$25,000 to \$40,000 for a surviving widow, and from \$28,000 to \$45,000 for a surviving widow with one or more dependent children. Chapter 1022 also increased the maximum partial dependency death benefit from \$25,000 to \$40,000.

3. *Chapter 1023, Statutes of 1973*, which increased *temporary* disability benefits from \$105 per week to \$119 per week. Chapter 1023 also made workers whose industrial injury leaves them permanently and totally disabled eligible for a life pension of \$119 per week. Prior to enactment of the measure, payments for permanent disability were limited to \$70 per week for not more than 12 years. After the expiration of permanent disability payments, the totally disabled worker received a life pension of not more than \$65 per week.

4. *Chapter 1147, Statutes of 1973*, which increased mileage reimbursements from 12 to 14 cents per mile for an employee who travels to a doctor's office for an examination at the request of the employer, the employer's insurance carrier, or the Department of Industrial Relations. The reimbursement is paid by the employer or his insurance carrier.

5. *Chapter 1017, Statutes of 1976*, which increased (a) the maximum benefits for temporary and permanent total disability from \$119 to \$154 per week, (b) the minimum benefits for permanent partial disability from \$20 to \$30 per week, (c) death benefits for a dependent spouse without dependent children from \$40,000 to \$50,000, and (d) death benefits for a dependent spouse with dependent children from \$45,000 to \$55,000.

Funding History. The State has provided reimbursement to local governments for these measures since 1973 on the basis that it was required to do so by the Revenue and Taxation Code. In 1978-79, the state paid a total of \$19.5 million to local governments for these mandates. Because payments were reduced to offset overpayments made to a few localities in prior years, expenditures for 1979-80 totaled \$12.6 million, and for 1980-81 they totaled \$14.4 million. The budget shows that \$20.0 million will be paid for this purpose in 1981-82, and requests that same amount for 1982-83.

Inflation Adjustments. In the past, we have recommended that the Legislature not recognize cost-of-living adjustments as local mandated costs (see our reports entitled: "State Reimbursement of Mandated Local Costs: A Review of the Implementation of Chapter 1135, Statutes of 1977," issued February 1980, page 21, and "An Analysis of 21 State-Mandated Local Programs," issued January 1982, pp. 24-33). Legal authorities are divided on whether inflation adjustments constitute a higher level of service for which state reimbursement is required by Article XIII B of the State Constitution (Proposition 4, November 1979). On the one hand, the Legislative Counsel, in an opinion concerning SB 1497 (Ch 1247/80), maintained that inflation adjustments *are* reimbursable.

On the other hand, the Attorney General, in an August 28, 1980, opinion, maintained that the Legislature was *not* required to provide funding for legislation which mandated an increase in the number of municipal court judges to accommodate an increase in workload. This opinion was based

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

on the premise that a workload adjustment (which is analogous to a cost-of-living adjustment) constituted neither a new program nor a higher level of service.

It appears that the Legislature has resolved the issue of whether workers' compensation inflation adjustments must be reimbursed. In enacting Ch 1042/80 (AB 2750), which made further inflation adjustments to workers' compensation benefits, the Legislature opted not to provide funding for the additional costs incurred by local government. Instead, a letter was placed in the Assembly Journal (page 19753, 1979-80 Regular Session) stating that it is the intent of the Legislature not to provide funding for any local costs resulting from the measure because inflation adjustments do not result in a higher level of service or a new program. The Legislature also disclaimed its obligation to reimburse local governments for any additional costs resulting from Ch 1247/80 (SB 1497), which increased the mileage reimbursement.

Most of the measures for which reimbursement is provided through this item were intended to maintain the pre-1973 level of service by adjusting benefits to compensate for changes in the cost of living. Only Ch 1021/73, which affected the waiting period for temporary disability, and only the provision of Ch 1023/73, which established permanent disability payments on a lifetime basis at a higher rate, represent "true" mandates.

The amounts paid by the state for individual workers' compensation mandates cannot be determined precisely. The State Controller, who reviews and pays claims for reimbursement submitted by local agencies, does not maintain records on expenditures pursuant to individual statutes other than Chapter 1147 (which increased the mileage reimbursement). Based on an audit by the State Controller of claims of 38 local agencies, the costs of the two non-cost-of-living-mandate provisions should not exceed \$2.0 million.

Because the original basis for the appropriation no longer exists, we see no reason to continue it. Therefore, we recommend that Item 8350-101-001 be reduced by \$18.0 million (General Fund).

DEPARTMENT OF INDUSTRIAL RELATIONS—REAPPROPRIATION

Item 8350-490 from the General
Fund

Budget p. GG 48

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item proposes to reappropriate the unencumbered balance, not to exceed \$254,000, of the amount provided to review departmental rules and regulations in compliance with Ch 567/79 (AB 1111). This measure requires all departments and agencies to review their rules and regulations by specified dates. The amount requested to be reappropriated was appropriated in the 1981 Budget Act, and allocated to the Department of Industrial Relations by Executive Order E81-16. The amount allocated to the department (\$768,000) was used to establish 26.3 limited-term positions to complete the review process. The department reports that it cannot complete the process in 1981-82, and that the reappropriation is necessary to enable it to continue the project in 1982-83. We, therefore, recommend approval of the reappropriation.

DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General
Fund and the Deferred Com-
pensation Plan Fund

Budget p. GG 73

Requested 1982-83	\$3,305,000
Estimated 1981-82	3,217,000
Actual 1980-81	235,000
Requested increase (excluding amount for salary increases) \$88,000 (+2.7 percent)	
Total recommended reduction	\$118,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8380-001-001—Support.		General	\$3,018,000
8380-001-915—For support of the deferred compen- sation insurance plan.		Deferred Compensation Plan	287,000
Total			\$3,305,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Salaries.** Reduce Item 8380-001-001 by \$45,000. Recommend deleting funds to correct overbudgeting. 1673
2. **Training.** Reduce Item 8380-001-001 by \$73,000. Recommend deletion of \$73,000 from the General Fund and a corresponding increase in reimbursements in order for 1674

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

- DPA's training program to operate on a fully reimbursable basis.
3. Data Relative to Compensation Surveys. Recommend adoption of Budget Bill language allowing the expenditure of \$156,032 proposed for survey workload only if the DPA provides survey data to enable the Legislature to evaluate negotiated compensation increases. 1675
 4. State-Owned Housing. Recommend adoption of Budget Bill control language directing the DPA to adjust rental rates paid by employees for state-owned housing to reflect market values. 1676
 5. State-Owned Housing. Recommend amendment of control section directing the Department of Finance to reduce support appropriations of state agencies by \$2.2 million (\$1.9 million General Fund) to offset additional reimbursements the agencies will receive as a result of rental rates being increased to reflect market values. 1676
 6. State-Owned Housing. Recommend adoption of supplemental report language directing the DPA to report to the Legislature by November 1, 1982, on changes in rental rates for state-owned property. 1676

GENERAL PROGRAM STATEMENT

The Department of Personnel Administration (DPA) was established effective May 1, 1981, pursuant to the Governor's Reorganization Plan No. 1 of 1981, in order to manage the nonmerit aspects of the state's personnel system. The State Personnel Board (SPB) continues to be responsible for administering the merit aspects of the state civil service system.

The State Employer-Employee Relations Act (SEERA), Chapter 1159, Statutes of 1977, provides for collective bargaining for most state civil service employees. Under the SEERA, the DPA, in cooperation with the departments, is responsible for (1) reviewing existing terms and conditions of employment subject to negotiation; (2) developing management's negotiating positions, (3) representing management in collective bargaining negotiations and (4) administering negotiated memorandums of understanding (MOU's).

The DPA is also responsible for providing for the compensation, terms and conditions of employment of managers and other state employees not represented in the collective bargaining process.

The DPA has 106.5 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures of \$4,937,000 from the General Fund, special funds, and reimbursements for support of the DPA in 1982-83. This is \$322,000, or 7.0 percent, more than estimated total expenditures for the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. DPA expenditures, exclusive of reimbursements, are estimated at \$3,305,000 in 1982-83, which is \$88,000, or 2.7 percent, more than estimated current-year expenditures. Most of this amount—\$3,018,000—is proposed from the General Fund. The General Fund appropriation request is \$101,000, or 3.5 percent, above the current-year level.

Table 1 presents (1) a summary of expenditures for each of the DPA's

three programs during the two-year period ending June 30, 1983, (2) total personnel-years for these years and (3) a comparison of expenditures and personnel-years in the current and budget years.

The workload, cost, and other changes proposed for the budget year are displayed in Table 2. This table shows workload increase of \$22,000 for the Deferred Compensation Program, which reflects the requested increase of one clerical position and related costs.

New Positions

The budget proposes 8.5 new positions consisting of:

- Five positions to administer the statewide Dental Insurance Plan. (These positions were established administratively in the current year).
- One clerical position for the Deferred Compensation Program, based on increased workload.
- 2.5 positions in the form of reduced salary savings, based on expected lower vacancy rates.

Table 1
Department of Personnel Administration
Budget Summary
(in thousands)

Program	Estimated 1981-82	Proposed 1982-83	Change	
			Amount	Percent
Management	\$2,174	\$2,242	\$68	3.1%
Labor relations	2,441	2,695	254	10.4
Administration	(845)	(863)	(18)	(2.1)
Total expenditures	\$4,615	\$4,937	\$322	7.0%
Less reimbursements	-1,398	-1,632	-234	16.7
Total state costs (excluding reimbursements)	\$3,217	\$3,305	\$88	2.7%
General Fund	2,917	3,018	101	3.5
Deferred Compensation Plan Fund	300	287	-13	-4.3%
Personnel years	109.0	112.5	3.5	3.2

Table 2
Department of Personnel Administration
Proposed Budget Changes by Fund
(in thousands)

	General Fund	Deferred Compensation Plan Fund	Reimburse- ments	Total
1981-82 Revised Budget	\$2,917	\$300	\$1,398	\$4,615
1. Workload changes:				
a. Deferred compensation program	—	22	—	22
2. Program changes:				
None	—	—	—	—
3. Cost changes:				
a. Personal services	40	7	34	81
b. Operating expenses	86	10	156	252
4. Other changes:				
a. One-time Deferred Compensation Pro- gram cost:	—	-52	—	-52
b. Restore 2 percent reduction	60	—	—	60
c. Restore travel reduction	4	—	—	4

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

d. 5 percent General Fund reduction	-129	—	—	-129
e. Full-year cost of programs initiated during 1981-82	40	—	44	84
Total Proposed Changes	\$101	-\$13	\$234	\$322
1982-83 Proposed Budget	\$3,018	\$287	\$1,632	\$4,937

Functions and Staff Transferred to the DPA by the Governor's Reorganization Plan

The Governor's Reorganization Plan No. 1 of 1981 transferred functions and staff to the DPA as follows:

- From the *Governor's Office of Employee Relations (OER)*: 16.5 positions (its entire staff) and all of its functions. This office was designated by the Governor to represent the administration in all matters concerning state employee relations.
- From the *State Personnel Board (SPB)*: 77 positions and the following functions:
 - A. *Salary administration*. This includes conducting salary surveys and adjusting civil service salary rates.
 - B. *Administration of working hours and related matters*, including sick leave, holidays and leaves of absence.
 - C. *Training*, which involves establishing statewide training policies and administering central state training courses.
 - D. *Performance evaluation*, which includes establishing performance standards and rating procedures.
 - E. *Layoff and grievance administration*, involving "nonmerit aspects" of the layoff process and grievance procedures.
- From the *State Board of Control*: 6 positions and responsibility for administering *employee reimbursement and related functions*, including per diem and travel expenses, clothing and equipment allowances and merit awards.
- From the *Department of General Services*: 6 positions and responsibility for administering the *deferred compensation plan*.
- From the *Department of Finance*: 1 position and responsibility for *salary administration* with respect to employees exempt from civil service.

OER functions and staff were transferred to the DPA during the latter part of 1980-81. The balance of functions and staff were transferred to the DPA effective July 1, 1981.

Five Percent Reduction in Budget Base

Pursuant to the administration's directive that many state agencies reduce by 5 percent the General Fund portion of their state operating budgets for 1982-83, the DPA is proposing a decrease in General Fund support of \$129,000. This decrease will be achieved by:

- Reducing overall operating expenses by \$61,000.
- Replacing \$68,000 of General Fund support for the central training program with a corresponding increase in reimbursements.

Our review indicates that these reductions will not effect the DPA's ability to meet its statutory responsibilities.

Salary Costs Overbudgeted

We recommend deletion of \$45,000 to eliminate excess funds budgeted for salaries (reduce Item 8380-001-001, General Fund).

Our review of personnel documents submitted by the DPA and approved by the Department of Finance revealed that the DPA temporarily downgraded three positions from professional to clerical classifications during the current year. The positions are budgeted as professional rather than clerical for 1982-83.

We have been advised by staff of the DPA and Department of Finance that the positions will remain downgraded during the budget year as well. Consequently, salary costs are overbudgeted by \$45,000, and we recommend that these excess funds be eliminated, for a \$45,000 savings to the General Fund.

MANAGEMENT PROGRAM

The management program is responsible for (1) developing the administration's policy regarding management relations, (2) coordinating the consistent application of terms and conditions of employment for non-civil service employees, (3) administering the Deferred Compensation Program and (4) coordinating and providing for training of nonrepresented employees (that is, those not covered by collective bargaining provisions under the SEERA).

New Position

We recommend approval.

The budget proposes a net increase of 1.2 positions which results from:

- An increase of 0.2 personnel-years distributed from the administration program, which provides central support services.
- A requested increase of 1 clerical position for the Deferred Compensation Program, based on increased workload.

Our analysis indicates that the proposed new position is justified on a workload basis.

LABOR RELATIONS PROGRAM

The purposes of this program are to (1) represent the Governor in all labor relations areas subject to the State Employer-Employee Relations Act (SEERA) and the Higher Education Employer-Employee Relations Act (HEERA), (2) administer personnel regulations regarding terms and conditions of employment relative to represented employees (that is, those covered by collective bargaining provisions under the SEERA), (3) develop personnel policy with respect to represented employees and, (4) provide training policy and programs for represented employees.

Five Additional Positions Requested for Administering Dental Program

We recommend approval.

In the current year, five positions (two professional and three clerical) were established administratively to administer the Statewide Dental Insurance Plan which was implemented effective January 1, 1982, pursuant to action taken by the Legislature in enacting the 1981 Budget Act. The budget requests that the positions be continued on a permanent basis. Our analysis indicates that the positions are justified on a workload basis.

The budget also proposes a net increase of 2.3 positions, which reflects:

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

- A reduction of 0.2 personnel-years distributed from the administration program, which provides central support services.
- An increase of 2.5 positions in the form of reduced salary savings, based on expected lower vacancy rates.

Central Training Function Should be Funded Entirely from Reimbursements

We recommend deletion of \$73,000 requested from the General Fund and a corresponding increase in reimbursements, in order for the DPA's training program to operate on a fully reimbursable basis.

The DPA conducts two separate training programs: one for nonrepresented employees (administered under the Management Program) and another for represented employees (administered under the Labor Relations Program). Both programs offer central training and consulting services to state agencies on a reimbursement basis. Funding as proposed by the budget for these two programs during 1982-83 is displayed in Table 3.

Table 3
Budget Summary of DPA Training Programs
1982-83
(in thousands)

Source of Funds	Program For Represented Employees		Program For Nonrepresented Employees		Totals	
	Amount	Percent	Amount	Percent	Amount	Percent
General Fund.....	\$73,000	8.8%	—	—	\$73,000	4.9%
Reimbursements	758,000	91.2	\$660,000	100.0%	1,418,000	95.1
Totals	\$831,000	100.0%	\$660,000	100.0%	\$1,491,000	100.0%

The table shows that:

- The *entire* cost of training nonrepresented employees is to be funded by reimbursements.
- \$73,000, or 8.8 percent, of the cost of training represented employees is to be paid from the General Fund, and the balance is to be paid from reimbursements.

According to DPA staff, certain activities of the training program are of a nonreimbursable nature, and therefore, should receive General Fund support. Such activities include, among other things, compiling and submitting to the Legislature an annual report on state training activities, reviewing departmental training activities to ensure that they comply with state policies, and publishing directories of training programs and facilities available in the various state agencies.

In achieving its 5 percent reduction, the DPA reduced all General Fund support for the nonrepresented component leaving General Fund support for only the represented employee component. Because the only difference between the two components is the category of employees served, we see no reason to continue General Fund support of the represented component. Accordingly, we recommend deletion of the \$73,000 requested from the General Fund and recommend a corresponding increase in reimbursements to support the DPA training program.

Data for Legislative Decisionmaking Relative to Employee Compensation

We recommend continuation of Budget Bill language in Item 8380-001-001 (1) allowing the expenditure of \$156,032 for 4.6 analyst positions and one clerical position only if the DPA continues its compensation surveys to provide the data needed by the Legislature to evaluate negotiated compensation increases and (2) providing that calculated percentage differences between state civil service salaries and salaries paid in nonstate employment are to be submitted to the Legislature at its request.

Collective Bargaining Replaces Prevailing Rate System. Traditionally, state civil service salaries and benefits have been adjusted on the basis of (1) State Personnel Board (SPB) surveys of salaries and benefits received in nonstate employment, (2) salary and benefit increase recommendations contained in the board's annual report to the Governor and Legislature, (3) action by the Legislature and Governor on the budget act, and (4) SPB allocation of funds appropriated for salary increases among occupational classes.

In 1977, the Legislature enacted the State Employer-Employee Relations Act (SEERA) which provides for a formal, bilateral employee relations system for most state civil service employees. Under its provisions, the Governor or his designee is required to "meet and confer in good faith" with employee organizations which have been selected by a majority of employees within individual bargaining units in an effort to reach agreement relative to "wages, hours and other terms and conditions of employment." Such agreements are to be formalized in memorandums of understanding (MOU's). Any provision in such a memorandum requiring the expenditure of funds (for example, negotiated salary or benefit increases) is subject to approval by the Legislature. Mediation is required if the parties are unable to reach agreement.

Collective negotiations over state employee compensation increases (and other terms and conditions of employment) have been initiated during the current year. (We discuss collective bargaining for state employees in detail in the "A" pages of this analysis.) Under the SEERA, the DPA will adjust salaries of state civil service employees who are:

- Designated as "management," "supervisory," or "confidential" employees.
- Excluded specifically from the collective bargaining process.

Data Needed for Legislative Decisionmaking. Under the SEERA, state employee compensation increases negotiated by representatives of the Governor are subject to approval by the Legislature. Because 20 individual bargaining units have been established for state civil service employees, up to 20 separate MOU's containing negotiated compensation increases for these employees will be subject to approval by the Legislature. Consequently, it is important that adequate comparative data continue to be readily available to the Legislature so that it may carry out its responsibilities under the SEERA.

Recognizing its need for data which it can use to evaluate the appropriateness of negotiated salary increases, the Legislature added language to the SPB's support item in the 1981 Budget Act (Item 188-001-001) which:

- Provides for the SPB salary survey results to be reported to the Legislature under specified conditions.
- Requires that \$147,200 appropriated by this item be used only for conducting salary surveys.

As we note elsewhere in this analysis, all SPB functions involving salary

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

administration, including the salary survey process, were transferred to the DPA effective July 1, 1981, pursuant to the Governor's Reorganization Plan No. 1 of 1981. The language contained in Item 188, however, applies to the DPA during the current year.

Administration Proposes to Drop Requirement that Salary Data Be Available to the Legislature. The 1982 Budget Bill does not contain the language included under Item 188 in the 1981 Budget Act. So that the comparative salary data will continue to be available to the Legislature, we recommend that last year's language be continued in the 1982 Budget Bill by adding the following to the DPA's budget support item:

"Provided, that calculations of specific percentage differences in salaries between state civil service employees and non-state employees shall be submitted to the Legislature upon the request of the chairman of the committee in each house which considers appropriations or the Chairman of the Joint Legislative Budget Committee, or his designee, unless such information pertains to civil service classes represented by an exclusive bargaining agent under the provisions of the State Employer-Employee Relations Act and a memorandum of understanding has not yet been submitted to the Legislature for approval; however, information relative to those classes shall be released by the Department of Personnel Administration and submitted to the Legislature, upon request as herein specified, immediately following the time a memorandum of understanding affecting those classes is submitted to the Legislature;

Provided further, that \$156,032 of the funds appropriated in Item 8380-001-001 for Personal Services is authorized for 4.6 analysts positions and one clerical position, which positions may only be used for the purpose of continuing the conduct of the Department of Personnel Administration's compensation surveys to provide data to enable the Legislature to evaluate compensation increases negotiated by the Governor or his representative."

State-Owned Housing—Legislative Direction Ignored

We recommend that:

1. *Control language be adopted directing the DPA to adjust, effective July 1, 1982, rental rates paid by employees for state-owned housing to reflect market values, in accordance with the Legislature's directive in the 1980 Budget Act.*
2. *Control Section 24.50 be amended to direct the Department of Finance to reduce support appropriations of state agencies by a total of \$2.2 million to reflect the additional reimbursements such agencies receive as a result of such rental rate adjustments, for a \$1.9 million savings to the General Fund and a \$.3 million savings to various special funds.*
3. *The DPA report to the Legislature by November 1, 1982 on the changes made in rental rates for state-owned property to reflect market values and on its plans for ensuring the continuation of this policy.*

Legislature Directed Adoption of Market Value Rental Policy. 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, effec-

tive July 1, 1981, and directed its staff to develop a plan to implement the policy.

In last year's Analysis, we noted that:

- A plan had been developed but had not yet been approved by the board. (The board indicated that after it approved the plan, state employees affected by it would be given the opportunity to appeal decisions.)
- Implementation of the market value rental policy could increase state rental income by approximately \$2.4 million annually (now estimated at \$2.2 million).
- The budget for 1981-82 made no allowances for the additional rental income which state departments would collect from their employees under the new rental policy.

Because increases in reimbursements resulting from the new policy should offset departments' support appropriations, the Legislature added Control Section 24.50 to the 1981 Budget Act, which required that any increases in reimbursements resulting from such increased rents paid by employees for state-owned housing be accounted for as unscheduled reimbursements and not be available for expenditure.

New Rental Policy Has Not Been Implemented. Effective May 1, 1981, pursuant to Governor's Reorganization Plan No. 1 of 1981, authority to establish rental rates for state-owned housing was transferred from the Board of Control to the DPA. The DPA staff advises that the market value rental policy has not been implemented, and there are no plans to implement it. According to information provided by the DPA, 13 state agencies own a total of 1,092 rental units and these agencies would receive additional reimbursements of approximately \$2.2 million (\$1.9 million General Fund) in 1982-83 if the market value policy were implemented effective July 1, 1982. These additional reimbursements are based on appraisals conducted by the Department of Transportation and the Department of General Services.

In order for the market value rental policy to be implemented as intended by the Legislature, we recommend that:

- The following control language be added to the DPA's budget support items:
"Provided further that the Department of Personnel Administration shall adjust effective July 1, 1982, and annually thereafter, the rental rates paid by state employees for state-owned housing to reflect market values."
- Control Section 24.50 be changed to read as follows:
"Notwithstanding any other provision of this act, support appropriations of departments having employee rented housing are hereby reduced by a total of \$2,200,000 (\$1,900,000 General Fund) to offset additional reimbursements these agencies should receive as a result of the adjustment effective July 1, 1982 of rental rates paid by employees for state-owned housing to reflect market values. The Department of Finance shall apportion this reduction among the departments."
- The following supplemental report language be adopted:
"The Department of Personnel Administration shall report to the Joint Legislative Budget Committee by November 1, 1982 on (1) amounts by which rates for state-owned housing were changed in 1982-83 to reflect market values, (2) amounts of additional reimburse-

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

ments (by fund) the various state agencies will receive in 1982–83 as a result of these rate changes, (3) its plans for making future annual adjustments to continue the market value policy, and (4) the total amount of reimbursements (by fund) expected to be received by the state in 1983–84 as a result of the new policy.

ADMINISTRATION PROGRAM

The Administration Program consists of (1) executive management, (2) legal assistance with respect to employer-employee relations, and (3) central support services including accounting, budgeting, and duplicating services. Program costs are distributed between the department's two line programs.

Two Tiered Retirement System

The budget proposes the development of a two tiered retirement system for state employees. The budget indicates the proposed plan would provide combined Social Security and Public Employees' Retirement System benefits at 70 percent of final compensation.

The administration anticipates that the new plan would provide only nominal state savings in the initial year. It is anticipated, however, that significant savings to the state will accrue in future years.

The proposal, still in its developmental stages, would require legislation, and is subject to the collective bargaining process where appropriate.

The omnibus budget implementation bill directs the Department of Personnel Administration, in conjunction with the Public Employees' Retirement System, to develop legislation which will implement a two tiered retirement system.

**WORKERS' COMPENSATION BENEFITS FOR
SUBSEQUENT INJURIES**

Item 8450 from the General
Fund

Budget p. GG 77

Requested 1982–83	\$3,233,000
Estimated 1981–82.....	2,745,000
Actual 1980–81	2,790,000
Requested increase (excluding amount for salary increases) \$488,000 (+17.8 percent)	
Total recommended reduction	\$355,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Savings from Reorganization. Reduce by \$355,000.* Recommend reduction to reflect savings from transfer of legal defense responsibilities to the Department of Industrial Relations. 1680
2. Major Program Revision. Recommend legislation to: 1680
 - a. Formalize the transfer of this program to the Department of Industrial Relations and revise claims settlement practices to reduce incidence of litigation.

- b. Provide for the reimbursement of employers or their insurance carriers for subsequent injury benefits in lieu of direct payments to workers. 1680

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 Ch 1334/72, (as amended by Ch 12/73, 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.

Applying for Benefits

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

The employee may also apply for benefits from the Subsequent Injury Fund (SIF) at the same time he applies for benefits from his employer for the second injury, or he may wait until the claim against his employer is settled. The latter is the most common practice. In either case, he may apply for subsequent injury benefits only by filing a claim with the WCAB which is given sole authority to "fix and award the amounts" of subsequent injury benefits.

In the past, a copy of each claim has been sent to the Attorney General, who defends the fund against litigation. The claim is either fully litigated (the normal situation) or settled by a formal agreement between the worker and the state. All such agreements must be approved by the WCAB. The State Compensation Insurance Fund administers the payments to the recipients and is reimbursed for its services from the SIF.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$3,233,000 from the General Fund for workers' compensation benefits paid under the subsequent injuries program in 1982-83. This is an increase of \$488,000, or 17.8 percent, over estimated current-year expenditures. The increase is due primarily to increases in medical costs and the number of claims filed against this program.

Table 1 shows funding sources for the program, as well as proposed expenditures for benefits and administrative and legal costs.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Budget Summary
(in thousands)

<i>Funding</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
General Fund appropriation (Item 8450)	\$2,745	\$3,233	\$488	17.8%
Chapter 1334, Statutes of 1972 (death payments)	2,200	2,200	—	—
Totals	\$4,945	\$5,433	\$488	9.9%
<i>Program</i>				
Benefits payments	\$4,060	\$4,365	\$305	7.5%
State Compensation Insurance Fund service charges	203	218	15	7.4
Attorney General services	682	850	168	24.6
Totals	\$4,945	\$5,433	\$488	9.9%

Reorganization Saving Not Reflected in Budget

We recommend a reduction of \$355,000 (Item 8450-001-001), to reflect savings which are being generated by transferring legal defense of the program from the Attorney General to the Department of Industrial Relations.

Consistent with a recommendation we have made in past years, the budget states that by agreement of the two departments, the legal defense of the subsequent injuries program will be transferred administratively from the Department of Justice to the Department of Industrial Relations (DIR), effective July 1, 1982. A total of \$547,000 (Item 8350) is being requested by DIR in 1982-83 for legal defense of the subsequent injuries program. Of that amount, \$388,000 would come from the SIF item for claims examiners, and the balance, \$159,000 would be appropriated from the General Fund for attorney costs.

No adjustments were made to this item to reflect the transfer. It proposes a legal defense cost of \$850,000 to reimburse the Attorney General. We therefore recommend that this item be reduced to reflect the savings made possible by the reorganization.

We have also recommended that DIR's proposal be reduced by \$52,000 to prevent overstaffing, and that all legal defense costs, including \$159,000 requested from the General Fund for attorney costs be paid from this item. If our recommendation under Item 8350 is adopted, this item should be reduced by \$355,000. If the administration's proposal, as reflected in the Department of Industrial Relation's budget is adopted, this item should be reduced by \$462,000.

Program Needs Major Revision

We recommend that legislation be enacted to:

- 1. Formalize the transfer of responsibility for defense of the subsequent injury program to the Department of Industrial Relations and revise claims settlement procedures to parallel those used by insurance companies.*
- 2. Provide for the reimbursement of employers or their insurance companies, in lieu of direct payments to employees.*

In recent years, our analyses of the subsequent injury program have

indicated that major revisions in the program are needed to minimize administrative problems. (For a more complete discussion of our findings, see *Analysis of the 1979-80 Budget Bill*, pages 1249-1258).

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

Excessive litigation results from the fact that the WCAB has the sole authority to "fix and award the amounts" of subsequent injury benefits.

Our analysis indicates that the program would be more cost-effective if it were (1) administered by the Director of Industrial Relations, following general practices and procedures of insurance companies and (2) litigation were pursued only in those cases where a claim's validity is subject to reasonable doubt.

The State Compensation Insurance Fund reports that only 25 percent of its cases require formal litigation. For this reason, we recommend that the director be empowered to establish rules and regulations for awarding benefits under the program in as many cases as possible, so as to avoid litigation before the WCAB. Such a program could eliminate the need for litigation in approximately 75 percent of the cases.

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

This approach has several advantages:

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

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

sation costs would not be increased in the event a handicapped employee sustains a new injury. A great deal of doubt has been expressed over the years as to whether the present program achieves its primary goal of encouraging employers to hire the handicapped because of the lack of awareness on the part of employers regarding the program.

As discussed earlier, the transfer of the program to DIR will result in legal defense savings of approximately \$334,000 to the SIF in 1982-83.

The savings resulting from the legislation which we recommend is not clear at this time and would not be realized immediately. The program currently has 556 individuals receiving benefits with total outstanding liabilities estimated at \$41.0 million. Because of this, it would take several years to convert this program entirely from making direct payments to employees to reimbursing insurance carriers.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General
Fund

Budget p. GG 78

Requested 1982-83	\$590,000
Estimated 1981-82	518,000
Actual 1980-81	226,000
Requested increase \$72,000 (+ 13.9 percent)	
Total recommended reduction	\$170,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Disaster Service. Reduce Item 8460-101-001 by \$170,000.* 1682
Recommend correction of overbudgeting.

GENERAL PROGRAM STATEMENT

This program, which was established by Ch 104/46, provides funding for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster services. The total amount of compensation paid fluctuates with the volume of both training exercises and actual emergencies such as fires, floods, or earthquakes.

The program is administered by the State Compensation Insurance Fund (SCIF).

ANALYSIS AND RECOMMENDATIONS

We recommend that this item be reduced to prevent overbudgeting for a General Fund savings of \$170,000.

The budget proposes an appropriation of \$590,000 from the General Fund, to pay workers' compensation benefits for disaster service workers in 1982-83. This is \$72,000, or 13.9 percent, more than the level of current-year expenditures shown in the budget (\$518,000).

In the past, expenditure estimates prepared by the SCIF have been

quite accurate, despite the difficulty of forecasting natural disasters. This year, however, our analysis indicates that the budget estimate is too high because it was based on an unusually large number of claims that were paid in the first quarter of the current year. These claims were not related to any specific natural disaster.

Using the first quarter claims data, SCIF estimated that the 1981-82 appropriation of \$248,000 would not be sufficient, and that an augmentation of \$270,000 from the reserve for contingencies or emergency would be required to pay the claims arising this year. The increase in claims, however, did not continue into the second quarter. SCIF now estimates that it will need only \$100,000 from the reserve in the current year, bringing total expenditures to \$348,000.

The long range expenditure history of this program, as shown in Table 1, also indicates that the 1982-83 request is too high.

Table 1
Expenditures for Care of Disaster Service Workers
1975-76 through 1982-83

	<i>Amount</i>	<i>Increase From Previous Year</i>	
		<i>Amount</i>	<i>Percent</i>
1975-76.....	\$165,291		
1976-77.....	160,132	-\$5,159	-3.1%
1977-78.....	151,612	-8,520	-5.3
1978-79.....	157,243	5,631	3.7
1979-80.....	191,809	34,566	22.0
1980-81.....	226,000	34,191	17.8
1981-82 (Estimated).....	348,000 ^a	122,000	54.0
1982-83 (Proposed).....	590,000	242,000	70.0

^a Most recent SCIF data. The Governor's Budget indicates that \$518,000 will be spent in 1981-82.

While it is possible that an unusually large number of claims could arise because of the recent floods on the northern coast of California or due to some future disaster, we believe that it would not be wise to budget more for this item than experience would justify in order to provide for contingencies. Instead, we recommend that funds be budgeted based on the most recent information from SCIF, and that allocations again be sought from the reserve for contingencies or emergencies if claims turn out to be exceptionally high.

On the basis of the updated information provided by SCIF, we recommend that this item be reduced by \$170,000, to eliminate contingency budgeting.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the Board of
Chiropractic Examiners Fund

Budget p. GG 79

Requested 1982-83	\$448,000
Estimated 1981-82	412,000
Actual 1980-81	426,000
Requested increase (excluding amount for salary increases) \$36,000 (+8.7 percent)	
Total recommended reduction	\$2,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Overbudgeted Pro Rata Charges. Reduce Item 8500-001-152 by \$2,000.** Recommend reduction because budget request exceeds amount identified by the Department of Finance as needed. 1684

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. It has 4.2 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$448,000 from the Board of Chiropractic Examiners Fund for support of the board in 1982-83. This is \$36,000 or 8.7 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The increase of \$36,000 includes \$14,000 to publish a directory of licensees, \$4,000 for increased prorata charges, \$1,000 for minor equipment, and \$17,000 for price increases due to inflation. Funds for publishing the directory and purchasing minor equipment are requested on a one-time only basis, and should not be needed in 1983-84.

Overbudgeted Pro Rata Charges

We recommend a reduction of \$2,000 to correct for overbudgeting of pro rata charges.

Pro rata charges are assessed by the Department of Finance to special fund agencies for services provided by General Fund agencies. These charges are determined on a formula basis by the Department of Finance and then adjusted to reflect changes from prior years.

The Department of Finance annually compiles a schedule of prorata assessments so that special fund agencies can accurately budget for these charges. The schedule for 1982-83 indicates that the Board of Chiropractic Examiners will be charged \$20,000 in pro rata assessments for the budget year. The budget, however, includes \$22,000 for this purpose. Therefore, we recommend that the \$2,000 difference be deleted.

BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Contin-
gency Fund of the Board of
Osteopathic Examiners

Budget p. GG 81

Requested 1982-83	\$255,000
Estimated 1981-82	223,000
Actual 1980-81	212,000
Requested increase (excluding amount for salary increases) \$32,000 (+14.3 percent)	
Total recommended reduction	\$3,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Overbudgeted Price Increase. Reduce Item 8510 by \$3,000.** Recommend reduction because increase for inflation price adjustment exceeds Department of Finance guidelines. 1685

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 has 3.6 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$255,000 from the Contingent Fund of the Board of Osteopathic Examiners for support of the board in 1982-83. This is an increase of \$32,000, or 14.3 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. The increase of \$32,000 includes \$30,000 for operating expenses, and \$2,000 in personal services.

Overbudgeted Price Increase

We recommend a reduction of \$3,000 because the inflation price adjustment is excessive.

The budget proposes \$128,000 for the Board of Osteopathic Examiners' operating expenses. This is an increase of \$30,000, or 30.6 percent over estimated current-year expenditures. This increase includes \$16,000 for pro rata assessments, \$4,000 for the Office of Administrative Law and \$10,000 for inflation price adjustment. The increases associated with pro rata and the Office of Administrative Law, are determined on a formula basis by the Department of Finance. Excluding the formula-determined increases, the board's operating expenses are proposed to increase by \$10,000, or 10.8 percent, with all of the increase attributable to a price adjustment for inflation.

Department of Finance budget instructions direct agencies to budget for inflation price increase at 7 percent, rather than 10.8 percent. Therefore, we recommend that price increase be calculated at 7 percent rather than 10.8 percent, for a savings of \$3,000 to the Board of Osteopathic Examiners Contingent Fund.

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

Item 8530 from the Board of
Pilot Commissioners' Special
Fund

Budget p. GG 84

Requested 1982-83	\$71,000
Estimated 1981-82	58,000
Actual 1980-81	43,000
Requested increase (excluding amount for salary increases) \$13,000 (+22 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for certifying the qualifications of pilots for vessels entering or leaving those bays. The three-member board is appointed by the Governor, and licenses, regulates and disciplines pilots through such activities as examinations and complaint handling.

The board has a total of four authorized positions, consisting of a secretary and three board commissioners. The secretary, whose position was upgraded to the equivalent of an administrative assistant by the State Personnel Board during the current year, provides support for the board and the Pilotage Rate Committee. This five-member committee, appointed by the Governor, prepares recommendations on pilotage rates for the Legislature.

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$71,000 from the Board of Pilot Commissioners' Special Fund for support of the board in 1982-83. This is \$13,000, or 22 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 proposed for 1982-83 is necessitated by three factors: (1) an increase in departmental and statewide pro rata charges, from \$7,518 in the current year to \$15,465 in the budget year, (2) an increase in total salaries for the three commissioners from \$600 to \$3,600 annually, as provided by Ch 953/81, and (3) increased operating expenses due to inflation.

CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and Ex-
position Fund and various
funds

Budget p. GG 86

Requested 1982-83	\$4,392,000
Estimated 1981-82.....	4,053,000
Actual 1980-81	2,973,000
Requested increase (excluding amount for salary increases) \$339,000 (+8.4 percent)	
Total recommended reduction	\$25,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8550-001-191—Horse Racing Board		Fair and Exposition	\$1,339,000
8550-001-942—Horse Racing Board		Special Deposit	53,000
—Continuing Appropriation—Horse- man's Organization Welfare Special Account		Special Deposit	1,300,000
—Continuing Appropriation—Stand- ardbred Sires Stakes Fund Account		Special Deposit	1,700,000
Total			\$4,392,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Salary Savings. Reduce Item by \$25,000.* Recommend an increase in salary savings to reflect prior years' experience. 1688
2. *Fiscal Management.* Recommend that the Legislature direct the Horse Racing Board to adopt procedures to improve its fiscal management. Further recommend that the Department of Finance report on actions it has taken to enforce the provisions of the Government Code and Executive Order D80-71. 1689

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where pari-mutuel wagering is allowed. Responsibilities of the board include the promotion of horse racing, regulation of wagering, and maximizing the horse racing revenues 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. The board consists of seven members appointed by the Governor, and has a staff of 49.4 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total program expenditures of \$5,462,000 from various funds to support the California Horse Racing Board in 1982-83. This is a \$409,000, or 8.1 percent, increase over estimated current-year expenditures. This amount will increase by the amount of any salary or

CALIFORNIA HORSE RACING BOARD—Continued

staff benefit increase approved for the budget year.

Expenditures proposed for the budget year will be funded by \$1,339,000 from the Fair and Exposition Fund (a 3.6 percent increase over the current year), \$53,000 from the Racetrack Security Account, \$1,070,000 in reimbursements for steward's expenses, a \$1,700,000 statutory appropriation for the Standardbred Sires Stakes program, and \$1,300,000 appropriated by statute for the Horseman's Organization Welfare Special Account. Table 1 shows personnel-years and expenditures, by program, for the prior, current, and budget years.

Table 1
California Horse Racing Board
Summary of Program Expenditures
(thousands)

Program	Personnel-years			Expenditures		
	Actual 1980-81	Estimated 1981-82	Requested 1982-83	Actual 1980-81	Estimated 1981-82	Requested 1982-83
Licensing	10.0	11.0	11.0	\$245	\$257	\$266
Enforcement	12.8	14.0	14.0	613	696	719
State Steward	13.0	14.0	14.0	884	1,000	1,070
Standardbred Sires Stakes	0.7	1.0	1.0	1,486	1,600	1,700
Administration	8.5	9.4	9.4	368	385	407
Horseman's Organization Welfare Special Ac- count	—	—	—	261	1,115	1,300
Subtotals	45.0	49.4	49.4	\$3,857	\$5,053	\$5,462
<i>Financing</i>						
California Standardbred Sires Stakes Fund Ac- count	—	—	—	\$1,486	\$1,600	\$1,700
Fair and Exposition Fund	—	—	—	1,226	1,285	1,339
Racetrack Security Ac- count	—	—	—	—	53	53
Horseman's Organization Welfare Special Ac- count	—	—	—	261	1,115	1,300
Reimbursements	—	—	—	\$884	\$1,000	\$1,070

Salary Savings Underbudgeted

We recommend that additional salary savings be reflected in the board's budget in line with recent experience, for a reduction of \$25,000.

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 positions, leaves of absence, delays in filling new positions, and the filling of positions at the minimum step of the salary range. Therefore, to prevent overbudgeting, an estimate of salary savings is included in each budget.

Actual experience has shown that the board realizes some salary savings each year. Its budget requests, however, have consistently 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 approximately \$36,000 and \$34,000, respectively. In 1980-81, the Legislature re-

duced the board's budget request by \$20,000 to reflect anticipated salary savings, but the board was still able to generate \$15,000 in salary savings, which it then expended on operating expenses and equipment. In 1981-82, the Legislature reduced the board's request by \$30,000 to account for salary savings.

The proposed budget anticipates salary savings of only \$10,000. Based on actual salary savings achieved in the past, we recommend the budget be reduced by \$25,000 to reflect the additional salary savings that is likely to occur, for a corresponding savings to the General Fund.

Board's Report on Horseman's Organization Welfare Special Account is Inadequate

Chapter 1043, Statutes of 1980, which became effective on January 1, 1981, established two new programs to be financed from unclaimed pari-mutuel winnings. Previously, unclaimed winnings were deposited in the General Fund. Fifty percent of the unclaimed pari-mutuel winnings are to be made available to the CHRB, subject to budgetary review by the Legislature, and 50 percent is allocated to various horseman's organizations to finance the provision of health care and welfare benefits to employees of horse owners and trainers.

The Supplemental Report of the 1981 Budget Act directed the Horse Racing Board, on or before January 1, 1982, to prepare a report on the use of these unclaimed pari-mutuel winnings by the Horseman's welfare organizations. The report was to include, but not be limited to: (a) a description of each activity or program funded from this source, (b) regulations and rules adopted by the board governing these activities and programs, (c) a five-year estimate of the annual total cost of programs or activities implemented or proposed at the time the report is submitted, and (d) the statutory basis for the programs or activities.

In response to this requirement, the CHRB issued a report in December listing the activities which had been funded up to that time.

We do not believe the board's report is responsive to the Legislature's request. It provides no description of activities funded from the account, and it provides no indication of how the funds will be expended in future years. Further, the report indicates that the board has adopted no rules or regulations governing the activities or programs funded. In sum, the report does not provide the Legislature with sufficient information to evaluate program activity to date.

Poor Fiscal Management

We recommend that supplemental report language be adopted directing the California Horse Racing Board to adopt procedures to improve fiscal management and accountability. We further recommend that the Legislature direct the Department of Finance to report on actions it has taken to enforce the provisions of the Government Code and Executive Order D80-71.

During 1980-81, the California Horse Racing Board received billings totaling \$82,764 from the Attorney General (AG) for various legal services rendered. The CHRB's 1980-81 budget included \$42,500 for these fees. In June 1981, the board requested and the Department of Finance approved a transfer of \$10,000 from the board's Personnel Service Account to its Operating Expenses and Equipment Account for payment of AG fees. In addition, Executive Order No. D80-71 provided an emergency augmentation of \$37,600 for payment of these AG fees. In total, the Horse Racing

CALIFORNIA HORSE RACING BOARD—Continued

Board in 1980–81 received \$90,100 for payment of Attorney General fees. This exceeded the amount of the total billing by \$7,336.

As of January 1, 1982, the board still owed the Attorney General \$29,421 for legal services rendered during 1980–81. According to the board, this bill was not paid because of unexpected increases in other Operating Expenses and Equipment. These expenses, according to the board, had a higher priority for payment than the Attorney General's services.

Our analysis indicates that only \$9,382 of the emergency augmentation provided by executive order was actually expended for payment of Attorney General services, and that the payment was not made until November 1, 1981. The remaining \$28,218 was expended for other operating expenses and equipment.

The Government Code states that "every person who incurs any expenditure in excess of the allotments or other provisions of the fiscal year budget as approved by the department, is liable both personally and on his official bond for the amount of the excess expenditure."

Executive order D80-71 authorized the board to expend the \$37,600 emergency augmentation only for payment of 1980–81 attorney general fees. In fact, the Department of Finance indicates that the board's executive officers were informed that they would be held personally liable if the funds were used for any other purposes.

We believe the Legislature may wish to request an explanation of the board's actions with regard to this matter during hearings on the 1982–83. In any event, to assure that misdirections of appropriated funds do not occur in the future, we recommend adoption of the following supplemental report language:

"The California Horse Racing Board shall adopt procedures to improve its fiscal management, and the Department of Finance shall report to the fiscal committees by December 1, 1982 on actions it has taken to enforce the provisions of the Government Code and its executive order."

CALIFORNIA EXPOSITION AND STATE FAIR

Item 8560 from the General

Fund	Budget p. GG 92
Requested 1982–83	\$9,204,000
Estimated 1981–82	8,906,000
Actual 1980–81	8,567,000
Requested increase (excluding amount for salary increases) \$298,000 (+3.3 percent)	
Total recommended reduction	\$105,000

1982–83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8560-001-001—Support		General	\$2,538,000
8560-011-001—Appropriation of Revenues		General	6,666,000
Total			\$9,204,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Unbudgeted Salary Savings. Reduce by \$105,000.* Recommend reduction of \$105,000 in Item 8560-001-001 to correct for unbudgeted salary savings. 1692

GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal-Expo) manages the annual state fair and provides a site for various public events during the remainder of the year.

Cal-Expo began operation at its present Sacramento site in 1968, under the supervision of the California Exposition and Fair Executive Committee within the Department of General Services. Chapter 1152, Statutes of 1973, transferred control over Cal-Expo to the Department of Parks and Recreation. Chapter 1148, Statutes of 1980, established Cal-Expo as a separate state entity, governed by an 11-member board of directors.

Cal-Expo has 166.9 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations from the General Fund totaling \$9,204,000 for support of Cal-Expo in 1982-83. This is an increase of \$298,000, or 3.3 percent, over estimated current-year General Fund expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The budget also includes a continuing support appropriation of \$265,000 from the Fair and Exposition Fund and \$180,000 in reimbursements, bringing total 1982-83 expenditures to \$9,649,000. This is \$298,000, or 3.3 percent, more than total expenditures estimated for the current year. Sufficient funding is requested to continue all of the 166.9 positions that are currently authorized.

Item 8560-001-001 appropriates the state's General Fund subsidy for Cal-Expo. The amount of the subsidy is equal to the difference between operating revenues and total budgeted costs. The budget requests \$2,538,000 for this purpose in 1982-83.

Cal-Expo's operating revenues are deposited in the General Fund. Item 8560-011-001 appropriates to Cal-Expo an amount from the General Fund equal to the operating revenues that Cal-Expo expects to receive in the budget year. The 1982-83 budget anticipates that operating revenues will be \$6,666,000 and requests an appropriation of this amount.

The budget anticipates that the General Fund subsidy to Cal-Expo will decrease from \$3,943,000 in 1980-81 to \$3,046,000 in 1981-82 and to \$2,538,000 in 1982-83. Operating revenues, meanwhile, are expected to increase from \$5,157,000 in 1980-81 to an estimated \$6,383,000 in 1981-82 and an estimated \$6,666,000 in 1982-83.

Cal-Expo staff indicate that the revenue estimate for 1982-83 may be increased if the Board of Directors approves changes in fee and concession revenues at its meetings early in 1982. We will provide updated revenue estimates at the time of the budget hearings. In 1980-81, Cal-Expo made a contribution of \$577,000 to the General Fund, which partially offset the cost of the subsidy provided by the state. This contribution reflects the fact that Cal-Expo's actual 1980-81 revenues exceeded the amount of revenues appropriated to it in the Budget Act. The budget estimates that a similar contribution of \$533,000 will be made in the current year.

CALIFORNIA EXPOSITION AND STATE FAIR—Continued**Significant Changes**

The net expenditure increase of \$298,000 is composed of (a) \$62,000 to restore a reduction in salaries made during the current year, (b) a net \$134,000 reduction in operating expenses during the budget year to comply with a 5 percent reduction required of many General Fund agencies by the administration, and (c) baseline price and salary increases totaling \$370,000.

Unbudgeted Salary Savings

We recommend a reduction of \$105,000 (Item 8560-001-001) to reflect likely salary saving that were not budgeted, for a corresponding savings to the General Fund.

The budget request assumes that Cal-Expo will have no salary savings during the budget year. Experience indicates, however, that salary and benefit savings will accrue due to turnover, delay in filling new positions and the refilling of positions at the minimum step of the salary range.

Actual salary savings for Cal-Expo were \$76,356 in 1978-79, \$157,020 in 1979-80, \$185,798 in 1980-81, and \$41,887 through the first five months of 1981-82. Estimated full-year 1981-82 salary savings are \$80,000.

Cal-Expo staff maintain that savings in recent years were artificially high because some positions were deliberately held vacant to meet targeted savings and to provide flexibility for the new board of directors. While this may have been true, there is no indication that these savings adversely affected Cal-Expo's operations. Furthermore, some savings would have occurred even without deliberate action to hold positions vacant. On this basis, we recommend that salary savings for 1982-83 be budgeted at \$80,000. This amount is conservative, since it represents the smallest amount of salary savings achieved during the past four years. It corresponds to 4 percent of budgeted salaries and wages for full-time permanent personnel, a figure consistent with the experience of most state agencies. Because Cal-Expo's staff benefits are calculated as 31.5 percent of salaries and wages, a corresponding reduction of \$25,000 in benefits is also warranted, for a total reduction of \$105,000 in Item 8560-001-001.

**CALIFORNIA EXPOSITION AND STATE FAIR—
CAPITAL OUTLAY**

Item 8560-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 94

Requested 1982-83	\$450,000
Recommended approval	450,000

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$450,000 from the Special Account for Capital Outlay in the General Fund for minor capital outlay at Cal-Expo in 1982-83. The requested funds would be used primarily to complete projects previously reviewed and approved by the Legislature, make improvements necessary for fire protection and public safety, or improve the revenue-generating capability of existing facilities.

The individual projects are:

1. Backstretch Kitchen, Dining and Recreation Hall	\$150,000
2. Electrical and Structural Repairs and Painting Stable— Phase IV.....	100,000
3. Minirail loading and unloading station	50,000
4. Renovation, Exhibit Buildings A and B	150,000
Total.....	\$450,000

Our analysis indicates that these expenditures are warranted, and we recommend that the requested funds be appropriated.

Backstretch Kitchen, Dining and Recreation Hall

We recommend that the Legislature direct Cal-Expo to recover the cost of a proposed backstretch kitchen, dining and recreation facility from the users of that facility.

The minor capital outlay request includes \$150,000 for the construction of a food preparation, dining, and recreation facility for employees who work in the horse stable area. The project would serve horsemen, trainers, grooms and jockeys who reside at Cal-Expo during racing meets, horse shows and when horses are stabled there between racing events. The facility would be operated by a concessionaire.

An improved backstretch kitchen and dining facility are needed. Our discussions with staff of the California Horse Racing Board and other California racetracks indicate that stable kitchen facilities typically are constructed by the racetrack facility owner (in this case Cal-Expo) and operated by a concessionaire. Cal-Expo's proposal is consistent with this approach.

Unlike other facilities at Cal-Expo, however, the proposed facility would yield no direct benefit to the public. Rather, it would be used exclusively by racetrack personnel. To the extent state funds are used to construct the facility, the taxpayers would be providing a subsidy to those employed by the race horse owners. We know of no need or justification for providing such a subsidy, and we recommend the adoption of Budget Bill language in Item 8560-301-036 as follows:

“Provided that Cal-Expo include, in any concession agreement to operate the backstretch kitchen, dining and recreation facility, provision for

**CALIFORNIA EXPOSITION AND STATE FAIR—
CAPITAL OUTLAY—Continued**

recovery, over a reasonable period of time, of the capital cost of the facility."

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from various funds

Budget p. GG 95

Requested 1982-83	\$77,657,000
Estimated 1981-82	85,568,000
Actual 1980-81	68,232,000
Requested decrease (excluding amount for salary increases) \$7,911,000 (-9.2 percent)	
Total recommended reduction	\$3,000,000
Recommendation pending	\$24,736,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8570-001-001—Support		General	\$38,954,000
8570-001-025—Support		Fuel Allocation Revenue	150,000
8570-001-111—Support		Department of Food and Agriculture	24,275,000
8570-001-140—Support, Pesticide Regulatory Pro- gram		California Environmental Li- cense Plate	121,000
8570-001-190—Agricultural Research and Demon- stration Projects		Resources Account, Energy and Resources	3,000,000
8570-001-191—Support		Fair and Exposition	904,000
8570-001-890—Support		Federal Trust	1,874,000
8570-101-001—Local Assistance, Pesticide Regula- tion and Pest Prevention		General	9,470,000
8570-101-191—Local Assistance, Unemployment In- surance and Benefits for Local Fairs		Fair and Exposition	400,000
8570-111-001—Local Assistance, Salaries of County Agricultural Commissioners		General	383,000
Total			\$77,657,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS
*Analysis
page*

1. *Agricultural Research and Demonstration Projects. Delete Item 8570-001-190, for a savings of \$3,000,000.* Recommend elimination of this appropriation from the Resources Account of the Energy and Resources Fund because the department has not provided any program for spending this money. Further recommend savings—\$3,000,000—resulting from this recommendation be transferred from the Resources Account of the Energy and Resources Fund to the General Fund in order to increase the Legislature's fiscal flexibility in meeting high-priority state needs. 1703
2. *Irradiation Research. Delete \$150,000 appropriation in Item 8570-001-025 and increase Item 8570-001-001 by an equal amount.* Recommend funding switch from the Fuel Allo- 1704

cation Revenue Account to the General Fund because the Fuel Allocation Revenue Account is not an appropriate funding source for food irradiation studies.

3. Medfly Eradication. Withhold recommendation on \$3,636,000 in Item 8570-001-001 and \$3,474,000 in Item 8570-101-001 (a total of \$7,110,000 from the General Fund) for Medfly eradication and detection work because it is not possible at this time to determine how much money will be required for Medfly-related work in 1982-83. 1705
4. Expansion of Pest Prevention Program. Withhold recommendation on a total of \$17,626,000 from the General Fund and \$8,132,000 from "other reimbursements" requested for plant, pest prevention and detection programs, other than the Medfly program, in the following items: \$14,655,000 appropriated in Item 8570-001-001; \$5,162,000 from "other reimbursements" scheduled in Item 8570-001-001; \$2,971,000 appropriated in Item 8570-101-001; and \$2,970,000 in "other reimbursements" scheduled in Item 8570-101-001. We defer recommendation because the budget request does not reflect the department's current intention and because many important questions remain unanswered about the proposed expansion of pest detection and prevention activities. 1708
5. Renewable Resource Energy Projects. Recommend that the department report to the Legislature prior to budget hearings on the amount of unobligated funds in the Renewable Resource Energy Agricultural Account and on the department's plans for the use of those funds. 1710

GENERAL PROGRAM STATEMENT

The Department of Food and Agriculture promotes and protects the state's agricultural industry, protects public health and safety, 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:

- Pest identification and control.
- Regulation of pesticide use and protection of farmworker health and safety.
- Crop forecasting.
- Financial supervision of local fairs.
- Enforcement of standards of quality, quantity, and safety in agricultural and certain consumer goods.
- Administration of marketing orders.
- Financial assistance for the use of alcohol and other alternative energy sources in agriculture.

The department supervises the county agricultural commissioners and operates many programs jointly with them. Its headquarters is in Sacramento, and other departmental offices are located throughout the state. The department has 1,765 authorized positions in the current year, excluding temporary personnel involved in the Mediterranean Fruitfly (Medfly) eradication effort.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes nine appropriations totaling \$77,657,000 from various state funds for support of the Department of Food and Agriculture, county agricultural commissioners, and local fairs in 1982–83. This is a decrease of \$7,911,000, or 9.2 percent, from estimated current-year expenditures. This, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

Special Expenditures Distort Year-to-Year Comparison

The 9.2 percent decrease in the appropriations requested for next year is not a reflection of major reductions in the department's ongoing program efforts. Instead, it results from the inclusion in current-year expenditures of (1) \$20,577,000 for Medfly eradication and (2) a one-time appropriation of \$2 million for alternative energy project loans. The budget request for 1982–83 includes \$7,110,000 from the General Fund for Medfly eradication.

If these special expenditures are excluded from total expenditures, the 1982–83 budget request is \$70,547,000, which is \$7,556,000, or 12 percent, above the comparable current year amount (\$62,991,000) for on-going programs. This increase reflects the proposed expansion of the department's pest detection and prevention activities.

Medfly Expenditures Understated in the Budget Document

In addition to the \$20,577,000 of Medfly expenditures which are included in the department's 1981–82 expenditures, the budget shows an additional \$36,908,000 unallocated reserve from the \$50,000,000 deficiency appropriation made by Ch 938/81 for medfly-related costs. This reserve is shown in a separate display of statewide Medfly expenditures and appropriations which appears on page GC 228 of the Governor's Budget.

Chapter 938 appropriated the \$50 million to the Department of Finance for allocation to the Department of Food and Agriculture and other state agencies. Allocations are made after the Department of Finance receives and verifies expenditure claims submitted by the various agencies. At the time the budget was prepared, the Department of Finance had made one allocation from Ch 938 of \$13,092,000 to the Department of Food and Agriculture. Additional allocations will be made during 1981–82 as claims are received and verified, so that total Medfly expenditures for the Department of Food and Agriculture will be substantially greater than the \$20,577,000 shown in the budget. Other agencies, such as Cal Trans and the Highway Patrol will also receive allocations during the current year from the \$36,908,000 that the budget shows remaining from the Ch 938 appropriation.

The cost of the Medfly eradication and detection effort is discussed elsewhere in this *Analysis*.

Funding Policies

For the most part, the General Fund finances departmental activities that benefit the public and agriculture in general, while special fees and taxes deposited in the Department of Food and 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.

Growth in Expenditures

The budget proposes total expenditures of \$114,039,000 in 1982-83, as shown in Table 1. This is a decrease of \$5,303,000, or 4.4 percent, compared with current year estimated total expenditures of \$119,342,000. If these figures are adjusted to exclude Medfly expenditures and the one-time appropriation for alternative energy projects in 1981-82, the adjusted expenditures are \$106,929,000 for 1982-83 and \$91,665,000 for 1981-82. On this basis, the budget proposes an increase of \$15,264,000, or 16.7 percent, in total expenditures for on-going programs. This increase is due entirely to the proposed expansion of the pest prevention program, for which the budget requests \$15,664,000. Of this amount \$7,532,000 is from the General Fund and \$8,132,000 is from "other reimbursements." Highlights of these major changes and other changes in funding are discussed below.

General Fund Expenditures. The budget proposes a total of \$48,802,000 in appropriations from the General Fund for the department (including local assistance) in 1982-83. This is a decrease of \$6,274,000, or 11.4 percent, from current year estimated General Fund expenditures of \$55,076,000. If Medfly expenditures are excluded, the budget request is \$41,892,000, compared with estimated General Fund expenditures of \$34,999,000 in the current year. On this basis, the budget requests an increase of \$6,893,000, or 19.7 percent, in General Fund support for programs other than Medfly eradication.

This increase is due primarily to the \$7,532,000 requested from the General Fund for the expansion of pest detection and prevention activities (other than Medfly). The proposed transfer of Dutch Elm Disease eradication to the Department of Forestry results in a savings of \$500,000, and a reduction of \$277,000 is proposed for meat inspection activities. Budgeted price increases are offset by a 5 percent reduction in state operations, consistent with a directive from the administration. This reduction—\$1,810,000—is composed of many small reductions throughout the department plus the elimination of the Comstock Mealybug Control Program and support for the Metric Conversion Council. As a result, the base budget remains virtually constant. These changes are discussed in more detail under the heading "Significant Program Changes."

"Other Reimbursements." The total expenditures shown in Table 1 include \$8,132,000 from "other reimbursements" to fund half of the proposed expansion of the pest prevention program. Of this amount, \$5,162,000 is included in the department's support expenditures and the remaining \$2,970,000 is included in assistance to county agriculture commissioners. The department has not identified any specific source for these other reimbursements. According to the Governor's Budget (page A-35):

"The department is currently meeting with representatives of governmental entities and industry to determine appropriate sources of nonstate funding. When this task is completed, the department will provide the necessary detail and proposed law changes."

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 1
Department of Food and Agriculture
Sources of Funding
1982-83

(in thousands)

A. Support		
1. General Fund (Item 8570-001-001)		\$38,954
2. Agriculture Fund		
a. Item 8570-001-111	\$24,275	
b. Unclaimed gasoline tax for departmental administration ^a ..	500	
c. Unclaimed gasoline tax—emergency reserve ^b	1,000	
Subtotal		25,775
3. Fair and Exposition Fund (Item 8570-001-191)		904
4. Ethanol Fuel Revolving Account ^c —administration of loans		75
5. California Environmental License Plate Fund (Item 8570-001-140) Urban Pesticide Information Project		121
6. Federal Trust Fund (Item 8570-001-890)		1,874
7. Reimbursements		
a. Administrative overhead from industry programs funded through continuing appropriations	730	
b. Veterinary laboratory fees	302	
c. Insurance costs for local fairs (paid through department) ..	277	
d. Grain inspection fees	418	
e. Miscellaneous	448	
Subtotal		2,175
8. "Other Reimbursements" for pest prevention program		5,162
Total Department Support Expenditures		\$75,040
B. Special Items of Expense		
1. Alcohol fuels loans and grants—Ethanol Fuels Revolving Account ^c		425
2. Agricultural Research and Demonstration Projects—Resources Account, Energy and Resources Fund (Item 8570-001-190)		3,000
3. Food irradiation studies, Fuel Allocation Revenue Account (Item 8570-001-025)		150
Total Special Items of Expense		\$3,575
Total State Operations (A plus B)		\$78,615
C. Assistance to Counties		
1. General Fund (Item 8570-101-001)		
a. Subventions for pesticide regulation	3,025	
b. Subventions for Medfly detection	3,474	
c. Subventions for other pest detection activities	2,971	
Subtotal		9,470
2. General Fund (Item 8570-111-001) subventions for salaries of county agricultural commissioners		383
3. Agriculture Fund		
a. Unclaimed gasoline tax refunds ^d	2,641	
b. Pesticide Mill Tax ^e	3,996	
c. Other	64	
Subtotal		6,701
4. "Other Reimbursements" for pest prevention program		2,970
Total Assistance to Counties		\$19,524
D. Assistance to Local Fairs		
1. Fair and Exposition Fund		
a. Continuing appropriations ^f	15,505	
b. Unemployment insurance and benefits (Item 8570-101-191)	400	
Subtotal		15,905

2. Loan repayments to General Fund	-5
Total Assistance to Local Fairs	\$15,900
Total Expenditures in Governor's Budget	\$114,039

^a Section 224(1), Food and Agricultural Code.

^b Section 224(2), Food and Agricultural Code.

^c Section 505, Food and Agricultural Code.

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

^e Section 12844, Food and Agricultural Code.

^f Sections 19620-19637, Business and Professions Code.

County Assistance. The budget proposes \$19,524,000 for assistance to county agricultural programs. This includes a total of \$7,021,000 for county pesticide regulatory activities under the department's pesticide regulatory program, of which \$3,025,000 is from the General Fund and \$3,996,000 is from the county share of the tax on pesticides sold in California (the pesticide mill tax).

During the current year, the department received \$3,474,000 from the General Fund to contract with the counties for Medfly trapping. The budget proposes to continue this appropriation for county subventions in the same amount. The budget also proposes new subventions to the counties totaling \$5,941,000 as part of the greatly expanded pest detection program (exclusive of Medfly detection costs). Funding for these subventions would be split equally between the General Fund and "other reimbursements."

Financial Assistance to Local Fairs. Local fairs are conducted by district agricultural associations, by nonprofit citrus fruit fair organizations, and by counties. The budget proposes \$400,000 in Item 8570-101-191 from the Fair and Exposition (F&E) Fund for the cost of unemployment insurance and benefits for fair personnel. The cost of this unemployment insurance, the support costs (\$904,000) for the department's Division of Fairs and Expositions, as well as state allocations to local fairs for support and capital outlay are financed from diversions of state horseracing revenues to the F&E Fund. These revenues otherwise would be deposited in the General Fund. The F&E Fund is continuously appropriated to the department for allocation to the fairs according to statutory guidelines.

The budget indicates that the fairs will receive \$15,905,000 in state assistance during 1982-83. This amount, however, may be overstated by as much as \$2,179,000, due to the improper inclusion of loan repayments in the revenue available to the F&E Fund during the three-year period 1980-81 through 1982-83. Under the provisions of Ch 518/80 these loan repayments will be deposited in the General Fund.

Unclaimed Gas Tax Money. 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 \$2,641,000 for county assistance. It also provides \$500,000 each year for department administrative costs and a departmental reserve of \$1 million for emergency eradication, control or research relating to pests and weeds. At the end of each fiscal year, the unexpended balance of this emergency reserve becomes available for allocation to the counties in the next fiscal year. The counties will not receive any funds from this source during the current year or the budget year because the 1980-81 reserve was spent for Medfly eradication and the 1981-82 reserve will be used for Medfly or Gypsy Moth eradica-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

tion.

Spending Not in Budget. The department plans to collect and spend approximately \$14.2 million in industry fees for the inspection and administrative services it performs for the agriculture industry. These programs involve 426 personnel-years of department staff effort, much of it seasonal.

In addition, the department administers approximately \$31 million under 31 marketing orders for programs established at the industry's 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 Governor's Budget indicates (on page GG-111) that the department will devote 28.5 personnel-years to the administration of these trusts and will receive \$892,000 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 in Table 1.

Significant Program Changes

Table 2 shows significant program changes by funding source for each of the department's programs.

Pesticide Regulation. The budget proposes to continue the pesticide regulatory program at essentially the current-year level of operation. It includes \$144,000 for a 5 percent cost-of-living increase in county subventions for pesticide regulation. This increase would bring total subventions to \$3,025,000 in 1982-83. The budget proposes funding the urban integrated pest management (IPM) information program for a third year with \$121,000 from the California Environmental License Plate Fund. The department has equipped a trailer with audio-visual materials and publications about IPM to educate the nonagricultural public. The trailer visits local fairs, shopping centers, nurseries, schools and other locations.

Plant, Pest and Disease Prevention. The department proposes a major expansion of the plant, pest and disease prevention program in 1982-83. It is requesting \$15,664,000 (\$7,532,000 from the General Fund and \$8,132,000 from "other reimbursements") to expand its on-going pest detection and prevention activities. An additional appropriation of \$600,000 is requested from the Special Account for Capital Outlay in capital outlay Item 8570-301-036 for costs associated with working drawings for new border inspection stations. We discuss that request in our analysis of that item.

Table 2
Department of Food and Agriculture
1982-83 Major Budget Changes by Program
(dollars in thousands)

	<i>General Fund</i>	<i>Agri- culture Fund</i>	<i>Energy and Resources Fund</i>	<i>Other Funds and Reimburse- ments</i>	<i>Federal Trust Fund</i>	<i>Total</i>
1981-82 Base Budget (Revised)	\$55,076	\$29,716	\$4,230	\$23,249	\$7,071	\$119,342
1. Pesticide Regulation						
(a) Cost-of-living increase for county pesticide enforcement subventions	144	—	—	—	—	144
2. Plant Pest and Disease Prevention						

Item 8570

GENERAL GOVERNMENT / 1701

(a) Expansion of pest detection and prevention	7,532	—	—	8,132	—	15,664
(b) Mediterranean Fruit Fly eradication and detection	-12,971	-1,000	-500	—	-5,100	-19,571
(c) Pink Bollworm control	—	880	—	—	—	880
(d) Transfer of Dutch Elm Disease control to Department of Forestry	-500	—	—	—	—	-500
(e) Completion of Gene Resources Project-Environmental License Plate Fund	—	—	—	-342	—	-342
(f) Eliminate Comstock Mealybug bio-control	-157	—	—	—	—	-157
3. Animal Pest and Disease Prevention/Inspection Services						
(a) Reduction in meat inspection	-277	—	—	—	—	-277
(b) Deletion of one-time equipment purchases for veterinary laboratories	—	—	-400	—	—	-400
4. Agricultural Marketing Services						
(a) Walnut, raisin and prune price reports	—	34	—	—	—	34
5. Standards and Inspection Services						
(a) Increased grain and commodity inspection	—	406	—	—	—	406
(b) Evaluation of fertilizer registration data	—	48	—	—	—	48
(c) Automate data processing for feed and fertilizer programs ..	—	62	—	—	—	62
6. Weights and Measures						
(a) Eliminate support for metric conversion council	-58	—	—	—	—	-58
7. Supervision and Assistance for Local Fairs (Fair and Exposition Fund)						
(a) Financial assistance to local fairs	—	—	—	-394	—	-394
8. Administration (net amounts not allocated to programs)						
(a) Food irradiation study (Fuel Allocation Revenue Account)	—	—	—	150	—	150
9. Energy Programs						
(a) Biomass farming studies (Ch 907/80)	—	—	-330	—	—	-330
(b) Alcohol fuels loans and grants (Ch 803/80) EthanolFuel Revolving Account	—	—	—	-997	—	-997
(c) Renewable Energy Sources and Energy Conservation (Ch 733/80) Renewable Resource Energy Agricultural Account	—	—	—	-2,000	—	-2,000
10. Agricultural Research and Demonstration Program (no change) ..	—	—	—	—	—	—
11. General Agricultural Assistance to Counties						
(a) Increase in gas tax refund allocation	—	13	—	—	—	13
12. Emergency Reserve for Detection, Eradication and Research *	—	1,000	—	—	—	1,000

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

13. Five Percent Reduction						
(a) Eliminate support for metric conversion council and Comstock mealybug biocontrol.....	(-215) ^b	—	—	—	—	(-215) ^b
(b) Unallocated and miscellaneous reduction	-1,595	—	—	—	—	-1,595
14. Baseline Changes						
(a) Restoration of current year reductions	1,097	—	—	—	—	1,097
(b) Minor and baseline changes ..	511	1,317	—	89	-97	1,820
Total 1982-83 Budget Changes	<u>-\$6,274</u>	<u>\$2,760</u>	<u>-\$1,230</u>	<u>\$4,638</u>	<u>-\$5,197</u>	<u>-\$5,303</u>
Totals, 1982-83 Proposed Budget	\$48,802	\$32,476	\$3,000	\$27,887	\$1,874	\$114,039

^a From unclaimed gasoline tax refunds pursuant to Section 224 (2) of the Food and Agricultural Code. The 1981-82 reserve is shown in the budget as a special item of expense for pest eradication.

^b Does not affect total because these reductions are shown in the relevant program.

Besides changes in the Medfly eradication program, which we discuss in more detail below, the budget also includes four other program changes in the plant, pest and disease prevention program.

- An increase of \$880,000 from cotton industry assessments is proposed for the Pink Bollworm control program. These funds will be used to purchase the sterile moths which are used in the control program. Previously, these sterile moths were provided without charge by the federal government.

- The budget proposes transferring the Dutch Elm Disease eradication program to the Department of Forestry, which is requesting \$1,250,000 from the Energy and Resources Fund and \$250,000 from the General Fund, to carry on the program in 1982-83. Last year, the department proposed elimination of this program. The Legislature restored \$500,000 in the department's budget to continue the program at a maintenance level during the current year. We discuss the proposed transfer of the program in our analysis of the Department of Forestry's budget.

- The Gene Resources Project is scheduled to be completed during the current year. Therefore the budget indicates a reduction of \$342,000 from the Environmental License Plate Fund in support for this project.

- The department included the elimination of the Comstock Mealybug control program in its 5 percent reduction of General Fund expenditures. The mealybug infects many types of fruit trees, particularly citrus. The first discovery of this pest in California was at Porterville in 1967. Eradication attempts by the department and others failed, and the pest has now become established in the southern San Joaquin Valley. Beginning in 1977-78, the department implemented a five-year plan to phase out the Comstock Mealybug control program. The work plan involved raising and spreading parasites of the mealybug throughout the infested area to keep the mealybug population under control. According to the department, the parasite populations have been successfully established in accordance with the original five-year work plan and 1981-82 will be the last year for the project.

Animal Pest and Disease Prevention. The budget proposes a reduction of \$277,000 from the General Fund to complete a two-year phased reduction in the Meat Inspection program. Most meat inspection is done by the federal government. The state inspects certain small and special-purpose

meat plants. The department will eliminate inspections of pet food plants and transporters of dead animals. A reduction of \$400,000 from the Energy and Resources Fund reflects a one-time equipment purchase for the veterinary laboratories in the current year.

Industry Marketing and Inspection Programs. The budget proposes four increases, totaling \$550,000, from industry fees and assessments in the Agriculture Fund for program increases in the Marketing Services program and in the Standards and Inspection program.

Metric Conversion Council. The department proposes to eliminate support for the Metric Conversion Council in 1982-83, for a savings of \$58,000 to the General Fund. This reduction is included in the department's overall 5 percent General Fund reduction. According to the department, public interest in metric activity is low, and metric conversion has a low priority compared with other weights and measures activities.

Energy Programs. The budget indicates a reduction of \$3,327,000 in 1982-83 for various energy programs operated by the department. Funds for these programs were provided through special legislation, and the department expects to commit most of the available money during the current year. In future years, repayments of alcohol production loans will provide funds for additional loans.

Agricultural Research and Demonstration. The budget proposes to continue the existing level of support for the agricultural research and demonstration program and requests \$3 million from the Energy and Resources Fund for this purpose.

Five-Percent Reduction. The department's budget for 1982-83 reflects a reduction of \$1,810,000, which represents 5 percent of the department's base General Fund expenditures, excluding local assistance. Of this amount, the elimination of support for the Comstock Mealybug control program and for the Metric Conversion Council (discussed above) account for \$215,000. The remaining reduction of \$1,595,000 was accomplished through small reductions in a wide variety of department programs. These reductions include the elimination of 37.2 positions.

Our analysis indicates that the reductions should not unduly hamper the department's ability to carry out its responsibilities.

Agricultural Research and Demonstration Projects

We recommend deletion of Item 8570-001-190 (Resources Account, Energy and Resources Fund), which proposes \$3,000,000 for agricultural research and demonstration projects, because the department has not identified any program for spending this money.

We further recommend that the \$3,000,000 savings resulting from this recommendation be transferred from the Resources Account in the Energy and Resources Fund to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

The budget requests \$3,000,000 from the Resources Account of the Energy and Resources Fund for "agricultural research and demonstration projects." Last year the department proposed \$12 million for this program. The Legislature eventually approved an appropriation of \$3 million for the program. The budget proposes to continue funding the program at that level in 1982-83.

At the time this analysis was written (late January 1982), the department had not presented any program or other documentation to justify this request. In the absence of such justification, we recommend deletion of this appropriation, for a savings of \$3,000,000.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Approval of this reduction would leave an unappropriated balance of tideland oil revenues in the Resources Account of the Energy and Resources Fund which would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

Irradiation Research

We recommend deletion of Item 8570-001-025 (Fuel Allocation Revenue Account) and transfer of \$150,000 for irradiation research to the General Fund, Item 8570-001-001, after departmental submission of an expenditure program, because the Fuel Allocation Revenue Account is not an appropriate funding source for this activity.

The budget requests \$150,000 from the Fuel Allocation Revenue Account for "radiation research." As of late January 1982, the department had not presented a proposal for expenditure of these funds. We understand, however, that the purpose of this proposal is to fund studies of the effects of gamma irradiation on California fruits and vegetables.

Gamma irradiation is a process in which agricultural products are passed near a radioactive substance, such as cobalt 60, and exposed to controlled amounts of radiation. The radiation can kill pest and disease organisms. Therefore it can be a substitute for the use of chemical fumigants such as ethylene dybromide (EDB). During the current year, the department will spend \$120,000 from the General Fund for irradiation studies at the University of Hawaii. The primary purpose of the studies is to determine the radiation dosage necessary to kill pests such as Medfly larvae in various fruits. The 1982-83 studies would seek to determine whether fruits and vegetables can be exposed to pest-killing doses of radiation without reducing the quality or the storage life of the agricultural produce.

Our analysis indicates that these radiation studies could prove valuable to the state. As a result of these studies, radiation processing may be found to be a relatively safe and economical substitute for chemical fumigation. The department, however, should present a specific proposal for spending this money before this request is approved.

Our analysis also indicates that the Fuel Allocation Revenue Account is not an appropriate funding source for the irradiation studies. Chapter 803, Statutes of 1980 established the Fuel Allocation Revenue Account to fund emergency fuel allocation activities by the Energy Commission. Chapter 803 also transferred \$390,000 to the Fuel Allocation Revenue Account from the Energy Resources Conservation and Development Special Account (the electricity surcharge) for this purpose. In our analysis of the Energy Commission's budget, we recommend reversion of the \$390,000 to the commission's Special Account because statutory authority for a fuel allocation program has expired. Food irradiation studies are clearly unrelated to any fuel allocation activities. Consequently, the proposed studies should be financed from the same source as the current year work was—the General Fund.

In sum, we recommend that the \$150,000 (1) not be appropriated until the department has submitted an expenditure plan, and (2) be provided

from the General Fund, instead of the Fuel Allocation Revenue Account.

Medfly Eradication

We withhold recommendation on \$3,636,000 in Item 8570-001-001 and \$3,474,000 in Item 8570-101-001 (a total of \$7,110,000 from the General Fund) for Medfly eradication and detection work pending a determination of how much money will be required for Medfly-related work in 1982-83.

Overview. The Medfly eradication project is a joint effort by the Department of Food and Agriculture and the U.S. Department of Agriculture (USDA) to eradicate the Medfly infestation in California. The current infestation was first discovered in June 1980 at two separate sites—the Northridge area of the San Fernando Valley of Los Angeles County and around the cities of San Jose and Santa Clara in Santa Clara County.

The Northridge infestation was successfully eradicated using sterile Medflies. This technique involves the release of large numbers of flies which have been sterilized by radiation. The sterile flies mate with the wild flies, but no offspring result. If the number of sterile flies is large enough, the wild flies are effectively prevented from reproducing and the wild population is eradicated. In California the sterile fly technique has been supplemented by stripping the fruit in which Medflies lay their eggs and the ground application of pesticides on infested properties. In addition, large numbers of Medfly traps are placed throughout the infested area in order to determine the extent and intensity of the infestation.

The department was not successful in eradicating the Santa Clara infestation, despite a massive fruit stripping and ground spraying operation involving more than 2,000 state employees during the period January through May 1981. In July 1981, the department began the aerial application of malathion (mixed with a bait) from helicopters over the infested area. Initially, the aerial application covered about 200 square miles, but as additional infestation sites were discovered, the treatment zone was greatly expanded. Two new infestations were also discovered during the summer of 1981—an orchard in Stanislaus County and the Baldwin Hills area of Los Angeles County. Both of these areas were also subjected to aerial application of malathion. During the peak activity, the eradication project employed more than 4,000 people.

Under a protocol established with the USDA, an infested area must be sprayed until two Medfly life cycles have elapsed after the last Medfly has been found. The length of the Medfly life cycle depends on temperature, and the colder weather in northern California necessitates a longer spraying program.

The protocol spraying requirement has been met in much of the originally infested area, so that the total area being treated with malathion has been reduced from a maximum of more than 1,200 square miles to less than 200 square miles at the present time. The number of state employees working on the project has now decreased to less than 400. If no more Medflies are found, the department expects to end spraying in Los Angeles by February. Spraying in northern California will, however, continue into the spring.

In addition to the eradication activities within the infested area, the department and the county agricultural commissioners have implemented a statewide Medfly trapping program. The department and the commissioners monitor approximately 66,000 Medfly traps outside of the infested areas in addition to the 34,000 traps located within the infested

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

areas. The traps are checked weekly during most of the year and bi-weekly during the winter.

Based on the results of the trapping program, the aerial application of malathion appears to have reduced the Medfly population. It will not be possible to determine whether actual eradication has been achieved until late spring or early summer. During cold weather, Medflies are essentially dormant and are difficult to detect.

Medfly Eradication Costs. Table 3 shows the state funds that have been appropriated thus far for Medfly eradication. The total amount is \$82,493,000, of which \$66,596,000 is from the General Fund, \$14,897,000 is from the Energy and Resources Fund and \$1,000,000 is from the Agriculture Fund (the department's emergency pest eradication reserve for 1980-81).

Expenditures to date are less than the total amount appropriated. Table 4 shows the approximate amount of state Medfly eradication costs through December 1981. These costs total about \$61.7 million, leaving approximately \$13.7 million of appropriated funds available for the current year after the department and other state agencies have been reimbursed for Medfly costs through December 1981.

A portion of the state's expenses will be offset by federal payments. The federal government has agreed to share in the cost of aerial pesticide applications, Medfly trapping and quarantine activities on an equal basis with the state. The federal government is also providing staff, equipment and other support directly to the eradication project. These direct federal expenditures are credited against the federal share of the project's cost in calculating the amount of the federal payment to the state. Direct federal costs are not included in Table 4. A payment to the state of up to \$5.1 million has been authorized by USDA for costs incurred during July, August and September 1981. Payments are made after the department submits expense claims and these claims are audited. An initial payment of \$2.3 million has been approved.

Table 3
State Medfly Appropriations *
(in thousands)

<i>Appropriation</i>	<i>Fund</i>	<i>Amount</i>
1980-81		
1. Agriculture emergency fund for 1980-81, continuous appropriation of unclaimed gasoline tax refunds	Agriculture	\$1,000
2. Ch 1146/80, initial emergency appropriation	General	1,000
3. Ch 14/81, Medfly deficiency	Energy and Resources	13,263
4. Ch 27/81, statewide Medfly trapping through June 1981	Energy and Resources	1,134
5. Ch 44/81, state contribution for new federal sterile fly facility in Hawaii	Energy and Resources	500
6. Ch 98/81, general deficiency bill includes \$1.5 million for Caltrans Medfly costs during April, May, and June 1981 (these costs were not included in Ch 14)	General	1,500
Total, 1980-81 Appropriations		\$18,398
1981-82		
1. 1981 Budget Act		
(a) Item 857-001-001, Department of Food and Agriculture emergency eradication and detection activities	General	\$3,511
(b) Item 857-101-001, subventions to counties for state-		

wide trapping program	General	3,474
2. Ch 938/81, Medfly deficiency	General	50,000
Total 1981-82 Appropriations (to date)		\$56,985
1982-83 (proposed)		
1. 1982 Budget Bill		
(a) Item 8570-001-001, Department of Food and Agriculture eradication and detection activities	General	\$3,636
(b) Item 8570-101-001, subventions to counties for state-wide trapping program	General	\$3,474
Total, 1982-83 Appropriations (proposed)		\$7,110
Total Medfly Appropriations		\$82,493

^a All appropriations are to the Department of Food and Agriculture unless otherwise noted.

^b Includes \$12,786,305 appropriated to the Department of Finance for allocation to the Departments of Food and Agriculture, Transportation, and Forestry, and to the National Guard, and the California Conservation Corps plus \$477,000 appropriated to the Controller for local government costs.

^c Includes adjustment for salary increase.

Table 4
State Medfly Eradication Costs
(in thousands)

<i>Fund</i>	<i>Energy and Resources Fund</i>	<i>Agri- culture Fund</i>	<i>General Total</i>	
1980-81^a				
Department of Food and Agriculture	\$7,861	\$1,000	\$1,000	\$9,861
Other departments	6,059	—	1,300	7,359
Allocated to local governments	168	—	—	168
Total 1980-81 costs	\$14,088	\$1,000	\$2,300	\$17,388
1981-82^b (through December 1981)				
Department of Food and Agriculture	—	—	\$34,400	\$34,400
Other departments	—	—	9,900	9,900
Total 1981-82 costs through December 1981	—	—	\$44,300	\$44,300
Total cost through December 1981	\$14,088	\$1,000	\$45,300	\$61,688

^a Costs for 1980-81 are based on audited claims with the exception of \$1.3 million claimed by Caltrans for costs incurred during April, May and June of 1981, which has not been audited.

^b Only \$13,092,000 of the costs claimed for 1981-82 have been audited. In addition, the 1981-82 claims do not include some obligations which have not yet been recorded at department headquarters in Sacramento.

^c Of the \$45,300,000 cost, \$6,985,000 is covered by funds in the Department of Food and Agriculture's 1981-82 budget appropriation, and \$13,092,000 has been allocated to the Department of Food and Agriculture from the \$50,000,000 Medfly deficiency appropriation in Ch 938/81. The remaining cost of \$25,223,000 has been covered from departmental support budgets pending the approval of claims by the Department of Finance and allocation of these funds from the \$36,908,000 unexpended balance of Ch 938.

If no more Medflies are found, and if the state receives federal payments on a timely basis, there may not be a need for additional state appropriations for Medfly eradication in 1981-82. Widespread Medfly finds this spring, however, could increase costs substantially beyond the amount now appropriated.

1982-83 Funding. The budget requests \$7,110,000 from the General Fund for Medfly eradication and detection costs in 1982-83. Of this amount, \$3,474,000 would be for county subventions to pay the costs of Medfly trapping. These amounts are the same (excluding price increases

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

for the department's share) as the amounts received by the department in the current year.

Even if no additional flies are found, some funds will be required in 1982-83 for Medfly-related work, especially detection. It is unlikely, however, that the department will need exactly the same amount for Medfly work in 1982-83 as was budgeted in 1981-82. The need may be substantially greater or less, depending on the success of the eradication effort. It will not be possible to determine accurately the amount of money required in 1982-83 until late in the spring, when any remaining Medflies begin to emerge.

Damage Claims. The state also faces the prospect of paying damages for liability claims related to Medfly eradication activities. According to the Board of Control, 7,250 property damage claims (primarily for automobile paint damage) totaling \$10.5 million and 44 personal injury claims totaling \$15.5 million were filed with the board in 1981. The budget does not include any money to pay these claims or to pay for the costs to the Board of Control and the Department of Justice to process these claims or defend the state in court.

Because of the uncertainties surrounding the future needs of the Medfly eradication effort, we withhold recommendation on this request, pending receipt of more complete information.

Pest Prevention

We defer recommendation on a total of \$17,626,000 from the General Fund and \$8,132,000 from "other reimbursements," requested for plant pest prevention and detection programs, other than the Medfly program, because (1) the budget request does not reflect the department's current intentions and (2) many important questions remain unanswered about the proposed expansion of pest detection and prevention activities.

The budget requests \$15,664,000 to expand various plant pest and disease prevention programs. Of this amount, \$7,532,000 is requested from the General Fund and the remaining \$8,132,000 is requested from "other reimbursements". The source of these "other reimbursements" has not yet been identified.

Table 5 identifies each of the individual program elements included in the proposed program, as well as the amount requested within each program element for the base program, for Medfly eradication and detection, and for the new pest prevention program.

According to the department, the additional funds are requested in order to carry out the recommendations of the Governor's Pest Response Task Force. The Governor created this task force in October 1981 "to ensure that critical lessons learned during California's Medfly infestation are not forgotten," and to propose a permanent state pest response action plan "to guarantee prompt control of future emergency pest problems." The task force issued its report in early January 1982.

Budget Does Not Accurately Depict the Department's Proposal. Because the budget was prepared before the task force report was available, it does not accurately reflect the task force recommendations. According to the department, the amount of additional funds requested will remain the same. The number of additional personnel-years, however, will increase from 143.5 to 213, and there will be significant changes in the allocation of funds and personnel to programs. We understand that the

Department of Finance will propose Budget Bill amendments to conform the budget to the task force recommendations.

Proposal Not Based on Scientific Analysis of the Problem. The task force report does not represent a scientific analysis of either the pest problems faced by California or the alternatives for solving them. Although it calls for specific increases in funds and personnel for individual pest detection and prevention programs, these requests do not appear to be based on factual criteria.

For example, the task force recommends that the number of agricultural border inspection stations be increased from 7 to 16 so that all vehicles entering the state on any major highway will be inspected. The task force further recommends that these inspection stations be operated on a 24-hour basis. According to the task force report, these changes would cost an additional \$2.4 million per year in operating expenses plus an additional \$3.1 million in capital outlay to construct several new border stations. (For example, the new Shasta inspection station would be replaced with several stations located closer to the Oregon border.) The report does not include any analysis of (1) whether border stations are an effective means of excluding pests, (2) which pests can be excluded by these stations, (3) which highways would be the most likely routes for the introduction of pests, or (4) how more border inspections stations would affect the internal inspection and detection work of the department.

In revising its budget request, the department should carefully define the threat to California from the introduction of new pests. It should then determine which techniques would be most useful in protecting California from the most significant threats and use this analysis to reevaluate its pest prevention program. The amount of funds and personnel requested to expand state pest prevention activities should be directly linked to the department's analysis of each pest prevention problem.

Funding Source Not Specified. Another problem with the department's budget proposal is that it is based on the availability of \$8,132,000 in "other reimbursements" from as-yet unidentified sources. We will not be able to determine whether the source of these funds is appropriate until that source is identified. More importantly, unless the department can obtain a commitment from the agricultural industry (or someone else) to provide these funds, the budget will provide only half of the funding required for the proposed activities.

Finally, the requested program increase is much larger than the base program and will involve a significant reorganization of the existing program.

Additional Information Needed. We defer recommendation on the department's proposed expansion of pest prevention activities, including each of the base program elements which would be included in the program expansion, pending receipt of additional information on how the requested funds would be spent and justification for each program element.

We recognize that the department will need to continue pest prevention activities in 1982-83. Nevertheless, we are not able to make a recommendation on all of the expenditures in Table 5 at this time, for the reasons given above. The Legislature should be provided with a clear explanation of how the total program will operate including an identification of the proposed increase and the reorganization of these activities.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Table 5**

**Department of Food and Agriculture
Plant Pest and Disease Prevention Program Funds
For Which LAO Recommendation is Pending
1982-83
(in thousands)**

<i>Program Element</i>	<i>Amount Requested in Budget^a</i>			<i>Total</i>
	<i>Base Program</i>	<i>Medfly</i>	<i>New Pest Prevention Program</i>	
A. Exclusion and Detection				
1. County subventions (Item 8570-101-001)				
General Fund	—	\$3,474	\$2,971	\$5,445
Other Reimbursements	—	—	2,970	2,970
Subtotal	\$5,296	\$3,474	\$5,941	\$9,415
2. State operations				
General Fund	\$5,296	\$1,063	\$1,858	\$8,217
Other Reimbursements	—	—	5,162	5,162
Subtotal	\$5,296	\$1,063	\$7,020	\$13,379
B. Control and Eradication	834	—	—	834
C. Emergency and Special Projects	1,914	1,630	303	3,846
D. Laboratory Services	2,051	25	—	2,076
E. Special Items of Expense	—	839	2,400	2,389
F. Medfly administrative expense ^b	—	79	—	79
Total	\$10,094	\$7,110	\$15,664	\$32,868
General Fund	\$10,094	\$7,110	\$7,532	\$24,736
Other Reimbursements	—	—	\$8,132	\$8,132

^a All amounts are from the General Fund unless otherwise indicated and all funds are appropriated (or scheduled) in Item 8570-001-001 except county subventions for exclusion and detection, which are included in Item 8570-101-001.

^b This amount is separately budgeted in the Executive Management and Administrative Services Program.

Funds for Renewable Resource Energy Projects

We recommend that the Department of Food and Agriculture report to the Legislature prior to budget hearings on the amount of unobligated funds in the Renewable Resource Energy Agricultural Account and on the department's plans for using those funds.

Chapter 733, Statutes of 1980 created the Renewable Resource Energy Agricultural Account and transferred \$2 million to it from the Energy and Resources Fund. The 1981 Budget Act appropriated this \$2 million to the Department of Food and Agriculture without regard to fiscal year. Pursuant to Chapter 733, the department is to use these funds to assist agricultural projects which make use of energy conservation, renewable resources and solar energy technologies.

Although the budget indicates that the department will spend all of the \$2 million in the account during the current year, only \$379,000 had been expended by the end of January 1982. The funds spent thus far have been used to provide low interest loans to five projects. The department is considering seven other loan applications totaling \$522,000. If all of these pending applications were approved, the department will still have more than \$1 million of unobligated money in the account at the end of 1981-82.

unless there is increased interest in the program and the department receives additional qualified loan applications during the next few months.

Many, perhaps all, of the projects already funded or now being considered also qualify for other financial incentives from the state and federal governments or the utilities. For example, solar and wind projects qualify for state and federal tax credits. Small hydroelectric projects funded by the program are permitted to sell electricity to utilities at the high "avoided cost" rates established by the Public Utilities Commission. Because of the low level of interest in this program thus far and because a variety of other incentives are available for most of these projects, the Legislature may wish to use unexpended funds in the account for other purposes. So that the Legislature may have an adequate basis for deciding how these funds should be used, we recommend that the department report prior to budget hearings on the level of unexpended funds in this account and its plans for using these funds.

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL
OUTLAY AND REVERSION**

Items 8570-301 and 8570-495
from the General Fund, Special
Account for Capital Out-
lay

Budget p. GG 138

Requested 1982-83	\$822,000
Recommended approval	222,000
Recommended reduction	600,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer to the General Fund. Recommend that total recommended reductions of \$600,000 be transferred from the Special Account for Capital Outlay to the General Fund to increase the Legislature's flexibility in meeting high-priority needs statewide. 1712
2. Rebudgeting of frozen capital outlay funds. Recommend that prior to budget hearings, the Department of Finance identify any additional funds needed for a project which was frozen in the current year and is proposed for rebudgeting in 1982-83. 1712
3. *Border Stations—Preliminary Plans and Working Drawings. Reduce Item 8570-301-036(b) by \$600,000.* Recommend that proposed funds be deleted because information justifying the project has not been provided. 1713

ANALYSIS AND RECOMMENDATIONS

The budget requests \$822,000 from the Special Account for Capital Outlay in the General Fund for two major capital outlay projects for the Department of Food and Agriculture. Specifically, the department's proposal includes the rebudgeting of construction funds for the Truckee Inspection Station (\$222,000) and funds for preliminary plans and working drawings to recondition and expand various border agriculture inspection

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY AND REVERSION—Continued

stations (\$600,000).

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 8570-301-036—\$600,000—be transferred from the Special Account for Capital Outlay to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend a reduction amounting to \$600,000 in the Department of Food and Agriculture's capital outlay proposal. Approval of this reduction, which is discussed below, would leave an unappropriated balance of tidelands oil revenues in the Special Account for Capital Outlay, where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

Rebudgeting of 1981–82 Capital Outlay Funds Frozen by Executive Order

We recommend that prior to legislative hearings on the budget, the Department of Finance indicate the amount of additional funds needed to allow a project frozen in the current year to proceed.

The budget proposes rebudgeting of project funds which were approved by the Legislature in the 1981 Budget Act. Executive Order B-87-81 instructed the State Public Works Board to defer allocation of certain capital outlay funds, resulting in a freeze on capital outlay. The Governor's Budget proposes reversion of the frozen funds under Item 8570-495 and rebudgeting of the same amount for 1982–83. The budget, however, does not any include additional funds to account for any inflationary cost increase associated with the delay resulting from the freeze. Consequently, we recommend that prior to legislative hearings on the budget, the Department of Finance verify that the requested amount is adequate to allow the rebudgeted project to proceed.

Truckee Inspection Station—Phase II

We recommend approval of Item 8570-301-036(a), Truckee Inspection Station, phase II.

The budget proposes \$222,000 under Item 8570-301-036(a) for phase II construction at the Truckee Agricultural Inspection Station. The work consists of the reconditioning/expansion of the agricultural station to provide for safe operation, expanded capacity to facilitate traffic flow, and continuance of the pest exclusion program.

Funds for this project were appropriated in the 1981 Budget Act but are proposed for reversion under Item 8570-495. This request would restore the funds and allow the project to proceed in 1982–83.

Given the Legislature's previous action we recommend approval of the project.

Border Stations—Preliminary Plans and Working Drawings

We recommend that Item 8570-301-036(b), for preliminary plans and working drawings for border inspection stations, be deleted because information justifying the project has not been provided.

The budget proposes \$600,000 under Item 8570-301-036(b) for the preparation of preliminary plans and working drawings to expand the border inspection program. The department indicates that a total of \$3.1 million will be needed for work at the Dorris, Hornbrook, Long Valley, Blythe, Needles, and Winterhaven stations. No other information in support of the request has been provided by the department.

Because we have no basis on which to evaluate this project, we recommend that the proposed funds be deleted.

We note that part of the proposed funds would be used for work at the Dorris and Hornbrook stations. In 1973-74 and 1974-75, the department received funds to construct a new agricultural border station on Interstate 5 near Mt. Shasta. This facility replaced the stations at Dorris and Hornbrook. The Mt. Shasta station is still operating, and we have received no justification for reopening a station in either the Dorris or Hornbrook area. In addition, the department received funds in 1981-82 to recondition the Long Valley Inspection Station. It is not clear why the department proposes additional work at this location.

Reversion of Appropriation in the 1981 Budget Act

We recommend approval of Item 8570-495.

Item 8570-495 proposes the reversion of \$222,000 which was appropriated by the 1981 Budget Act for construction of the Truckee Inspection Station, phase II. This amount has been rebudgeted under Item 8570-301-036. Thus, reversion of the 1981 Budget Act amount does not cancel the project, and we recommend approval of the proposed reversion.

Projects by Descriptive Category

In the A-pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories.

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 1 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY AND RE-
VERSION—Continued**

Table 1

**Department of Food and Agriculture
Major Projects by Descriptive Category
Item 8570-301-036**

<i>Category</i>	<i>Item No./Project Title</i>	<i>Analyst's Proposal</i>
1. None		
2. None		
3. None		
4. None		
5. (a) Truckee Inspection Station—phase II		\$222,000
6. None		
7. None		
Total—Department of Food and Agriculture		\$222,000

POLITICAL REFORM ACTItem 8640 from the General
Fund

Budget p. GG 140

Requested 1982-83	\$1,865,000
Estimated 1981-82	1,735,000
Actual 1980-81	1,653,000
Requested increase (excluding amount for salary increases) \$130,000 (+7.5 percent)	
Total recommended reduction	None
Recommendation pending	\$1,097,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Franchise Tax Board/Workload. Withhold recommendation, pending board determination of future staffing requirements for Political Reform Act responsibilities. 1716

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.

budget item.

The funds appropriated by this item are transferred by the State Controller to the items supporting the agencies responsible for the various functions mandated by the act.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,865,000 from the General Fund to carry out the provisions of the Political Reform Act in 1982-83. This is \$130,000, or 7.5 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 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.

Table 1
Support for Political Reform Act of 1974
(in thousands)

		<i>Actual</i>	<i>Estimated</i>	<i>Percent</i>	<i>Proposed</i>	<i>Percent</i>
		<i>1980-81</i>	<i>1981-82</i>	<i>Change</i>	<i>1982-83</i>	<i>Change</i>
				<i>1980-81 to</i>	<i>1981-82 to</i>	<i>1982-83</i>
				<i>1981-82</i>	<i>1982-83</i>	<i>1982-83</i>
Secretary of State	Filing of documents	\$455	\$536	17.8%	\$540	0.7%
Secretary of State	Reimbursements	-14	-8	-42.9	-10	25.0
Franchise Tax Board	Auditing state- ments	979	967	-1.2	1,097	13.4
Attorney General	Enforcement	233	240	3.0	238	-0.8
(a) Fair Political Practices Commission (through Budget Act)	Administration of act	—	—	—	—	—
Subtotals		\$1,653	\$1,735	5.0%	\$1,865	7.5%
(b) Fair Political Practices Commission (through Section 83122 Government Code)		1,724	1,858	7.8	1,900	2.3
Totals, Political Reform Act ..		\$3,377	\$3,593	6.4%	\$3,765	4.8%

Secretary of State

Responsibilities assigned to the Secretary of State by the Political Reform Act of 1974 include receiving campaign expenditure statements and the registering 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 \$540,000 in the budget year, which is composed of a budget appropriation of \$530,000 and \$10,000 in reimbursements. This represents an increase of 0.7 percent above anticipated current-year costs of \$536,000.

In accordance with directions issued by the Department of Finance, the

POLITICAL REFORM ACT—Continued

Secretary of State's budget request reflects a 5 percent baseline reduction. This reduction is achieved by decreases of \$3,000 in data processing services and \$25,000 in operating expenses, for a total reduction of \$28,000.

Budget-Year Workload for Franchise Tax Board (FTB)

We withhold recommendation on the FTB portion of this item, pending review of new information related to the board's workload.

The Political Reform Act (PRA) 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 FTB's auditing responsibilities are performed by a bureau within the board's compliance division.

FTB proposes budget-year expenditures for its PRA function of \$1,097,000, an increase of \$130,000, or 13.4 percent, over estimated current-year expenditures. Staffing for FTB is proposed at 28.3 personnel-years in 1982-83, an increase of 3.0 personnel-years over the current year.

In accordance with directions issued by the Department of Finance, the Franchise Tax Board's budget request reflects a 5 percent baseline reduction of \$62,000.

For 1981-82, FTB was authorized \$1,192,000 and 33.0 personnel-years to perform Political Reform Act audits. The board, however, will not spend the full amount. It has been able to realize substantial savings in 1981-82, for two reasons:

First, the staffing level FTB requires to perform its statutory audit role has continued to decline. As recently as 1978-79, the board used 70.4 personnel-years on PRA audits, whereas the proposed level for the budget year is only 28.3 personnel-years. This reduction in required staff has allowed FTB to close its downtown Sacramento office, where the PRA bureau was located, and move the operation back to its central office (located near Rancho Cordova). The combination of the secular decline in workload and the facilities relocation has resulted in a 1981-82 reduction of 4.7 personnel-years and a General Fund savings of \$125,000. The 1982-83 budget proposes to make these reductions permanent.

Second, the board's direct audit requirements for the current year have also been less than originally estimated. For the most part, FTB's actual PRA workload level is determined by the number of audits selected through a random sampling procedure. For 1981-82, the number of audits selected was less than expected, which allowed FTB to reduce its current-year staffing by 3.0 personnel-years.

It is possible that the board may be able to make some or all of this added current-year reduction permanent. FTB is reevaluating its future staffing requirements, based on more recent information on current-year production rates. For these reasons, we withhold recommendation on the board's PRA budget request until we can evaluate this new information.

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, and is reimbursed through the act for these services. Current-year expenditures to provide

required services are estimated at \$240,000, and \$238,000 is requested for the budget year, a decrease of 0.8 percent.

In accordance with directions issued by the Department of Finance, the Attorney General's budget request reflects a 5 percent baseline reduction. This reduction has been achieved through decreases of \$12,000 in personal services and \$1,000 in operating expenses, for a total reduction of \$13,000.

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 1982-83 is \$1,900,000. The Governor's Budget does not provide any funds above the statutory minimum.

PUBLIC UTILITIES COMMISSION

Item 8660 from the General
Fund and various special
funds

Budget p. GG 141

Requested 1982-83	\$37,393,000
Estimated 1981-82	36,438,000
Actual 1980-81	33,080,000
Requested increase (excluding amount for salary increases) \$955,000 (+2.6 percent)	
Total recommended reduction	\$400,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8660-001-001—Public Utilities Commission, Primary	General		\$23,953,000
8660-001-412—Transportation Regulation	Transportation Rate		12,934,000
8660-001-042—Railroad Grade Crossing Safety	State Highway Account, State Transportation		285,000
8660-001-189—Energy Load Management for Agricultural Purposes	Energy Account, Energy and Resources		221,000
Total			\$37,393,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Consulting Services. Reduce Item 8660-001-001 by \$400,000.* Recommend elimination of funds for consulting services on energy topics because the projects are undefined, unnecessary, or duplicative of work being performed by the California Energy Commission. 1723

PUBLIC UTILITIES COMMISSION—Continued

2. Deregulation of Trucking. Recommend commission report on the progress of its highway carrier deregulation program and the effect of the program on its workload. 1725
3. Rapid Transit Safety. Recommend legislation be enacted to allow full reimbursement of the costs of the commission's rapid transit safety branch. 1727
4. Transportation Energy Efficiency Plan. Recommend legislation to amend existing law which requires the commission to administer a Transportation Energy Efficiency Plan. 1728

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 companies and pipeline corporations.

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 five member 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 has 1,010 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes four appropriations totaling \$37,393,000 from various state funds for support of the Public Utilities Commission in 1982-83. This is an increase of \$955,000, or 2.6 percent, over estimated current year expenditures from these funds. In addition, the budget proposes expenditures of \$280,000 from the Federal Trust Fund and \$2,646,000 from reimbursements. Proposed expenditures from all sources of funds total \$40,319,000, which is \$647,000, or 1.6 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 proposed budget is \$23,953,000, which is a 45.6 percent increase above the 1981-82 level. Other resources come from the Energy Account of the Energy and Resources Fund, the Transportation Rate Fund, the State Highway Account of the State Transportation Fund, and the Federal Trust Fund, as detailed in Table 1.

The increase in the commission's General Fund appropriation and the loss of support from the Energy Resources Conservation and Development Special Account (ERCDSA) appears to indicate a shift away from user fee financing, because ERCDSA revenues are derived from a surcharge imposed upon electricity billings. The reverse, however, is true.

Table 1
Public Utilities Commission
Budget Summary

	(in thousands)			Change	
	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Amount	Percent
Regulation of Utilities:					
Rates.....	\$12,554	\$12,435	\$13,032	\$597	4.8%
Service and Facilities.....	3,303	4,532	4,527	-5	-
Certification.....	2,776	2,917	2,963	46	1.6
Safety.....	1,156	1,661	1,688	27	1.6
Subtotals.....	\$19,789	\$21,545	\$22,210	\$665	3.1%
Regulation of Transportation:					
Rates.....	\$8,409	\$9,264	\$9,458	\$194	2.1%
Service and Facilities.....	604	947	966	19	2.0
Licensing.....	4,975	5,464	5,471	7	0.1
Safety.....	2,053	2,452	2,214	-240	-9.8
Subtotals.....	\$16,041	\$18,127	\$18,109	-18	-0.1%
Administration:					
Utilities.....	(\$3,934)	(\$5,518)	(\$5,632)	114	2.1
Transportation.....	(3,042)	(3,032)	(3,236)	204	6.7
Subtotals.....	(\$6,976)	(\$8,550)	(\$8,868)	\$318	3.7%
Totals.....	\$35,830	\$39,672	\$40,319	\$647	1.6%
General Fund.....	\$18,607	\$16,450	\$23,953	\$7,503	45.6%
<i>State Energy Resources Conservation and Development Special Account.....</i>	<i>2,689</i>	<i>7,365</i>	<i>—</i>	<i>-7,365</i>	<i>-100.0</i>
<i>State Highway Account, State Transportation Fund.....</i>	<i>—</i>	<i>—</i>	<i>285</i>	<i>285</i>	<i>N/A</i>
<i>Energy Account, Energy and Resources Fund.....</i>	<i>—</i>	<i>—</i>	<i>221</i>	<i>221</i>	<i>N/A</i>
<i>Transportation Rate Fund.....</i>	<i>11,784</i>	<i>12,623</i>	<i>12,934</i>	<i>311</i>	<i>2.5</i>
<i>Federal Trust Fund.....</i>	<i>693</i>	<i>518</i>	<i>280</i>	<i>-238</i>	<i>-45.9</i>
<i>Reimbursements.....</i>	<i>2,057</i>	<i>2,716</i>	<i>2,646</i>	<i>-70</i>	<i>-2.6</i>
<i>Personnel-years.....</i>	<i>867.2</i>	<i>983.3</i>	<i>953.2</i>	<i>-30.1</i>	<i>-3.1</i>

The budget proposes a shift to a completely fee supported program. This plan, which requires legislation in order to be implemented, is described on page 1721.

Table 1 also shows appropriations from two new sources in 1982-83. The budget proposes shifting the staff which reviews railroad grade crossing safety from General Fund to State Highway Account support. It also proposes to support the agricultural load management program, which will lose its federal support during the current year, from the Energy Account of the Energy and Resources Fund. Our analysis indicates that the safety and conservation outputs of these programs justify their continuance, and that the proposed funding sources are appropriate.

Cost, Workload and Program Changes Proposed for 1982-83

The budget proposes certain cost, workload, and program changes in 1982-83 in addition to the changes in funding described above. The budget restores \$442,000 for special reductions in the current year and adds \$608,000 for cost increases. The first of two major workload changes proposed

PUBLIC UTILITIES COMMISSION—Continued

for 1982-83 involves the addition of four administrative positions and a change in cost allocation methods. This action will increase the amount of overhead costs allocated to programs supported from the TRF and decrease overhead cost allocated to General Fund programs. Review of the commission's overhead cost allocation methods during the current year revealed that the TRF was not paying its share of these costs. The second major workload change is a reduction of \$100,000 in the PUC's highway carrier regulation program.

Proposed changes in PUC programs include the addition of (1) two positions to evaluate zero interest financing programs, (2) four positions to respond to federal actions regarding deregulation of certain communications services and the divestiture of intrastate operations by AT&T, and (3) \$350,000 for consulting services on energy issues. Zero interest financing programs are zero interest loans, provided by the utilities under PUC orders, to customers who install insulation, weatherstripping, or other conservation measures. The commission also proposes to allow ten limited term positions for the transportation energy efficiency plan to lapse, for a savings of \$346,000 to the TRF.

Five Percent Reduction

The requisite 5 percent reduction in General Fund expenditures applies to activities which are currently supported from the General Fund, but not to those activities which the administration proposes to shift from ERCDSA to General Fund support. The total reduction of \$853,000 consists of \$186,000 for rapid transit safety, \$43,000 for radio telephone utilities, \$155,000 for sightseeing carriers, \$80,000 for gas service safety, \$104,000 for various utility division activities, and \$285,000 for railroad grade crossing safety. Activities associated with railroad grade crossing safety will be funded from the State Highway Account, State Transportation Fund rather than the General Fund. The commission proposes to continue some oversight of the radio-telephone and sightseeing carrier utilities, particularly in the area of carrier insurance coverage. Therefore it is not proposing any legislation to eliminate its regulatory responsibilities in connection with the reductions in these two areas. It is, however, proposing budget language which would exempt the PUC from its statutory responsibility to oversee rapid transit district safety.

The commission plans to eliminate two positions which monitor the utilities' gas meter testing, gas delivery pressures, and other gas service and safety measures. The utilities division will also lose four statistical engineering positions. It will rely on the PUC's increased data processing capabilities to replace their output.

Table 2 shows the amount, by funding source, of each of these proposed changes.

REGULATION OF UTILITIES

The Public Utilities Commission regulates the rates, services, and safety of gas, electric, communications, and water and sewer companies. It must approve the construction of new facilities by these utilities, and the issuance of new stocks, bonds, or other financial instruments.

New Funding Mechanism Proposed for Regulation of Utilities

Under current law the cost to the PUC of regulating truckers and certain other transportation related industries is funded from the Transporta-

Table 2
Public Utilities Commission
Proposed Program Changes By Fund

	<i>General Fund</i>	<i>SERCDSA</i>	<i>Transportation Rate Fund</i>	<i>Energy & Resources Fund</i>	<i>Federal Funds</i>	<i>St. Trans. Fund St. Hwy. Acct.</i>	<i>Reimbursement</i>	<i>Total</i>
1981-82 Current Year Revised	\$16,450	\$7,365	\$12,623	—	\$518	—	\$2,716	\$39,672
1. Restore Current Year Reductions								
Travel	107	—	—	—	—	—	—	107
Unspecified 2 percent reduction in personnel services	335	—	—	—	—	—	—	335
2. Cost Changes:								
Personal Services	76	29	39	—	—	—	—	144
Operating Expenses	162	71	231	—	—	—	—	464
3. Workload Changes:								
Administration	-332	—	451	—	—	—	—	119
Data Processing	34	—	36	—	—	—	—	70
Office of Administrative Law	-2	—	—	—	—	—	—	-2
Deregulation of Trucking	—	—	-100	—	—	—	—	-100
Reimbursable Activities	—	—	—	—	—	—	-10	-10
4. Program Changes:								
Agricultural Load Mgmt.	—	—	—	145	-110	—	—	35
Zero Interest Financing Prog.	—	—	—	76	—	—	—	76
Regulatory Review Sect.	195	—	—	—	—	—	—	195
Consulting and Prof. Svcs.	350	—	—	—	—	—	—	350
PURPA	—	—	—	—	-75	—	—	-75
Transportation Energy Efficiency	—	—	-346	—	—	—	—	-346
Rapid Transit Safety Standards	—	—	—	—	—	—	-60	-60
Cogeneration	—	—	—	—	-53	—	—	-53
5. Five Percent Reduction								
Transit Districts Safety	-\$220 ^a	—	—	—	—	—	—	-\$220
Radio-Telephone Utilities	-43	—	—	—	—	—	—	-43
Sightseeing Carriers	-155	—	—	—	—	—	—	-155
Gas Service Standards	-80	—	—	—	—	—	—	-80
Railroad Grade Crossing Safety	285	—	—	—	—	285	—	—
Utility	-104	—	—	—	—	—	—	-104
6. Funding Changes	7,465	-7,465	—	—	—	—	—	—
1982-83 Proposed	\$23,953	—	\$12,934	\$221	\$280	\$285	\$2,646	\$40,319

^a Of the \$220,000 reduction in the rapid transit safety program, \$186,000 is part of the 5 percent reduction and \$34,000 is an additional reduction to eliminate remaining resources for the program.

tion Rate Fund (TRF). The regulated carriers pay application fees and a percentage of their gross revenues into the fund each year. Conservation-related aspects of electric rate regulation are funded from the Energy Resources Conservation and Development Special Account of the General Fund. This account secures its revenues from a surcharge imposed on electricity bills. The General Fund supports regulation of gas, water, communication, and passenger transportation companies. Reimbursements, federal funds, and small appropriations from various funds support activities such as environmental impact studies.

The companion budget implementation bills (AB 2361 and SB 1326) provide for increased fees to offset fully the General Fund support of the commission. Under the proposed funding arrangement, a General Fund appropriation would support all utility and passenger transportation regulation, while the TRF would continue to support the same activities it does

PUBLIC UTILITIES COMMISSION—Continued

now. The regulated utility and passenger transportation companies, however, would be assessed a fee in proportion to the amount of PUC workload attributed to them. Commission costs would be allotted to each industry (electric, gas, water, sewer, communications, and passenger transportation) on the basis of the staff time or other workload required to regulate it. The costs would then be allocated to each regulated company in the industry on the basis of the value of its property devoted to public use. The utilities would be allowed to recover fee expenses from ratepayers.

The PUC would set the fees at a level that would produce revenues equal to its budget plus a prudent reserve. It would deposit the revenues in the General Fund, thereby offsetting its General Fund appropriation.

The commission estimates that the cost of financing the commission's 1982-83 General Fund support would be distributed among the utilities and those transportation companies which do not contribute to the TRF as follows:

Electrical.....	\$6,943,000
Gas and steam heat	5,275,000
Water and sewer.....	3,210,000
Communications	3,830,000
Transportation	4,695,000
Total.....	\$23,953,000

This does not include any fees which would be charged to fund the reserve allowance.

We have previously recommended legislation to establish a fee schedule for all utilities regulation by the commission. Such a schedule would promote the fee-for-service concept because only ratepayers whose interests are protected by the PUC would support the commission. Taxpayers who are served by municipal or public utility districts that are *not* subject to PUC regulation would no longer be required to support the commission through the General Fund. We also note that most other states' utility commissions are supported by assessments on the regulated industries.

Because the budget proposal would link more closely the costs and benefits of utility regulation, we recommend that it be approved.

Commission Increases Oversight of Certain Facilities Construction

During the current year, the construction of a generating plant at Helms Creek by a contractor working for the Pacific Gas and Electric Company (PG&E) created a great deal of controversy because of a fatal accident and major cost overruns.

In response to this controversy, the PUC staff prepared a report on PG&E management of the project and concluded that it was deficient in several respects. This led the commission to issue an Order Instituting Investigation (OII) on the project, which gives the commission broad powers of review. Information gathered pursuant to the OII may later be presented by staff when the Helms Creek station is placed in operation and the utility applies to have construction costs included in the rate base. (The profit allowed to a utility when the commission sets rates is calculated by multiplying its rate base, which includes the value of its generating and transmitting facilities, by the allowed rate of return.)

In a broader context, the PUC appears to be modifying its regulation of new construction projects such as Helms Creek. In prior years, the staff

generally gave little attention to a construction project between (1) initial approval of the utility cost estimate and timetable (approval of new facilities is granted on the basis of need for the additional energy and the proposed plan being the least cost alternative), and (2) review of the completed project when the utility requested to include it in the rate base. In two recent decisions approving new transmission lines, however, the commission instructed the staff to monitor the project before and *during* construction. Staff will compare actual bids with estimated costs, and monitor cost and construction timetable progress with original estimates at specified "milestones." If the staff concludes that the information justifies a reevaluation of the project, it will notify the commissioners. The PUC has not requested any additional resources to conduct the reviews.

Insufficient Justification for Consulting Funds

We recommend reduction of \$400,000 from the General Fund (Item 8660-001-001) requested for consultant services because the commission has not provided sufficient justification for the proposed research.

The commission is requesting \$400,000 from the General Fund in 1982-83 for consultant services on energy topics. The contract descriptions have not been developed beyond a brief and very general statement of the problem and a similarly brief suggested output. The PUC's past experience with similar contracts indicates that these proposals would need substantial refinement before the commission determined the information it really needed.

In addition to displaying a general lack of preparatory planning, the contracts are either unnecessary or duplicative. The proposed research topics, and our reasons for questioning the need for them, are as follows:

1. **Spot pricing (\$100,000).** The consultant would investigate computer methods to allow utilities to experiment with "spot" pricing for large industrial customers. Under current time-of-day pricing, these customers are charged a higher price for peak period use of electricity, reflecting the high cost of operating plants which only generate electricity during peak-demand periods. Large customers attempt to schedule production around peak rate periods. Spot pricing would allow a more accurate match of time-of-use and the cost of generating electricity. The commission believes this technique would produce additional but indeterminable cost savings to the utilities, and ultimately to rate-payers.

Reason for recommending deletion. This project would duplicate a California Energy Commission (CEC) contract planned for the current year. The CEC consultant will develop a method to connect automatic load cycling devices in customers' facilities to utility offices in order to regulate demand by means of spot pricing information. The PUC could participate in designing the experiment so that it will provide information in a format that the commission can use in rate-making decisions.

2. **Resource Mix (\$100,000).** The consultant would develop methods to calculate the optimal resource mix for electric utilities. These resources include both conventional facilities and "alternate" or renewable sources such as wind and solarvoltaics. The information would be used to determine, among other things, the price that utilities should pay small power producers for their energy. The commission has ordered that utilities pay these producers the "avoid-

PUBLIC UTILITIES COMMISSION—Continued

ed cost,” or the cost that the utility would have incurred to produce the electricity from other resources.

Reasons for recommending deletion. The resource mix project is duplicative of work being performed by the CEC. The CEC assesses the relative cost effectiveness of various technologies and estimates when “alternate” technologies will become competitive, as it reviews supply plans submitted by regulated utility companies. In addition, the Legislature approved two new PUC positions last year to assess utility resource planning.

3. **Synfuels (\$150,000).** The consultant would train staff to evaluate utility proposals to undertake synfuel projects. (Synfuels are synthetic gas and oil made from coal.) Staff would learn how to compare synfuel projects with development of other potential “alternate” resources.

Reason for recommending deletion. The synfuels project is not adequately justified. The Legislature authorized \$50,000 for this project in the 1980–81 budget, but the contract was not awarded and the funds were spent on other research. The commission has submitted, word for word, the same justification for this contract as it did two years ago. The justification says the information from the project would be useful to the PUC in its review of a pending application by Southern California Edison Co. We understand that this application was approved in December 1981.

4. **Unspecified (\$50,000).** The commission cannot provide information on how the remaining \$50,000 scheduled for consultant services will be used.

In sum, our analysis indicates that none of the proposed projects are justified. We recommend deletion of all funds requested for energy consultants.

REGULATION OF TRANSPORTATION

The Public Utilities Commission regulates the rates, service, and safety of intrastate, privately owned highway carriers (for-hire truckers) and passenger carriers (primarily buses). It also administers state and federal regulations regarding railroad safety, and transmits to the Department of Transportation annual recommendations concerning railroad grade crossings, or intersections with streets, which should receive state funds for safety improvements. Finally, the commission has statutory authority to regulate the safety of certain rapid transit districts.

The regulated highway carriers pay fees into the Transportation Rate Fund to support that portion of the commission’s workload which involves them; the passenger, rail, and rapid transit workload is supported primarily from a General Fund appropriation and federal funds. The sources of support for this program in the past, current, and budget years, as shown in the budget.

The transportation program is undergoing several changes. Over the past three years, the program has been given new responsibilities regarding energy efficient trucking operations and commuter rail service. The PUC is also in the process of deregulating certain aspects of the trucking industry, a procedure it initiated. Finally, due to constraints on General Fund resources, the commission is examining (1) the necessity of its Gen-

Table 3
Regulation of Transportation
Funding Sources
(in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
General Fund	\$3,974	\$5,245	\$4,695	-\$550	-10.5%
State Highway Account, State Transportation Fund	—	—	285	285	100.0
Transportation Rate Fund	11,784	12,623	12,934	311	2.5
Reimbursements	224	157	93	-64	-40.8
Federal Trust Fund	59	102	102	—	—
Totals	\$16,041	\$18,127	\$18,109	-\$18	-0.1%

eral Fund-supported activities and (2) whether other appropriate sources of support for these activities exist.

The commission is preparing an analysis of its changing role in the regulation of various modes of transportation. It is also examining the personnel and funding requirements of this new role. The commission expects the analysis to be completed by the time the fiscal committees hold hearings on the PUC's proposed budget. We will be prepared to comment at the hearing on the report, and on any budget amendments proposed by the administration pursuant to the results of the commission's analysis. We are, however, presenting the results of our own analysis of the commission's transportation program here.

Deregulation of Trucking Has Not Delivered Administrative Cost Reductions on Time

We recommend that the commission report prior to the budget hearings on (1) the progress of its program to convert from state-set trucking rates to market-set rates, and (2) whether the workload reduction that it originally projected would result from this program will in fact occur.

Three years ago the PUC began a program to reclassify certain highway carriers and convert from a system of commission-set transportation rates to market-set rates. Carriers previously operated under a schedule, or tariff, of minimum rates issued by the commission. The tariff was revised periodically to take account of cost changes. While a carrier could charge a rate which differed from the minimum if he established before the commission that it was nondiscriminatory and justified by his costs, most carriers in fact charged the minimum rates.

The commission established a "final minimum tariff" for the general freight shipments in May, 1980. Under this tariff, a carrier need only justify rates *below* the minimum level. The commission anticipates that as costs rise over time, all carriers will be forced to charge rates above the minimum, and that in fact market forces will determine the configuration of rates. The commission plans to extend the final minimum rate tariff concept to other categories of freight.

The Department of Finance stated in its analysis of the enrolled bill which allowed the commission to set a final tariff that, by eliminating the need to revise the tariff periodically, enactment of the bill would reduce the PUC's workload significantly. It estimated that the savings to the commission would be \$400,000 in 1981-82, \$800,000 in 1982-83, and \$1.2 to \$1.3 million in 1983-84 and future years.

In its 1981-82 budget, the PUC did not propose any reduction in expend-

PUBLIC UTILITIES COMMISSION—Continued

itures for carrier regulation. During last year's budget hearings, however, the Legislature reduced the budget by \$300,000 in recognition of the \$400,000 in savings projected by the Department of Finance. In addition, the Legislature limited the positions supported by the remaining \$100,000 to June 30, 1982. The commission stipulated at that time that the 1982-83 budget would reflect the full \$800,000 in savings.

Although the 1982-83 budget shows the loss of the limited term positions, it does not propose any additional reductions in expenditures.

We understand that the PUC has been forced to hold more proceedings on carrier-proposed rate changes than it had anticipated holding under the final minimum rate tariff. The commission also has been delayed in issuing final tariffs for other classes of freight. We recommend that the commission report prior to the budget hearings on the progress of the deregulation program, and whether the workload reduction that was promised will in fact occur.

No Funding For Rapid Transit Safety Program

The Public Utilities Code requires the PUC to regulate safety equipment and procedures of certain rapid transit systems. Under current law, the PUC exercises this authority over the Bay Area Rapid Transit District (BARTD), the Santa Clara County Transit District, the Southern California Rapid Transit District, and every public transit guideway planned, acquired, or constructed after January 1, 1979. The last category includes the San Diego Metropolitan Transit Development Board and the planned Sacramento transit system.

The commission is authorized a budget of \$220,000 from the General Fund and a staff of five positions, including a computer control systems engineer, an electrical engineer, and a transportation engineer, for this program.

As part of its efforts to achieve the reduction in General Fund expenditures ordered by the administration during the current year the commission is devoting only 0.7 personnel years to the program. A provision included in the Budget Bill would exempt it from this regulatory responsibility altogether in the budget year.

When the Rapid Transit Safety unit was fully staffed, the positions participated in both the ongoing review of BARTD operating safety and in the design of safety aspects of the other future systems as they went through the planning and development stages. The commission analyzed (1) proposed purchases and modifications of equipment for flammability, strength, and other factors, (2) operating procedures, such as running BARTD trains a given distance apart, and (3) emergency equipment training and procedures. The PUC has the authority to order a rapid transit district to make changes in any of these areas. In the past, the commission has held hearings on BARTD safety, and has issued orders which required changes in equipment and operating procedures.

The rapid transit system section started as a two-person unit in 1957 to monitor BARTD planning and operations. It grew primarily in response to BARTD accidents in 1975, the transbay tube fire in 1979, and the addition of two positions reimbursed by the San Diego district and BARTD. Reimbursements have ceased, and the positions have been eliminated.

Rapid transit system safety is subject to review by both internal and federal groups, as well as by the PUC. Districts have, or will have, staff who are assigned to design, monitor, and audit safety equipment and proce-

dures. In addition, the Urban Mass Transit Administration is authorized to withhold federal transit system subsidies if it believes a system is unsafe. It is also participating in the planning of new state systems.

Reimbursements Should Support Rapid Transit Safety Program

We recommend deletion of the Budget Bill provision which exempts the Public Utilities Commission from the regulation of rapid transit district safety, which the commission currently is required to do by statute. We also recommend that the companion budget implementation bills (AB 2361 and SB 1326) be amended to require that certain rapid transit districts reimburse the commission for the costs of this program, and that the program be funded from \$220,000 in reimbursements beginning in the budget year.

The budget proposes that the Legislature exempt the commission from carrying out its statutory responsibility to regulate rapid transit safety in the budget year. Our *Analysis of the 1981 Budget Bill* included a review of this program, pursuant to a request by the Legislature. Based on that review, we concluded that continuation of the program was justified. Our analysis indicated that, although the safety sections of the transit districts and the National Transportation Safety Board have some authority over safety equipment and operations, the PUC oversight is desirable because:

- When transit districts face budget constraints, staff budgets may be reduced more than line operating budgets. The safety engineering positions may be perceived as less important than operating positions, especially if administrators think that the budget problem is temporary. The same attitude may prevail toward safety equipment and training.
- When the safety section recommends changes that will result in substantial costs or loss of operating revenue, such as replacement of flammable material or reducing allowable passenger loads, it may be overruled by a management concerned with maintaining the level of farebox revenue required (1) to receive federal subsidies, or (2) by its local operating authority.
- While the new districts do ask other systems for advice in safety engineering, equipment, and procedures, the PUC has the broadest overview of various systems within the state.

The history of BARTD operations indicates that there is a place for the PUC in reviewing proposed operating changes, such as running trains closer together, and in determining after accidents or reportable "incidents" any necessary changes in equipment or operations. While other states currently do not monitor rapid transit safety at the state level, the National Transportation Safety Board (NTSB) recently recommended that the New York Legislature and the Governor designate an independent agency to regulate the safety of the New York City Transit Authority (NYCTA). The NTSB was reviewing NYCTA safety after a series of accidents in the system.

If the Legislature wants to continue the five currently authorized positions in the Rapid Transit Safety Branch, it has the following funding alternatives:

1. **General Fund.** Augment the General Fund appropriation by \$220,000.
2. **Transportation Planning and Development Account (TPD), State Transportation Fund.** Replace General Fund support with an ap-

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appropriation from the TPD account. TPD funds support mass transit, including guideway systems such as BARTD, through local assistance to regional transit authorities.

3. **Reimbursements.** Enact legislation requiring those districts which are not already required to do so to reimburse the PUC for the cost of monitoring the system's safety equipment and operations. Authorize the commission's rapid transit safety branch positions and increase reimbursement spending authority to fund them.

We recommend adoption of the third alternative. The first alternative would increase General Fund expenditures when these funds are needed to meet other pressing demands. An appropriation from the TPD account would be an appropriate application of TPD funds, but would benefit areas with rapid transit at the expense of regions of the state which use buses or other nonguideway systems for mass transit. This would occur because an increase in the TPD funds used for state operations would reduce the amount of funds distributed to *all* districts to support local transit operations.

Direct reimbursement by the districts being reviewed would avoid the inequity of charging nonregulated districts a portion of these costs. Moreover, the Legislature has established a policy of reimbursement funding for this program already. Current law requires BARTD to reimburse the PUC for any position needed to regulate its safety activities, but not funded by a Budget Act appropriation. We recommend that the Legislature extend this requirement (and amend AB 2361 and SB 1326) to all other districts under PUC jurisdiction, and that the currently authorized positions be filled and funded by reimbursements in the budget year.

Commission Proposes to Delete Transportation Energy Efficiency Program

We recommend that legislation be enacted to amend existing law which requires the Public Utilities Commission to adopt and administer a Transportation Energy Efficiency Plan.

Chapter 1195, Statutes of 1979, required the PUC to adopt and administer a Transportation Energy Efficiency Plan (TEEP) for highway carriers, or regulated truckers. The PUC has 10 limited term positions assigned to this program, which are funded from the Transportation Rate Fund.

Last year the Legislature requested the commission to prepare a report on the energy savings achieved under the plan, and the costs of administering it. The PUC was to submit to the Joint Legislative Budget Committee a description of its criteria for developing this report by December 1, 1981. The completed report is due on April 1, 1982.

At the time this analysis was prepared, we had not received the criteria. The reason for this is that *the PUC has not initiated any energy conservation projects pursuant to the plan.* In fact, the budget proposes that the 10 positions, which are limited to June 30, 1982, not be reestablished and that no funds be appropriated for the TEEP in the budget year.

Commission staff have reported to us informally that they reviewed the potential costs and benefits of several energy conservation projects. The projects, and the reasons they were not implemented, are as follows:

- **Dissemination of information about fuel-saving devices and procedures.** Staff concluded that sufficient information is already distributed by federal and industry groups.
- **Energy Efficiency Standards.** Staff concluded that there is such vari-

ation of equipment, loads and geography among regulated carriers and routes that accurate standards would be impracticable to develop and apply.

- **Program to help carriers finance fuel saving devices.** Staff concluded that most carriers for whom the devices would be cost effective have already installed them. In addition, to provide financial assistance only to the remaining carriers would be discriminatory.
- **Energy audits and a program to teach fuel efficient driving techniques.** Staff concluded that if these programs could reduce fuel usage, carriers should be willing to pay for them in the private sector.

The TEEP staff did conclude that an amendment of the current statute that prohibits pooling of shipments by competing carriers would reduce fuel consumption. Under current law, carriers cannot agree to combine partial shipments in one truckload. Pooling less than full load shipments to small communities could result in more efficient service. The commission plans to sponsor legislation which would allow pooling under certain conditions.

Our analysis indicates that the marketplace provides sufficient incentives and information to produce the fuel savings that the Legislature intended to accomplish through the TEEP. We recommend that in place of the current statute which requires *formal* consideration of the TEEP in each PUC decision, the Legislature substitute language encouraging the PUC to promote energy conservation in its regulatory work.

Budget Does Not Reflect New Commuter Railroad Workload

Chapter 1183, Statutes of 1981, directs the PUC to assist the Department of Transportation in certain aspects of its commuter rail program. Specifically, the legislation requires the PUC to:

- Develop passenger rail service criteria and costing standards for commuter service by December 1, 1982;
- Assist the department in preparing reports on commuter rail facilities and service needs, and on the results of its commuter rail program;
- Hold hearings on operating efficiencies requested by the department of a railroad corporation under contract to provide commuter service, if the railroad refuses to change its procedures;
- Determine whether improvements to tracks and facilities are necessary if the department and a contracting railroad cannot agree on the need for improvements; and
- Respond, independently or with the department, to a request by a local planning or transportation agency for additional commuter rail service.

The Legislature authorized funds from the Transportation and Development Account of the State Highway Fund to be appropriated to the commission to enable the PUC to carry out these responsibilities. The budget does not propose any expenditures for this purpose, although we understand that the commission is estimating its potential commuter rail workload as part of its overall review of the transportation program.

STATE BAR OF CALIFORNIA

Item 8680 from the General
Fund

Budget p. GG 152

Requested 1982-83	\$24,000
Estimated 1981-82.....	24,000
Actual 1980-81	22,000
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. Beginning in 1983, two of the public members will be appointed by the Legislature.

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 \$24,000 to reimburse the State Bar for the public members' per diems, which totaled \$22,000 in 1980-81. Our analysis indicates that the amount budgeted is reasonable.

BOARD OF CONTROLItem 8710 from the General
Fund

Budget p. GG 152

Requested 1982-83	\$665,000
Estimated 1981-82.....	886,000
Actual 1980-81	1,465,000
Requested decrease (excluding amount for salary increases) \$221,000 (-24.9 percent)	
Total recommended reduction	\$148,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Fund Shift for Administrative Costs. Reduce Item 8710-001-001 by \$148,000 (General Fund), and increase reimbursements by \$148,000.* Recommend fund shift to insure that special funds which support two of the board's programs also finance related administrative costs. 1733

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 programs: (1) Administration, (2) Victims of Crime, (3) Government Claims, (4) Local Mandated Costs, and (5) Hazardous Substance Claims. For the purpose of hearing local mandated cost claims, the board is augmented with two members representing local agencies.

Another program, the Merit Award Board, as well as part of the Board of Control's administrative duties, were transferred to the Department of Personnel Administration by the Governor's Reorganization Plan No. 1 of 1980.

The board has 99.3 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total expenditure program of \$2,921,000 for the Board of Control in 1982-83. This is \$51,000, or 1.8 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 1982-83 request consists of a \$665,000 General Fund appropriation, and reimbursements of \$2,256,000, which primarily finance the costs of the Victims of Crime program. The General Fund appropriation is \$221,000, or 24.9 percent, less than estimated current-year expenditures. The decrease primarily reflects the transfer of the Merit Award Board and various administrative duties to the Department of Personnel Administration, resulting in a reduction of six positions and \$169,000. In addition, the board's operating expenses and equipment will decrease in 1982-83, reflecting the purchase of word processing equipment in the current year.

Reimbursement funding will increase by \$272,000, or 13.7 percent, over current year amounts. This increase includes \$89,000 for support of the

BOARD OF CONTROL—Continued

board's new Hazardous Substance Claims program, which was established by Ch 756/81. In addition, the board proposes price and staffing increases for the Victims of Crime program. Direct support for this program is included in the budget for the Indemnification of Private Citizens program and reflected as reimbursements in the board's budget (for additional information, see our analysis of Item 8720).

Table 1 illustrates the board's proposed funding and expenditures for the past, current, and budget year.

Table 1
Board of Control
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i> <i>from 1981-82 to</i> <i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Funding</i>					
1. General Fund.....	\$1,465	\$886	\$665	-\$221	-24.9%
2. Reimbursements	1,671	1,984	2,256	272	13.7
Totals.....	\$3,136	\$2,870	\$2,921	\$51	1.8%
<i>Programs</i>					
1. Administration.....	(\$218) ^a	(\$327)	(\$185)	-(-\$142)	-43.4%
Personnel-years.....	4.4	4.3	3.8	-0.5	-11.6
2. Merit Award Board	131	—	—	—	—
Personnel-years.....	3.9	—	—	—	—
3. Victims of Crime.....	1,755	2,165	2,235	70	3.2
Personnel-years.....	57.4	74.5	75.5	1	1.3
4. Government Claims.....	1,105	476	380	-96	-20.2
Personnel-years.....	11	14	13	-1	-7.1
5. Local Mandated Costs	143	229	211	-18	-7.9
Personnel-years.....	6.9	6.5	6.5	—	—
6. Hazardous Substance Claims	—	—	95	95	—
Personnel-years.....	—	—	3	3	—
Totals.....	\$3,136	\$2,870	\$2,921	\$51	1.8%
Personnel-years.....	83.6	99.3	101.8	2.5	2.5%

^a Generally, amounts in parentheses are distributed to other programs and are so shown to avoid double counting. However, of the \$218,000 expended by the administration program in 1980-81, only \$216,000 is distributed to other programs.

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 au-

thority 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.

Legislation enacted in 1981, Chapter 100 (AB 777), provides that costs mandated on school districts by the courts, federal government, and voter-approved initiatives are also reimbursable through the Board of Control process.

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.

Fund Shift for Administrative Costs

We recommend a General Fund reduction of \$148,000 (Item 8710-001-001), and a corresponding \$148,000 increase in reimbursements, to ensure that special funds which support two of the board's programs also finance related administrative costs.

Due to the implementation of the California Fiscal Information System (CFIS), the budget now identifies the amount of the board's administrative costs that can be attributed to the operation of each of its programs.

BOARD OF CONTROL—Continued

For 1982-83, the board requests a total of \$185,000 from the General Fund to cover the costs of overall board administration, including salaries of the Executive Secretary, an administrative assistant, and clerical staff, as well as related operating expenses. The budget indicates that of this amount, \$142,000 can be attributed to the Victims of Crime program, \$24,000 to the Government Claims program, \$13,000 to the Local Mandated Cost program, and \$6,000 to the Hazardous Substance Claims program.

While the costs of overall board administration are financed from the General Fund, the direct costs of two of the board's programs are supported by special funds. First, the staff and expenses of the Victims of Crime program are supported by reimbursements from Item 8720-001-214, which is an appropriation from the Indemnity Fund. The appropriation is sufficient to cover the board's direct program costs, and the costs of payments to victims of crimes and citizens who suffer injuries while performing acts benefiting the public. Second, the new Hazardous Substance Claims program is supported by reimbursements from the Hazardous Substance Account, a special account within the General Fund. Item 4260-001-455 appropriates funds from the account to the Department of Health Services, which reimburses the board for staff and operating expenses needed to implement the program.

Our analysis indicates that the administrative costs related to the Victims of Crime and the Hazardous Substance programs should be reimbursed by the special funds which support the direct costs of these programs. This is appropriate for two reasons. First, in the case of other programs supported by the Indemnity Fund, such as the Rape Victim Counseling Center program administered by the Office of Criminal Justice Planning, both direct program costs and overall office administrative costs attributable to the programs are reimbursed from the fund. Second, the legislation which established the Hazardous Substance Account specifically authorized the use of funds in the account to reimburse the board for its administrative costs.

In order to ensure that the special funds which support two of the board's programs also finance related administrative costs, we recommend a \$148,000 reduction in General Fund support and an augmentation of \$148,000 in reimbursements (\$142,000 from the Indemnity Fund and \$6,000 from the Hazardous Substance Account).

INDEMNIFICATION OF PRIVATE CITIZENS

Item 8720 from the Indemnity Fund

Budget p. GG 156

Requested 1982-83	\$13,272,000
Estimated 1981-82.....	14,784,000
Actual 1980-81	8,003,000
Requested decrease (excluding amount for salary increases) \$1,512,000 (-10.2 percent)	
Total recommended increase	\$107,000

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8720-001-214	Support and Claims Payment	Indemnity	\$13,172,000
8720-101-214	Legislative Mandate	Indemnity	100,000
Total			\$13,272,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Fund Shift for Administrative Costs. Increase Item 8720-001-214 by \$142,000 (Indemnity Fund).* Recommend an augmentation to reimburse the Board of Control for its administrative costs related to the Victims of Crime program. 1737
2. *Local Mandated Costs. Reduce Item 8720-101-214 by \$35,000 (Indemnity Fund).* Recommend reduction because proposed amount exceeds the historical costs of the program. 1738

GENERAL PROGRAM STATEMENT

This item provides funding for the Victims of Crime program, which is administered by the Board of Control. The program provides compensation to California residents who sustain serious financial hardship as victims of crimes of violence or are financially dependent upon a victim. It also compensates 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 (a) \$10,000 for lost wages, (b) \$10,000 for medical expenses, (c) \$3,000 for rehabilitation, and (d) \$500 for attorney fees. A maximum award of \$10,000 is available to cover losses incurred by citizens who performed acts benefiting the public.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 1, the budget requests \$13,272,000 from the Indemnity Fund for support of the indemnification program in 1982-83. This amount is \$1,512,000, or 10.2 percent, less than estimated current-year expenditures. The decrease, however, is somewhat misleading because the current-year amount includes \$2.6 million for claims heard by the Board of Control in 1980-81, but not approved or paid in that year because of an Indemnity Fund shortfall. The decrease is partially offset by an increase in the amount requested to pay claims to be approved in the budget year, and by price and staff increases.

The board proposes to extend authorization for 11 analyst and clerical

INDEMNIFICATION OF PRIVATE CITIZENS—Continued

positions which are currently approved on a limited-term basis, in order to address ongoing workload and implement an emergency award program, established by Ch 1370/80, and extended by Ch 1084/81. The board also proposes to establish four new positions to address increased claims workload. Expenditures for Board of Control services, estimated at \$2,093,000, 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
(in thousands)

<i>Funding</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change 1981-82 to 1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
1. General Fund	\$2,491	—	—	—	—
2. Indemnity Fund	5,512	\$14,784	\$13,272	—\$1,512	—10.2%
Totals	\$8,003	\$14,784	\$13,272	—\$1,512	—10.2%
<i>Program</i>					
1. Claims—victims of crimes	\$6,353	\$12,769	\$11,073	—\$1,696	—13.3%
2. Claims—citizens benefiting the public	3	5	6	1	20.0
3. Board of Control services	1,595	1,910	2,093	183	9.6
4. Legislative mandate ^a	52	100	100	—	—
Totals	\$8,003	\$14,784	\$13,272	—\$1,512	—10.2%

^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 the program. 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 Ch 530/80, to streamline the system for distributing such revenues to various state special funds. In the budget year, the direct costs of the Victims of Crime program will be supported from the Indemnity Fund.

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 Indemnification of Private Citizens program until such time as the backlog is reduced to a manageable level.

The board recently submitted its 1981 report which suggests that increases in productivity, a resolution of staffing problems, and various procedural changes led to a reduction in the backlog in 1980-81. However, the magnitude of the decrease in the backlog is difficult to assess because the board has revised its method for determining the amount of claims in the backlog. The board advises that on December 1, 1981, it had a total of 6,153 claims in process. This compares with a total of 6,888 claims in process on December 1, 1980.

Table 2 illustrates the actual workload under the Victims of Crime

program since 1977-78 according to the Board of Control.

Table 2
Historical Workload Data^a
Victims of Crimes Claims

	1977-78	1978-79	1979-80	1980-81	Percent Change from 1979-80 to 1980-81
New claims ^b	6,525	7,028	7,444	8,700	16.9%
Denied	3,380	2,884	3,254	3,682	13.2
Allowed	2,411	1,914	3,158	2,946 ^b	-6.7
Percent of processed claims allowed	41.6%	39.9%	49.25%	44.4% ^b	-9.8
Amount awarded	\$5,025,289	\$4,252,648	\$6,418,857	\$6,462,245 ^b	0.7
Average award	\$2,084	\$2,222	\$2,065	\$2,194	6.2

^a The number of claims allowed and denied do not equal new claims because of processing backlogs.

^b If these figures were adjusted to include approximately 1,000 claims, totaling \$2,620,860, which were heard by the board in 1980-81, but could not be approved or paid because of an Indemnity Fund shortfall, the number of claims allowed in 1980-81 would total about 3,946, the percent of processed claims allowed would be 51.7, and the amount awarded would total \$9,083,105.

Fund Shift for Administrative Costs

We recommend an augmentation of \$142,000 from the Indemnity Fund (Item 8720-001-214) to reimburse the Board of Control for all of its administrative costs related to the Victims of Crime program.

Due to the implementation of the California Fiscal Information System (CFIS), the budget now identifies the amount of Board of Control administrative costs that can be attributed to the operation of each of its programs. For 1982-83, the board requests a total of \$185,000 from the General Fund to cover the costs of overall board administration, including salaries of the Executive Secretary, an administrative assistant, and clerical staff, as well as related operating expenses. The budget indicates that of this amount, \$142,000 can be attributed to the Victims of Crime program.

While the costs of overall board administration are financed from the General Fund, the direct costs of the Victims of Crime program are supported by reimbursements to the Board of Control from Item 8720-001-214, which is an appropriation from the Indemnity Fund. The appropriation is sufficient to cover the board's direct program costs, and the costs of payments to victims of crimes and citizens who suffer injuries while performing acts benefiting the public.

Our analysis indicates that the administrative costs related to the Victims of Crime program should be reimbursed by the same fund that supports the direct costs of the program. For other programs supported by the Indemnity Fund, such as the Rape Victim Counseling Center program administered by the Office of Criminal Justice Planning, both direct program costs and overall office administrative costs attributable to the program are reimbursed from the fund.

In order to ensure that the fund which supports the Victims of Crime program also finances related administrative costs, we recommend an augmentation of \$142,000 from the Indemnity Fund to reimburse the Board of Control for all of its administrative costs. In our analysis of the Board of Control budget (Item 8710), we recommend a corresponding decrease in General Fund support.

INDEMNIFICATION OF PRIVATE CITIZENS—Continued**Local Mandated Costs Overbudgeted**

We recommend an Indemnity Fund reduction of \$35,000 (Item 8720-101-214) because the amount budgeted to reimburse local governments for mandated costs exceeds the historical costs of the program.

The budget proposes an appropriation of \$100,000 from the Indemnity Fund to reimburse local governments for costs which they incur as a result of Ch 1123/77. This law requires probation officers to include two determinations regarding possible probation conditions in their reports on violent offenders: First, could the person pay a fine without causing his dependents to rely on public welfare. Second, should the court require the defendant to pay restitution to the victim or to the Indemnity Fund. The officer is required to recommend the amount of any payment and the manner of its assessment in both instances.

Our review of the payments made to local governments pursuant to these laws reveals that the actual costs of the programs have been far less than the \$100,000 budgeted for 1982-83. The State Controller's staff indicates that actual costs were \$28,000 in 1978-79, and \$55,000 in 1979-80. The Controller indicates that claims filed by local governments for their estimated costs during 1980-81 total \$52,000. Based on historical experience it is unlikely that the costs of these local mandated programs will exceed \$65,000 in 1982-83. On this basis, we recommend that Item 8720-101-214 be reduced by \$35,000.

COMMISSION ON STATE FINANCE

Item 8730 from the General
Fund

Budget p. GG 158

Requested 1982-83	\$513,000
Estimated 1981-82.....	511,000
Actual 1980-81	270,000
Requested increase (excluding amount for salary increases) \$2,000 (+0.4 percent)	
Total recommended reduction	\$53,500

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Budget Request Overstates Needs. Recommend a reduction of \$53,500 to delete funds for a one-time expenditure in the current year that were improperly included in the 1982-83 base budget.*

1739

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).

In addition to fiscal forecasts published in March, May, July, and October of each year, the commission publishes monthly cash-flow reports and special reports.

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.

Authorization for the commission expires on July 1, 1984. It has a staff of eight positions during the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$513,000 from the General Fund for support of the Commission on State Finance in 1982-83. This is an increase of \$2,000, or 0.4 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The commission is budgeted for eight positions in 1982-83, the same number authorized in the current year.

1982-83 Budget Overstates Needs

We recommend the deletion of \$53,500 from the commission's operating expenses and equipment budget to correct for overbudgeting.

In the current year, the commission received \$50,000 for a special study on the Consumer Necessities Index (CNI). Almost \$40,000 of this amount has been spent. The \$50,000 is included in the commission's base budget for 1982-83.

Since the CNI study was a *one-time* expenditure, the funds budgeted for it should not have been included in the commission's 1982-83 base budget. To correct for this overbudgeting, we recommend that the \$50,000, along with a \$3,500 inflation adjustment, be deleted, for a General Fund savings of \$53,500.

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE

Item 8740 from the General
Fund

Budget p. GG 159

Requested 1982-83	\$58,000
Estimated 1981-82.....	58,000
Actual 1980-81	53,000
Requested increase (excluding amount for salary increases)—None	
Total recommended reduction	None

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 has statutory responsibility to recommend specific legislative and executive actions necessary to implement the state's electronic data processing policies. The committee has one and one-half authorized positions in the current year.

CALIFORNIA INFORMATION SYSTEMS IMPLEMENTATION COMMITTEE —Continued

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$58,000 from the General Fund to support the committee's activities in 1982-83, the same amount budgeted in the current year. 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, including clerical support.

COMMISSION OF THE CALIFORNIAS

Item 8760 from the General
Fund

Budget p. GG 160

Requested 1982-83	\$141,000
Estimated 1981-82	139,000
Actual 1980-81	73,000
Requested increase (excluding amount for salary increases) \$2,000 (+1.4 percent)	
Total recommended reduction	\$141,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Redirection of Federal Funds. Reduce Item 8760-001-001 by \$141,000 and replace with \$141,000 in Federal Funds (Add new Item 8760-001-890).* Recommend that federal funds proposed for Southwest Border Regional Commission be redirected to support Commission of the Californias because of duplicative responsibilities and function.

1741

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—plus 1.1 personnel-years of temporary help.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$141,000 from the General Fund for 1982-83. This is \$2,000, or 1.4 percent, over estimated 1981-82 expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year. In the current year, the approved salary and staff benefits resulted in an increase of \$4,000 to the commission's budget.

The changes in the commission's budget are attributable to: (1) the restoration of funds reduced in the current year as a result of the 2 percent reduction in General Fund-supported state operations ordered by the Governor (\$3,000); (2) the 5 percent reduction required of many state agencies by the administration (-\$7,000); (3) a standard price increase of 7 percent (\$4,000); and (4) the costs associated with merging authorized temporary positions into a full-time administrative assistant position.

Table 1 summarizes the budget for the past, current, and budget years.

Table 1
Commission of the Californias
Budget Summary

	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personnel Services.....	\$43,000	\$85,000	\$88,000	\$3,000	3.5%
Operating Expenses	30,000	54,000	53,000	-1,000	-1.8
Total Expenditures	\$73,000	\$139,000	\$141,000	\$2,000	1.4%
Personnel-years.....	1.2	3.1	3	-0.1	

Substitution of General Fund Support

We recommend that \$141,000 of the \$157,000 in federal funds budgeted for the California office of the Southwest Border Regional Commission (Item 0590-001-890) be used to replace the \$141,000 General Fund allocation proposed for the Commission of the Californias in Item 8760-001-001 and that \$141,000 in the General Fund support be deleted from Item 8760-001-001.

In our analysis of the Southwest Border Regional Commission (SWBRC) (Item 0590-001-890), we recommend that funds proposed for support of that office in 1982-83 be redirected to support the Commission of the Californias. That recommendation is based on three considerations: (1) the termination of federal funding for the parent commission of the SWBRC office; (2) the absence of any statutory duties or functions for the office following termination of the parent commission; and (3) the duplicative nature of the office's purpose as expressed by the office in its own publication.

According to SWBRC (California office) Newsletter of December 1981, the purpose of the reorganized office is to continue binational cooperation and coordination of economic, cultural, environmental, and energy programs for the states on both sides of the U.S.-Mexico border. Section 8702 of the Government Code, however, provides that the Commission of the Californias, "shall further and develop favorable economic, educational, and cultural relations with the State of Baja California, the State of Baja California Sur, other states and territories of the Republic of Mexico, and shall cooperate with similar commissions representing the State of Baja California and the State of Baja California Sur." We are unable to differentiate the new responsibilities that the SWBRC staff propose to take on from the existing statutory mandate of the Commission of the Californias.

Our analysis found no restrictions on the federal funds budgeted for SWBRC (Item 0590-001-001) that would prevent their being used to support the Commission of the Californias in 1982-83. As noted above, the statutory responsibilities and activities of the Commission of the Californias are essentially identical to the activities that staff of the California office of the SWBRC propose to undertake. In view of this, we recommend

COMMISSION OF THE CALIFORNIAS—Continued

that \$141,000 of the \$157,000 in federal funds (Item 0590-001-890) be used in lieu of the \$141,000 from the General Fund to support the Commission of the Californias, and that \$141,000 in General Fund support be deleted from Item 8760-001-001.

This action would make \$141,000 in General Fund money and \$16,000 in federal funds available to the Legislature for allocation to meet other high-priority state needs.

We note that the legislative action on this item is contingent on the decision made with respect to the proposed budget for the California office of the SWBRC.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General
Fund

Budget p. GG 161

Requested 1982-83	\$216,000
Estimated 1981-82.....	335,000
Actual 1980-81	196,000
Requested decrease (excluding amount for salary increases) \$119,000 (-35.5 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 necessary expenses, but receive no salary. Of the 13 commissioners, 9 are public members appointed by the Governor and Legislature, 2 are members of the Senate and 2 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 \$216,000 from the General Fund for 1982-83, which is \$119,000, or 35.5 percent, less than estimated expenditures during the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Current year expenditures include \$125,000 added to the 1981-82 budget by the Legislature for additional consultant services. At the time this analysis was prepared, only \$25,000 of these funds has been expended. The 1982-83 budget does not propose to continue this augmentation, thus accounting for the 35.5 percent decrease in expenditures.

MEMBERSHIP FOR COUNCIL OF STATE GOVERNMENTSItem 8800 from the General
Fund

Budget p. GG 162

Requested 1982-83	\$128,000
Estimated 1981-82.....	79,000
Actual 1980-81	79,000
Requested increase \$49,000 (+62 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$128,000 from the General Fund to support the Council of State Governments in 1982-83. This is an increase of \$49,000, or 62.0 percent, over the appropriation for 1981-82.

The council, founded in 1933, is a national association established to strengthen the role of the states in the federal system and to promote cooperation among the states. About 20 percent of its operating budget is derived by imposing a \$25,000 assessment on each member state. The other 80 percent of the council's budget is derived from an assessment based on each state's population (\$6.80 per 1,000 residents in 1982-83). Thus, the larger states are assessed a greater amount for the support of the council than are smaller states. Fifty percent of the state's payment is returned to the council's western office in San Francisco for western state legislative and executive branch services.

In recent years, the council has assessed California for a larger share of its operating costs than the state was willing to pay. For example, California's 1981-82 assessment was \$160,300, of which the state paid \$79,000, or 49 percent. For 1982-83, the state will be assessed \$178,300, but the Governor's Budget requests \$128,000 (72 percent of the assessment).

We have no analytical basis for determining what percentage of the council's operating budget should be paid by California.

COMMISSION ON THE STATUS OF WOMENItem 8820 from the General
Fund

Budget p. GG 163

Requested 1982-83	\$420,000
Estimated 1981-82.....	416,000
Actual 1980-81	383,000
Requested increase (excluding amount for salary increases) \$4,000 (+1.0 percent)	
Total recommended reduction	\$20,600

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Staff Benefits and Operating Expenses. Reduce Item 8820-001-001 by \$6,600.* Recommend deletion of funds to correct for overbudgeting of staff benefits and operating expenses.

1745

COMMISSION ON THE STATUS OF WOMEN—Continued

2. *Increased Efficiency—California Women Newsletter.* 1745
Reduce Item 8820-001-001 by \$14,000. Recommend that the commission reduce the number of newsletter issues from 10 to 8 annually and purge the newsletter mailing list.
3. Newsletter—Recommend adoption of supplemental report 1745
language directing commission to report on feasibility of a self-financed newsletter.
4. Legislative Liaison—Recommend the redirection of 0.5 per- 1746
sonnel years to work in the commission's information center to serve as a clearinghouse for work done by local Commis-
sions on the Status of Women.

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women is a 17-member body whose activities include the following: (1) examination of all bills in the Legislature which affect women's rights or interests, (2) maintenance of an information center on the current needs of women, (3) consultations with organizations working to assist women, and (4) studying women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society. The commission has 10 authorized staff positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$420,000 from the General Fund for support of the commission in 1982-83. This is an increase of \$4,000, or 1 percent, over estimated current 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 increase provides only for baseline and workload adjustments. In addition, the budget reflects: (1) the reduction of one staff services analyst, and (2) the conversion of one full-time temporary help position to an office assistant II. Table 1 presents the budget expenditures by program.

Table 1
Commission on the Status of Women
Budget Summary by Program
(dollars in thousands)

<i>Programs</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Research and Information Service	\$151	\$158	\$7	4.6%
Legislative Liaison	147	155	8	5.4
Administration	118	107	-11	-9.3
Totals	\$416	\$420	\$4	1.0%
Personnel-years	10	9	-1	-10.0%

Changes in Authorized Positions—Staff Benefits and Operating Expenses

We recommend a deletion of \$6,600 to correct for overbudgeted staff benefits and operating expenses.

In response to the 5 percent budget reduction mandated by the Governor, the commission reduced its total staff by one authorized staff services analyst, for a savings of \$22,000. The commission, however, did not reduce accompanying staff benefits and operating expenses to reflect the deletion of this position. We therefore recommend a \$6,600 reduction in Item 8820 for staff benefits and operating expenses relative to one staff services analyst.

California Women Newsletter

We recommend a deletion of \$14,000 in printing and postage resulting from increased efficiency by reducing from 10 to 8 the number of newsletter issues per year and by purging the mailing list.

For the past two years, the commission has overestimated its ability to produce its publication, *California Women*, on a regular and timely basis. It originally proposed to produce 12 issues in 1980–81 and 1981–82. The commission, however, produced only 11 editions in 1980–81 and is estimating that 10 issues will be produced in 1981–82. Furthermore, in 1980–81 the commission distributed the final three editions (June 1981; Spring Part I, 1981; Spring Part II, 1981) within a single month. It is requesting funds to produce 10 issues for the budget year. Given the difficulties experienced by the commission in issuing its newsletter on a timely basis, we recommend that the number of issues be reduced from 10 to 8. Our analysis suggests that this would not reduce the commission's ability to communicate with its client groups through the newsletter. While the argument has been raised that monthly newsletters are necessary to provide timely announcements of ongoing events, our review of the last six issues does not indicate that the timeliness of announcements would be adversely affected by the production of 8 rather than 10 or 12 issues.

The commission estimates that the mailing list for *California Women* grows by approximately 150 per month, and is expected reach 19,500 by 1982–83. The mailing list has not been purged for at least three years. A review of other agencies which produce similar newsletters indicates that, on the average, purging a mailing list immediately reduces the number of recipients by one-half. The list subsequently builds to its previous high level after 12 months.

To avoid unnecessarily incurring the expense of sending newsletters to persons who may no longer be interested in receiving them, we recommend that the commission purge its mailing list.

If the number of issues is reduced and the mailing list is purged, as we recommend, it will result in a General Fund savings of \$14,000 in printing and postage costs during 1982–83. Accordingly, we recommend a reduction in Item 8820 by that amount.

Newsletter Subscription and Advertising

We recommend the adoption of supplemental report language directing the commission to report to the Chairman of the Joint Legislative Budget Committee by October 1, 1982, on the feasibility of selling advertising space and/or charging a subscription fee for the newsletter as a means of recouping full or partial costs of printing and postage.

The commission estimates that *California Women* will be distributed to

COMMISSION ON THE STATUS OF WOMEN—Continued

over 19,500 persons by 1982–83, most of whom have requested inclusion on the mailing list. The total printing and mailing cost per newsletter is approximately \$3,310. In view of the apparent interest in this publication, the commission should be able to institute a subscription fee or sell advertising space so as to offset all or part of the increasing General Fund costs for printing and distributing the newsletter. We note that other state publications are already made available through the state's Documents Section at a subscription or per-issue price, while at least one other state publication sells advertising space.

Should the commission be able to make the newsletter self-supporting, it would result in a General Fund savings of \$40,000 in 1983–84, assuming our recommendations to reduce the number of issues and purge the mailing list are approved.

Legislative Liaison Position

We recommend that 0.5 personnel-years of the 2.6 personnel-years included in the legislative liaison program, and associated operating expenses be redirected to the commission's information center to serve as a clearinghouse for work done by local commissions.

One of the primary tasks of the legislative liaison program is to produce a monthly summary of pending legislation. This can now be partially accomplished using the "Billtrack" capability of the California Fiscal Information System (CFIS) in the Department of Finance. The commission can thus reduce positions in the legislative liaison program by 0.5 personnel-years.

There presently are 36 *local* Commissions on the Status of Women in California, with budgeted support ranging up to \$100,000. While many of the local Commissions on the Status of Women effectively serve local populations in a variety of ways, there is little coordination among those commissions. Knowledge is shared by local commissions primarily at statewide meetings, which occur three to four times per year, and only by those commissions which have representatives in attendance. At the present time, no other formal structure exists for the communication of knowledge and ideas among the local commissions. Our analysis indicates centralized coordination would enhance the overall effectiveness of the state commission and the local commissions. This coordination would also avoid duplication of effort by local groups where the work of one commission could serve a greater population. For example, a rape crisis handbook developed by the Los Angeles commission would be quickly accessible throughout the state, possibly saving other commissions time and money.

We therefore recommend that 0.5 personnel-years, redirected from the legislative liaison staff, be used for information sharing among the local commissions. The state commission should report on the activities of this position in its 1983 annual report.

DEPARTMENT OF FINANCE

Item 8860 from the General
Fund

Budget p. GG 165

Requested 1982-83	\$23,116,000
Estimated 1981-82	22,787,000
Actual 1980-81	19,207,000
Requested increase (excluding amount for salary increases) \$329,000 (+1.4 percent)	
Total recommended reduction	\$291,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. **Consolidated Data Center—Reduce Item 8860-001-001 by \$192,000.** Recommend reduction in Teale Data Center services to eliminate overbudgeted price increases. 1749
2. **Facilities Operations—Reduce Item 8860-001-001 by \$99,000.** Recommend facilities operations (Buildings and Grounds Services) be reduced to correct for double-budgeting. 1749
3. **Washington, D.C., Office.** Recommend Department of Finance submit a report prior to budget hearing showing all staffing and funding for office. 1750
4. **CFIS Budget.** Recommend appropriation for support of CFIS be included as a separate item (8870-011-001) in the Budget Bill to maintain legislative oversight of expenditures. 1753
5. **CALSTARS Implementation.** Recommend adoption of Budget Bill control language limiting availability of \$361,000 to the establishment of San Francisco distributed processing center. 1754
6. **State Office of Information Technology (SOIT).** Recommend Department of Finance advise fiscal committees, prior to budget hearings, as to SOIT's ability to comply with new responsibilities regarding control of office automation. 1758
7. **Evaluation of State Agencies' EDP Capabilities.** Recommend adoption of supplemental report language requiring SOIT to develop and publish its procedures for evaluating the technical and managerial abilities of agencies seeking SOIT authorization for computer installations. 1759

GENERAL PROGRAM STATEMENT

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

The department currently has 368 authorized positions.

DEPARTMENT OF FINANCE—Continued

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$23,116,000 from the General Fund to support the Department of Finance and the development of the California Fiscal Information System (CFIS) during 1982–83. This is an increase of \$329,000, or 1.4 percent, over the department's estimated General Fund expenditures (including CFIS support costs) for the current year. This amount will increase by the amount of any salary or staff benefit increase approved in 1982–83. (In the current year, the approved salary and staff benefits increases added approximately \$826,000 to the department's budget.)

The department also anticipates receiving \$519,000 in reimbursements, resulting in proposed expenditures totaling \$23,635,000 in the budget year.

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

Table 1
Department of Finance
Budget Summary
(dollars in thousands)

<i>Programs</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Projected 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Annual Financial Plan	\$5,824	\$6,268	\$6,429	\$161	2.6%
Program and Information System Assessments	4,206	4,160	4,226	66	1.6
Supportive Data	10,283	12,986	12,980	-6	-0.1
Administration	(2,010)	(2,264)	(2,337)	(73)	(3.2)
Totals	\$20,313	\$23,414	\$23,635	\$221	0.9%
General Fund	19,207	22,787	23,116	329	1.4%
Reimbursements	1,106	627	519	-108	-17.2
Personnel-years	344	368.3	366.2	-2.1	-0.6

Budget Changes

For 1982–83, the budget proposes a net increase of \$329,000 in General Fund support. Workload changes include (1) new operations and maintenance duties associated with implementation of the standard accounting system (CALSTARS), which will be assumed by DOF personnel from the private consultant (\$404,000); (2) the transfer to the Auditor General, pursuant to Ch 1168/81, of DOF's semiannual responsibility to count the money in the State Treasury (–\$13,000); and (3) the implementation of CALSTARS by DOF's accounting section (\$6,000).

Merit salary adjustments and price increases account for \$851,000 in DOF budget changes. Other changes include the restoration of three one-time budget reductions imposed in the current year: (1) a 25 percent reduction in travel (\$110,000), (2) the 2 percent reduction required of most General Fund-supported agencies by the administration (\$463,000), and (3) a further self imposed reduction (\$129,000).

To achieve a 5 percent budget-year reduction of \$1.2 million in state operations costs as required by the Governor's directive, the department has increased its salary savings by \$93,000 and reduced funding for the implementation of CALSTARS by \$1,124,000. The effect of this latter action is to delay the planned conversion of 35 departments and institutions to CALSTARS, thereby extending beyond 1984–85 the date by which all

departments will be operational on CALSTARS.

These proposed changes are summarized in Table 2.

Table 2
Department of Finance
Proposed Budget Changes 1982-83
(dollars in thousands)

	<i>General Fund Adjustments</i>	<i>Totals</i>
<i>1981-82 Current Year Revised</i>		<i>\$22,787</i>
1. Workload Changes		
Additional CALSTARS operations staff	(404 ^a)	
Transfer of accounting duties to Auditor General (Ch 1168/81)	-\$13	
CALSTARS implementation (internal)	6	
2. Cost Changes		
Merit salary adjustment	42	
Price increase	809	
3. Special Adjustments		
Restore travel reduction	110	
Restore 2 percent reduction	463	
Restore one-time midyear savings	129	
4. 5 percent budgetary reduction	-1,217	
Total changes for 1982-83	\$329	\$329
Total Budget		\$23,116

^a The funds to support the additional CALSTARS positions are redirected from funds previously allocated for the services of the private consultant (Peat, Marwick, Mitchell & Co.).

Unnecessary Price Increase for Teale Data Center Services

We recommend the reduction of \$192,000 from the General Fund (8860-001-001) to eliminate overbudgeted price increases for Teale Data Center services.

The budget proposes an expenditure of \$5,687,000 for Consolidated Data Center services in 1982-83. Of this amount, \$192,000 represents a 7 percent price increase for Teale Data Center (TDC) services.

Budget Letter No. 4, which was issued by the Department of Finance, to guide all state agencies in the preparation of their 1982-83 budgets, states that departments should budget 1982-83 costs for TDC at the current-year levels. According to the letter, no price increase for TDC services is to be assumed in the budget year.

On this basis, we recommend the deletion of \$192,000 from Item 8860-001-001 to eliminate the overbudgeted funds for price increases for Teale Data Center services.

Facilities Operations Overbudgeted

We recommend a reduction of \$99,000 from the General Fund (Item 8760-001-001) for facilities operations to correct for double-budgeting.

The budget for facilities operations includes \$606,000 for rent of space in 1982-83. It also includes \$99,000 for "Not Otherwise Classified—Buildings and Grounds Services." The department reports that the \$99,000 is for maintenance services provided for its office space.

Our discussions with Department of General Services' staff indicate that these maintenance services are included in the square footage rental rate

DEPARTMENT OF FINANCE—Continued

paid by departments (including the Department of Finance) for state-owned office space. This is noted in the 1982-83 Price Book prepared by the Department of General Services, which states that a portion of the standard rental rate covers the cost of building maintenance and operation, including janitorial services, grounds maintenance, utilities, elevator services, and window cleaning.

On this basis, we recommend a reduction of \$99,000 in facilities operations (Item 8860-001-001).

Need Report on Washington, D.C., Office

We recommend that the Department of Finance submit a report to the fiscal committees prior to budget hearings that identifies, on a consolidated basis, total staffing and support for the Governor's office in Washington, D.C. We further recommend that supplemental report language be adopted directing the department to display this information in future Governor's Budgets.

The budget proposes \$263,200 from the General Fund for support of the Governor's Washington, D.C., office for 1982-83. This is \$9,806, or 3.8 percent, greater than estimated current-year expenditures for support of the office. Table 3 displays the Washington, D.C., office expenditures for the past, current, and budget years, based on information provided by the Department of Finance.

Table 3
Washington D.C. Office Expenditures
Department of Finance

	<i>Estimated^a Expenditures 1980-81</i>	<i>Estimated Expenditures 1981-82</i>	<i>Proposed Expenditures 1982-83</i>
State Operations budget			
Salaries and Wages.....	\$91,860	\$102,119	\$104,168
Staff Benefits	22,873	25,347	26,979
Total Personal Services	\$114,733	\$128,466	\$131,147
Operating Expenses and Equipment			
General Expense.....	\$7,865	\$8,714	\$8,416
Contract Services	42,074	49,398	52,856
Out-of-State Travel.....	10,850	10,033	10,735
Rent	20,657	27,401	29,316
Total OE&E.....	\$81,446	\$95,546	\$101,323
Related Expenditures—			
Sacramento.....	\$29,382	\$29,383	\$30,730
Total Expenditures.....	\$225,561	\$253,394	\$263,200
Funding			
General Fund	\$125,454	\$123,704	\$124,955
Reimbursements			
Energy Commission.....	-\$66,131	-\$93,336	-\$99,345
Health and Welfare Agency	-16,988	-18,177	-19,450
Resources Agency	-16,988	-18,177	-19,450
Personnel-years	2.80	3.75	3.75

^a Expenditures are estimated because accounting procedures do not identify actual amounts.

Pursuant to a legislative directive accompanying the 1981 Budget Act,

our office undertook a study of the state's offices located in Washington, D.C. The results of this study were submitted to the Legislature during December 1981, in a report entitled *An Analysis of Consolidating All State Offices in Washington, D.C.*

Based on our study, we concluded that the Department of Finance office in Washington, which is also recognized as the Governor's Washington office, is funded through very complex and creative budgeting arrangements. Specifically, we found that the official office budget reflects only a fraction of the amount provided for the support of the office. Thus, while the 1981-82 budget for the Department of Finance indicates that the office is budgeted for 3.75 positions and \$253,396, the office actually has 11 positions and a budget of \$501,119.

In addition, we found that while all 11 staff members share the same suite of offices and report to officials in Sacramento through the director of the Washington office, funding for support of the positions comes from a number of different agencies, departments, and sources. As a consequence, the lines of authority are not clear. Each office staff member reports not only to the office director, but to the head of the state agency or department that provides the support for his or her position.

Eight separate state entities contribute positions to staff the Governor's Washington office. These positions may be either career civil service or exempt. The Department of Finance contributes its exempt Chief Deputy Director position, which is filled by the director of the Washington office. The department also contributes two clerical positions and one intern position. The Governor's office contributes one exempt staff position. The Department of Transportation contributes one professional civil service position and some clerical support. The Office of Planning and Research (OPR) contributes one exempt professional position, but does not contribute the funding for the position. Instead, the OPR position, as well as some clerical support, is paid for by the Energy Commission through a contract with the Department of Finance. The Health and Welfare Agency contributes one exempt position and some clerical support. The Department of Agriculture contributes one position. Finally, the Resources Agency contributes one position which is budgeted in the Department of Forestry. Support for this position, however, is derived from the 11 departments and boards within the agency.

Our report concluded that while the funding and staffing peculiarities of the Washington office are not improper, the current arrangement tends to conceal from the Legislature the full staffing, budget and sources of funds provided to the office. To assure that the Legislature has this information, we recommend that the Department of Finance submit a report to the fiscal committees prior to the department's budget hearings that identifies, on a consolidated basis, total staffing and support for the Governor's office in Washington, D.C.

We further recommend the adoption of the following supplemental report language directing the department to display this information in future Governor's Budgets:

"The Department of Finance shall display, on a consolidated basis, total staffing and support for the Governor's Washington, D.C. office beginning with the 1983-84 budget."

DEPARTMENT OF FINANCE—Continued**CALIFORNIA FISCAL INFORMATION SYSTEM (CFIS)**

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.

The consultant's final report (May 1978) 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. Based on (1) the findings and proposals in the consultant's final report, 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.

As we have reported in previous analyses, there is no objective basis upon which to evaluate the precise costs and benefits of the specific activities proposed under CFIS, or analyze the long-range cost estimates.

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

CFIS is administered by a task force which functions as an organizational unit within the Department of Finance. The task force works with representatives of the executive and legislative branches, 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.

CFIS Timetable

The original CFIS timetable, as prescribed by AB 3322, called for the "Big Eight"^a 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 institutions in 1981-82, 75 more in 1982-83, and the final 62 in 1983-84.

The original timetable has been modified as a means of spreading the system's implementation costs over a larger period. In 1981, Ch 102/81 was enacted to allow implementation in accordance with available funding.

The CFIS task force has met most of its planning and system development deadlines. The task force developed specifications for the major new systems, implemented bill and budget tracking systems, acquired the core information system software, selected a consultant for the standard accounting system (CALSTARS), and developed a CFIS Users Manual to

^a Departments of Water Resources, Social Services, Motor Vehicles, Health Services, Employment Development, Education, Transportation, and the California State University System.

assist in data retrieval. Staff in the Department of Finance have been developing the performance measures required by Chapter 1284.

On July 1, 1981, 27 departments and institutions began using CALSTARS for accounting purposes. The fiscal data reported by these "pilot agencies" was organized into a standard accounting format and entered into the CFIS data base for future retrieval. Department staff from the task force and the consulting firm (Peat, Marwick and Mitchell) assisted each department in the conversion to the program cost accounting system, training departmental staff in its use. The pilot agencies' CALSTARS activity will serve as the basis for the department's system implementation planning. An additional 23 departments and institutions will become operational on CALSTARS on July 1, 1982. The task force plans to offer the same level of assistance to each new department/institution as it converts to CALSTARS.

The CFIS data base was established at Teale Data Center in 1980-81. The "Big 8" departments are currently entering fiscal and performance data into the system, and an additional 32 departments are entering fiscal data. The department expects that 25 additional departments will be reporting fiscal data to the system in the budget year.

CFIS Budget Vanishes

We recommend that the appropriation for support of CFIS be included as a separate item (Item 8870-011-001) in the Budget Bill in order to facilitate legislative oversight of these expenditures. We further recommend that the Department of Finance submit to the fiscal committees, prior to budget hearings, separate documentation for the CFIS and the Department of Finance budgets.

Beginning in 1978, the Legislature has appropriated funds each year for support of the CFIS project in a separate item in the Budget Act. This was done to assure adequate reporting and accountability for this special project.

The budget proposes to eliminate the separate appropriation for CFIS in 1982-83. Instead, the CFIS appropriation has been merged into the support appropriation for the Department of Finance.

The budget document also discontinues the previously established practice of displaying the proposed CFIS budget separately from the budget proposed for the Department of Finance. Instead, CFIS-related expenditures are dispersed throughout the department's budget. The department could not provide us with separate detailed breakdowns of the Department of Finance and CFIS budgets. This precludes the Legislature from being able to identify the CFIS budget year plans and to evaluate the reasonableness of the proposed CFIS related expenditures.

The merging of the proposed budgets also prevents the Legislature from comparing budgeted expenditures and actual expenditures related to the CFIS project. Table 4 shows the budgeted and the actual amounts as identified in the budgets starting with the 1978-79 expenditures. As indicated in Table 4, the CFIS task force significantly overestimated the actual development and operating costs in 1978-79 and 1979-80. Actual expenditures for 1978-79 were \$1.2 million, or 55 percent, less than originally budgeted. In 1979-80 actual CFIS costs were \$1.8 million, or 38 percent, less than the original task force estimates. Because the budgets for CFIS and DOF have been merged, we are unable to compare actual 1980-81 expenditures with the budgeted amount. In addition, we are precluded from determining the total budgetary change in CFIS expendi-

DEPARTMENT OF FINANCE—Continued

tures from 1981–82 to 1982–83 because of the new budget format. Thus, at a time when CFIS expenditures are accelerating rapidly (up 66 percent in 1980–81 and 35 percent in 1981–82), the Legislature's ability to evaluate the budgetary increases has been reduced substantially.

Table 4
California fiscal Information System
Comparison of Budgeted to Actual Expenditures
1978–79 through 1982–83^a

	<i>Budgeted</i>	<i>Actual</i>	<i>Expenditure Shortfall</i>	
			<i>Amount</i>	<i>Percent</i>
1978–79.....	\$2,198,698	\$983,000	\$1,215,698	55%
1979–80.....	4,713,909	2,921,902	1,791,007	38
1980–81.....	7,827,337	(Not Reported)	(Not Reported)	—
1981–82.....	10,560,784	—	—	—
1982–83 proposed	(Not Reported)	—	—	—

^a Based on costs identified in the Governor's Budgets.

Finally, we believe that by discontinuing the separate item budgeting for CFIS, it will be difficult if not impossible for the Legislature to assure compliance with Ch 102/81 which provides that the implementation schedule for CFIS and its components will be determined by the available funding. The new budget format hinders the Legislature's ability to review specific items in the annual CFIS implementation schedule. This would appear to be contrary to the intent of Chapter 102, which contemplates a more specific linking of tasks in the CFIS implementation to appropriated funds. Hence, the Legislature must yield some project oversight capability because of the new budgetary format.

While we appreciate the department's desire to minimize the complexities of budgeting for CFIS by consolidating the CFIS budget with its own, we believe that the price of doing so comes at too high a price in terms of legislative oversight of the project. Consequently, we recommend that a separate appropriation for CFIS be included in the Budget Bill. We further recommend that the Department of Finance submit to the fiscal committees prior to budget hearings separate budget documents for the CFIS and the Department of Finance budgets, including all supporting schedules that are required for budget review and analysis.

Need for San Francisco Node Uncertain

We recommend the adoption of Budget Bill language to limit the availability of \$361,000 to the establishment of a distributed processing center in San Francisco.

The budget proposes \$361,000 to establish a distributed processing center in San Francisco in 1982–83 to serve the additional state agencies using the automated program cost accounting system (CALSTARS) in 1983–84. Table 5 displays the breakdown of the costs.

The San Francisco 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.

Table 5
Proposed Budget for the San Francisco
Distributed Processing Center
1982-83

Personal services	\$27,883
Hardware	235,321
Software	12,840
Rent	15,408
Furnishings	16,050
Alterations	53,500
Total	\$361,002

The CALSTARS implementation is in response to the program cost accounting system capability required for state agencies under Ch. 1284/78. The CFIS staff anticipates that by 1983-84, approximately 119 state agencies will be using CALSTARS as an integral part of their accounting functions.

At the time this analysis was prepared, the CFIS staff informed us that they could not justify the need for the new center. The decision to proceed with the establishment of the San Francisco node is dependent on (1) projected CALSTARS workload data and (2) workload information resulting from the upgrading of the existing distributed processor node in Sacramento. The workload data projections will be derived from the actual workload histories of the 27 state agencies and institutions that began using CALSTARS in the current year. The staff does not expect to have accurate workload data for several months. The technical modifications to the Sacramento unit will be completed in May 1982, and a report to the Legislature is not expected until June 1982.

The budget anticipates that workload data will eventually justify the need for the new center, and \$361,000 has been included in the budget for this purpose. Appropriating these funds in the 1982 Budget Act would assure that, if subsequently justified, funds would be available to proceed with the San Francisco center, thereby preventing further delays in CALSTARS implementation. In recognition of the fact that sufficient justification for the center does not now exist, however, the administration is proposing Budget Bill control language requiring 30 days' notice to the Legislature before any obligations related to establishing the San Francisco center are incurred. The language specifically requires the department to submit a report to the fiscal committees and the Joint Legislative Budget Committee justifying the need for the center. The report must be reviewed and approved by the State Office of Information and Technology prior to its submission.

Our analysis indicates that the approach proposed in the budget for the San Francisco node is warranted. We note, however, that if the center is not ultimately justified the \$361,000 could be allocated to other activities. To avoid this possibility, we recommend that the following Budget Bill control language be added to the beginning of Provision 3, Item 8860-001-001:

"Of the funds appropriated in Item 8860-001-001, \$361,000 is for the development of the distributed processing center in San Francisco and may be used only for that purpose."

DEPARTMENT OF FINANCE—Continued**Additional CALSTARS Positions Requested***We recommend approval.*

The budget proposes the addition of 10 permanent positions for the maintenance and operation of CALSTARS, at a General Fund cost of approximately \$404,000 in 1982–83. Currently, the CALSTARS consultant's staff has this responsibility. The consultant's contract provides that state civil service personnel shall be trained as part of the initial CALSTARS implementation in order to assume all operational responsibilities in the second year.

The department indicates that the staffing necessary to support the current-year CALSTARS operations consists of 19 data processing positions. Nine positions are currently authorized and will be redirected from CALSTARS system development to the operations and maintenance functions.

Our analysis of the staffing plan and associated expenditures indicates that the proposal is sound and the allocated resources adequate.

**STATEWIDE ELECTRONIC DATA PROCESSING
(State Office of Information Technology)**

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, the judiciary, and the Legislature. Its responsibilities are prescribed in the Government Code and Section 4 of the Budget Act of 1981.

The department's 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 SOIT in 1982–83 totals \$889,000, a decrease of 2 percent from estimated current-year expenditures.

Data Processing Budgets—and Problems—Grow

The total EDP expenditure over which the department has direct responsibility will be \$275 million in the current year, according to estimates by SOIT. Total budget-year expenditures have not been determined, but are expected to approach \$300 million, based on substantial increases in departmental EDP budgets.

The continued growth in EDP expenditures at a time when the state is experiencing serious fiscal constraints demonstrates the generally accepted concept that automation results in more cost-effective delivery of program services. Unfortunately, however, in numerous instances, the concept has not become a reality. In this *Analysis*, we discuss several current EDP projects which are inadequately justified, poorly defined, or poorly managed. These include the Statewide Public Assistance Network (Department of Social Services), a hospital automation project (Department of Mental Health) and a computer mapping project (California Coastal Commission). This situation has existed since the advent of computing technology in state government. It is also prevalent in other states, in federal and local governments, and in the private sector. Problems occur because automated systems are difficult to define, complex to imple-

ment, costly to operate and require highly-skilled technicians who are in very short supply.

The situation for California state government is, however, particularly critical at this time because an increasing number of program managers are finding that the *only* effective way to maintain services within budgetary limits is through the extensive application of computer technology. As a result, automation proposals are made on the basis that an investment *now* will yield net savings in the *future*. On this basis, SOIT has in recent years approved numerous EDP projects, several of which have been successful. Many of these projects, however, have exceeded cost estimates, missed scheduled completion dates and produced less savings than had been estimated. In some cases, none of the projected savings has occurred. Further, some automated systems have been either abandoned or essentially redesigned at considerable additional cost to the taxpayers.

The Problem Is Serious

The use of computer technology can be an appropriate and more cost-effective method for delivering government services. The ability to use the technology effectively, however, varies considerably among state agencies. This ability tends to be closely related to an agency's prior EDP experience, although there are examples of agencies which have used EDP methods for years but have experienced serious difficulty when attempting large-scale EDP projects which require complex systems.

In last year's *Analysis*, we discussed this problem and the fact that SOIT staffing in 1981-82 would be *less* than had been authorized in 1976-77. In our view, the level of staff was not adequate, given the department's considerable authority over state uses of EDP, the continued substantial growth in EDP projects and the degree of difficulty experienced by agencies in attempting to implement EDP systems.

The Legislature, in response to this concern, adopted language in the Supplemental Report to the 1981 Budget Act requiring the department to redirect staff to SOIT " . . . to enable that office to fulfill its data processing management responsibilities." The Legislature also required that the department report to the Legislature as to the amount of personnel-years redirected and the tasks to which these resources were applied.

In December 1981, the department advised the Legislature that *one* additional position had been administratively established within SOIT and assigned two "major" tasks. These tasks, according to the department, were to (1) establish an automated inventory of leased and purchased software, and state-developed software which potentially could be used by several agencies, and (2) implement an exchange program designed to provide both technical and managerial personnel with "state-of-the-art" information on equipment and software.

Each of these tasks is worthwhile. It is doubtful, however, whether they can be considered "major" when compared to current problems associated with several important EDP system development projects and computing equipment acquisitions. Further, we understand that the one position which has been established administratively in the current year is a limited, part-time position and will be deleted in 1982-83. Consequently, SOIT's staffing level will be lower than in the period 1976-77 through 1981-82. This suggests that the department has not made a meaningful response to the legislative request to increase SOIT's effectiveness through redirection of staff.

DEPARTMENT OF FINANCE—Continued**New Policies Promised**

The Legislature's desire to establish effective management of statewide EDP was also expressed in Section 4 of the 1981 Budget Act, which required the department to develop and publish in the State Administrative Manual (SAM) policies in several key areas. The areas specified are (1) delegation of feasibility study report approval, (2) use of distributed data processing equipment, small computers and word-processing devices, (3) data processing audits, (4) data center management, and (5) data communications. In a letter dated December 1, 1981, the department notified the Legislature that the required policies will be published in SAM by March 31, 1982.

Additional Responsibilities May Overburden Existing Staff

We recommend that the department advise the fiscal committees, prior to budget hearings, on how the State Office of Information Technology will absorb additional workload to comply with new requirements relating to office automation pursuant to Section 4 of the Budget Bill.

As proposed, Section 4 of the 1982 Budget Bill would require the Department of Finance, in cooperation with the Department of General Services, to develop and publish in SAM standards and guidelines relating to the acquisition and uses of office automation equipment. In addition, Section 4 would require the guidelines to ensure that appropriate feasibility study reports are prepared before such equipment is acquired.

The Section 4 provisions are necessary because of the substantial, statewide growth in the number of word-processing systems, desk-top computers, and office computing systems which have the ability to communicate with the large computer systems in the data centers. There are no precise estimates as to the rate at which state agencies are acquiring the type of equipment which would be subject to the proposed Section 4 provisions. It is acknowledged generally, however, that the rate of growth is significant.

The California Information Technology Advisory Board, which advises the department, issued a report in November, 1981 entitled "An Action Plan for the Effective Implementation of Automated Office Technology in California State Government." This report notes the fiscal implications of continued increases in the use of this technology in the absence of the type of coordination that Section 4 (as proposed) would require. According to this report, "State managers don't understand the capabilities of, or potential benefits made possible by, the widespread use of the automated office technologies, and don't understand the danger inherent in our present course." In order for the state to use this technology effectively, appropriate plans and control mechanisms should be in place *now*.

Compliance with the proposed Section 4 provisions will require that SOIT allocate staff resources to develop the required standards and guidelines in SAM. In addition, staff will be required to review feasibility study reports submitted by departments in support of proposed office automation projects or other projects which use the newer mini- and micro-processing systems. The review of feasibility study reports could represent a *substantial* workload requirement, because of the growth in requests for office-based systems *and* the need to guide the state's uses of this relatively new technology so that the results are cost-effective.

We doubt that SOIT can effectively fulfill this additional responsibility with the proposed staffing level. Consequently, we recommend that the department advise the fiscal subcommittees on how this additional responsibility will be absorbed.

CITAB Helps Fill Gap

The California Information Technology Advisory Board (CITAB) was established by the Director of Finance in 1980 to recommend statewide policy regarding the use of information technology. CITAB membership is composed of the directors of several departments and designated constitutional officers. Staff support is provided by the member departments and SOIT.

Since its formation, CITAB has been active in several critical EDP areas. These include (1) human resources (EDP technical personnel), (2) procurement, (3) statewide planning, (4) data communications, and (5) automated office technology. In addition, CITAB has, through staff resources in member departments, provided planning and technical assistance to the Department of Housing and Community Development to assist that department in the development of an information system plan.

CITAB's activities have helped to bridge the "gap" between the capability of modern computers and the ability of state agencies to use the technology in a cost-effective manner. We believe that the Director of Finance, by establishing this board, has provided the executive branch an important resource which can continue to be a valuable asset to the department in fulfilling its EDP responsibilities.

Decentralization Trend Requires Closer Monitoring

We recommend the adoption of supplemental report language requiring the department to (1) develop and publish in the State Administrative Manual policies and procedures providing for the evaluation of any state agency's technical and managerial abilities prior to authorizing the installation of agency computers, and (2) report to the Legislature by December 1, 1982, on its progress in complying with this requirement.

In last year's *Analysis*, we discussed the growing proliferation of decentralized computing systems installed in individual departments. This trend, we noted, was contrary to the policy established in 1972 by the Legislature when it authorized the large, centralized data centers. These data centers were established because it was believed that all agencies would benefit from the economy-of-scale offered by large, comprehensive computing facilities. Further, there was concern as to the abilities of state agencies to implement decentralized computer systems in a cost-effective manner.

Since that time, changes in computing technology have produced relatively powerful computing systems which are compact, highly efficient and affordable to many state agencies. Both the private and public sectors have acquired significant numbers of these smaller computers, many of which are used in conjunction with large, central data centers in a "distributed" data processing mode of operation.

Our review of the use of these smaller computers indicates that the new technology can be a cost-effective alternative or can complement a central data processing facility. Consequently, centralization and decentralization of the computing resource or a mix of the two approaches are valid approaches. Our review also indicates, however, that the trend toward a combination of central data processing facilities and "distributed" data

DEPARTMENT OF FINANCE—Continued

processing systems requires better planning to achieve satisfactory results.

For example, in 1981 the Department of Consumer Affairs received approval from the Department of Finance to install its own computer system in lieu of using the facilities provided by the Franchise Tax Board. The new system was approved on the basis that it would produce annual savings of \$350,000. Subsequent to installation of this computer, however, it was determined that the new system would cost more than was anticipated. Further, the department experienced serious difficulty in bringing the system to a satisfactory performance level. Consequently, a decision was made to return the equipment and continue receiving service from the Franchise Tax Board instead. This experience resulted in a net *loss* in excess of \$200,000.

The Department of Finance also approved in 1981 a request of the Department of Social Services to acquire its own computer to support the Statewide Public Assistance Network (SPAN) project. The computer was acquired, staff were hired and trained, and SPAN programmers and analysts began work on computer programs scheduled for processing on the new computer. Within five months of acquiring the computer, however, and before any useful work had been accomplished, the department decided to cancel the agreement to use the computer and instead use the facilities of the Health and Welfare Agency Data center. According to the department, this decision was based on a desire to reduce costs. The "loss" to the Department of Social Services as a result of this experience has not been determined, but is believed to be several hundred thousand dollars.

These two examples demonstrate the need to monitor closely the decentralization of computing capacity. Current EDP policies and procedures do not include an evaluation of the *ability* of a department to establish and operate its own cost-effective computing facility. Our analysis of the examples cited above indicates that had such an evaluation been made, the requests for the computers would have been denied in each case.

It is apparent that the approval process regarding new decentralized computer systems needs to be improved. One method would be to design a certification process under which the Department of Finance would use a structured approach to evaluate both a department's ability to implement a proposal and also the reasonableness of the proposed action. To establish such a process, we recommend adoption of the following supplemental report language:

"The department shall (1) develop and publish in the State Administrative Manual policies and procedures which provide for the evaluation of a state agency as to its technical and managerial preparedness and the validity of its proposal prior to authorization to install a computer system, and (2) report to the fiscal committees and the Joint Legislative Budget Committee by December 1, 1982, on its progress in complying with this requirement."

OFFICE OF ADMINISTRATIVE LAWItem 8910 from the General
Fund

Budget p. GG 181

Requested 1982-83	\$2,029,000
Estimated 1981-82.....	1,895,000
Actual 1980-81	1,090,000
Requested increase (excluding amount for salary increases) \$134,000 (+7.1 percent)	
Total recommended reduction	None

1982-83 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8910-001-001—Support of Office of Administrative Law		General	—
Reimbursements		General	\$2,029,000
Total			\$2,029,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Technical Adjustments. Recommend changes be made to reflect cost of supporting OAL in budgets of contributing state agencies.

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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.

The OAL has 41 positions authorized in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total expenditures of \$2,029,000 from reimbursements for support of the OAL in 1982-83. This is \$134,000, or 7.1 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 are paid through reimbursements from state agencies using OAL review services. No appropriation is pro-

OFFICE OF ADMINISTRATIVE LAW—Continued

vided by this item. Instead, Item 8910-001-001 proposes a zero appropriation from the General Fund in order to authorize the OAL to expend its reimbursements. Under this funding arrangement, state agencies are to reimburse OAL for its budget year costs from amounts included within the "consultant and professional services: Interdepartmental" line item of the various departments' budgets, in accordance with Department of Finance budget instructions. The amount of reimbursements provided by an individual agency to the OAL is based on the volume of regulations promulgated by that agency.

Table 1 presents a summary of OAL's expenditures and personnel-years for the past, current and budget years. The table shows a proposed increase of 11 personnel-years for the budget year. The net increase reflects:

- Twelve additional positions proposed for the budget year.
- The reduction of one position, in the form of increased salary savings, based on expected higher vacancy rates.

Table 1
Office of Administrative Law
Budget Summary
(in thousands)

	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personal services	\$740	\$1,384	\$1,664	\$280	20.2%
Operating expense and equipment	350	511	365	-146	-28.6
Total expenses	\$1,090	\$1,895	\$2,029	\$134	7.1%
Personnel-years	22.7	39.0	50.0	11.0	28.2

Office Organization

In the current year, the OAL has 41 budgeted positions (29 professional and 12 clerical). The office consists of:

1. A director and executive secretary.
2. An administrative support unit with 11 positions (3 professional and 8 clerical).
3. A legal division having 12 positions (11 professional and 1 clerical). The legal division is 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, having 16 positions (14 professional and 2 clerical). This division is responsible, among other things, for:
 - Assisting in the review of regulations in accordance with mandated standards.
 - Assuring timely review and processing of regulations, including

editing, codification, filing and publishing.

- Providing technical assistance to the state agencies which promulgate regulations.

Proposed Budget Changes

The workload, cost, program, and other changes proposed for the budget year are displayed in Table 2. The table shows a workload increase of \$370,000 for the review of regulations, which reflects the proposed addition of 12 new positions. Merit salary adjustments and price increases account for an increase of \$66,000.

These increases are partially offset by the one-year deferral of a project to reformat and republish the administrative code and to develop a comprehensive index of regulations contained in the code. The administration is deferring this project (currently budgeted at \$150,000) to offset part of the cost of the increased workload for the review of regulations.

Other reductions include \$57,000 to eliminate from the base-line budget various one-time office expense and equipment costs incurred in 1981-82. In addition, the budget includes a general 5 percent reduction.

Table 2
Office of Administrative Law
Proposed Budget Changes
(in thousands)

	<i>Reimbursements</i>
1981-82 Revised Budget.....	\$1,895
1. Workload Changes:	
a. Review of regulations.....	370
2. Cost Changes:	
a. Merit salary adjustment.....	24
b. Price increase.....	42
3. Program Changes:	
a. Deferral of project to reformat codes in accordance with specified standards	-150
4. Other Changes:	
a. One-time costs incurred in current year for office expense and equipment	-57
b. 5 percent reduction in budget base.....	-95
Total Proposed Changes	\$134
1982-83 Proposed Budget	\$2,029

Twelve Additional Positions Requested

We recommend approval.

The budget proposes 12 additional positions (9 professional positions in the legal division and 3 clerical positions in the administrative support unit). Our analysis indicates that the positions are justified on a workload basis, given the additional volume of regulations which will be subject to OAL's review in 1982-83.

Five Percent Reduction in Budget Base

Pursuant to the administration's directive that certain General Fund agencies reduce their baseline budgets for state operations by 5 percent, the OAL budget was reduced by \$95,000. This entire reduction was taken from the budgeted base salaries of the 41 authorized positions. This is a technical mistake. The Department of Finance informed us that it intends to have the \$95,000 reduction achieved through increased salary savings.

OFFICE OF ADMINISTRATIVE LAW—Continued

In that case, (1) the base salaries of the 41 positions would be increased from \$1,030,000 to \$1,125,000 and (2) estimated salary savings of the budget year would be increased from \$70,000 to \$165,000.

Our analysis indicates that the increase in salary savings (\$95,000) may force the OAL to hold some of its new positions vacant in order to stay within its authorized budget. This could result in the OAL's failure to meet the anticipated increase in workload in 1982-83.

Total Cost of OAL Operations Should Be Reflected in Budgets of the Contributing State Agencies

We recommend that, prior to the budget hearings, the Department of Finance (1) identify which state agencies will provide additional funds required to support OAL's operations and (2) make technical adjustments reflecting the cost of such additional support in the budgets of each contributing agency.

We are advised by the OAL and the Department of Finance that OAL's budgeted expenditures for 1982-83 are underfunded by \$220,000, based on the amount included in the various state agencies' budgets for reimbursing OAL. So that the Legislature can have a complete picture of how funds requested in the budget will be used, we recommend that prior to the budget hearings the Department of Finance make the technical adjustments necessary to properly reflect this cost in the budgets of the appropriate state agencies.

Augmentation for Regulation Review Services

Chapter 567 requires that state agencies review all of their current regulations. The statute requires all titles of the Administrative Code to be reviewed by specific dates, ranging from June 30, 1981 to June 30, 1986.

The Budget Act of 1981 appropriated \$3.5 million (\$2.3 million from the General Fund) for allocation by the Department of Finance to various state agencies unable to absorb the cost of these reviews. Executive Order B72-80 subsequently reduced the time allowed to review existing regulations from June 30, 1986 to December 31, 1982.

The budget indicates that all agencies are to complete their review of existing regulations by that time, using funds allocated in 1981-82. As a result, no new appropriation is proposed for 1982-83.

MILITARY DEPARTMENT

Item 8940 from the General
Fund

Budget p. GG 183

Requested 1982-83	\$15,131,000
Estimated 1981-82.....	17,025,000
Actual 1980-81	12,664,000
Requested decrease (excluding amount for salary increases) \$1,894,000 (-11.1 percent)	
Total recommended reduction	None

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 consist of three major units: The Army National Guard (21,218 officers and enlisted personnel), Air National Guard (5,304 authorized personnel), and the Office of the Commanding General. Staffing funded through the budget totals 638.3 personnel-years in 1981-82.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes \$15,131,000 from the General Fund for support of the Military Department in 1982-83. This is \$1,894,000, or 11.1 percent, below estimated current-year expenditures. This, however, is misleading. General Fund expenditures in the current year include \$2,500,000 for the one-time cost of the Farm and Home Loan program. This amount, which was first appropriated by Ch 583/79, serves as a bond security account to back the revenue bonds issued to fund loans for eligible guard members. If current-year expenditures are adjusted to exclude this amount, the budget proposed for 1982-83 represents an increase of \$606,000, or 4.2 percent, over estimated current-year expenditures. Furthermore, the request makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year. The General Fund support for each program of the department is shown in Table 1.

Table 1
Military Department
Budget Summary
(dollars in thousands)

Program	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change from 1981-82	
				Amount	Percent
Army National Guard	\$7,385	\$7,745	\$10,251	\$2,506	32.4%
Air National Guard	1,108	1,249	1,638	389	31.1
Commanding General	2,597	3,919	1,670	-2,249	-57.4
Military Retirement	1,163	1,262	1,303	41	3.3
Cadet Corps	411	350	269	-81	-23.1
Farm and Home Loan Program	—	2,500	—	-2,500	-100.0
Totals	\$12,664	\$17,025	\$15,131	-\$1,894	-11.1%

MILITARY DEPARTMENT—Continued

The total proposed budget for the Military Department, including state and federal funds, is \$198,045,000. Of this amount, 92.0 percent is federally funded, 0.4 percent is financed by reimbursements, and 7.6 percent is supported by the General Fund.

The proposed increase in General Fund expenditures results from routine merit salary and price increase adjustments. The major increases in the funding request for the Army and Air National Guards, and decrease in the request for the Office of the Commanding General do not reflect program changes, but instead result from accounting changes which distribute administrative costs among the various program elements.

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.

Five Percent Budget Reduction

In response to the 5 percent budget reduction imposed on many General Fund agencies, the department reduced its 1982-83 request by \$726,000. Because the department sought to limit the loss of federal matching dollars, programs that are predominantly supported by the General Fund were most affected by this reduction. For example, funding for the California Cadet Corps was reduced \$248,000. Other savings were achieved by reducing the armory maintenance programs (\$84,000), increasing salary savings (\$164,000), reducing data processing expenditures (\$100,000), and making various other reductions totaling \$130,000. Our review of these reductions indicates that most of them will have only a minor program impact. The one exception is the \$248,000 reduction imposed on the Cadet Corps, which will eliminate state assistance for the purchase of uniforms and for the two week summer training exercise. Our analysis indicates, however, that this reduction will have less impact on the ability of the Military Department to meet its primary responsibilities than would other potential reductions.

Other Program Changes

Apart from these reductions, two program changes are proposed for the budget year. In the current year, the department administratively established seven custodial positions for the Air National Guard bases, and two administrative positions in the Office of the Commanding General. The department proposes to continue these nine federally reimbursed positions in the budget year. Our analysis indicates that these positions are justified by workload.

MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 8940-301 from the General
Fund, Special Account for
Capital Outlay and the Fed-
eral Trust Fund

Budget p. GG 195

Requested 1982-83	\$4,322,000
Recommended approval	4,322,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Reversion of 1981 Budget Act Appropriations. Recommend that Item 8940-495 be added to the Budget Bill to ensure reversion of project funds frozen in current year. 1769

ANALYSIS AND RECOMMENDATIONS

The budget proposes the appropriation of \$441,000 from the General Fund, Special Account for Capital Outlay, and \$3,881,000 from the Federal Trust Fund for capital outlay projects for the Military Department. The department's request is summarized in Table 1. The federal fund item is informational only; no legislative action on this item is required.

Table 1
Military Department
1982-83 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>SAFCO^{ab}</i>	<i>Federal Funds^b</i>	<i>Total</i>
Project planning, working drawings and supervision of fed- erally financed construction	\$36 pw	—	\$36
Fresno Armory	121 w	\$47 w	168
Fresno aircraft repair facility	259 w	284 w	543
Other federal construction funds	—	3,550 c	3,550
Minor project	25	—	25
Totals	\$441	\$3,881	\$4,322

^a SAFCO—Special Account for Capital Outlay, General Fund.

^b Phase symbols indicate: p—preliminary plans; w—working drawings; c—construction.

The state funds will be used to pay a portion of the architectural planning costs of various projects in the capital outlay program and for one minor capital outlay project. The federal monies fund the remaining portion of the architectural planning costs and all construction costs. Budget language under Item 8940-301-036 specifies that the state funds can be spent only if the department receives written assurances from the federal government that the construction phase of the project will be funded.

Project Planning

We recommend approval of Item 8940-301-036(a) for project planning.

The budget proposes an expenditure of \$36,000 for planning, working drawings and supervision of construction projects financed from federal funds. These funds will be used to develop plans and working drawings for

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

health and safety improvements at the San Lorenzo, Long Beach, Pittsburg and Ontario organizational maintenance shops, as well as advanced planning and studies for other health and safety improvements. The federal government only partially finances architectural and engineering costs related to Army National Guard projects, and the requested appropriation is to finance the remainder of these costs.

New Armory—Fresno

We recommend approval of Item 8940-301-036(b), working drawings, Fresno Armory.

The budget requests \$121,000 under Item 8940-301-036(b) for working drawings for a new 300-person armory in Fresno. The proposed 29,521 square foot building will include battalion headquarters, assembly halls, locker rooms, classrooms, offices, latrines, and food preparation areas.

The 1981 Budget Act appropriated \$154,000 from the Special Account for Capital Outlay for working drawings for this project. The department expended \$43,000 of these funds in the current year. The remaining funds were frozen by Executive Order B-87-81. If unexpended, the remaining \$111,000 should revert automatically on June 30, 1982. The budget request would restore the funds plus an additional amount to account for cost increases resulting from the one-year delay. In addition, \$47,000 of federal funds will be used for this work. This will allow the project to proceed in the 1982-83 fiscal year. Our analysis of the original funding request is included on page 1619 of the *Analysis of the 1981 Budget Bill*.

Given the Legislature's previous action, we recommend approval of this project.

Aircraft Repair Facility—Fresno

We recommend approval of Item 8940-301-036(c), working drawings, Fresno aircraft repair facility.

Item 8940-301-036(c) proposes \$259,000 for the preparation of working drawings for a new aircraft repair facility in Fresno. The proposed facility will include a hangar area, paint shop and storage area, and a general support building. The proposed facility will provide general support maintenance for 556 aircraft for Army National Guard units from 15 western states. The department's request would finance the state's share of the working drawings for this project. Federal funds of \$284,000 will also be used for the design work.

The 1981 Budget Act appropriated \$366,000 from the Special Account for Capital Outlay for the preparation of preliminary plans and working drawings for this facility. The department has expended \$128,000 of these funds in the current year, but the remainder (\$238,000) was frozen by Executive Order B-87-81. These funds should revert automatically on June 30, 1982 if unexpended. This request would restore the reverting funds and appropriate additional funds to cover the cost increases resulting from the one-year delay of the project. Our analysis of the original funding request is included on page 1620 of the *Analysis of the 1981 Budget Bill*.

Given the Legislature's previous action, we recommend approval of this project.

Minor Capital Outlay

We recommend approval of Item 8940-301-036(d), minor capital outlay.

The budget proposes \$25,000 under Item 8940-301-036(d) for a minor capital outlay project at the Military Department's Pomona facility. The funds would be used to upgrade the kitchen and latrine at this facility which was constructed in 1932. The kitchen is too small for present needs and lacks adequate facilities for proper sanitation. The latrines are antiquated and require refurbishing. We concur with the need for these improvements and recommend that the proposed funds be approved.

Recommend Reversion Item

We recommend that Item 8940-495 be added to the Budget Bill to ensure the reversion of project funds frozen by executive order and needed to balance the current year budget.

The budget proposes the rebudgeting of funds for two capital outlay projects which were approved by the Legislature in the 1981 Budget Act. Executive Order B-87-81 instructed the State Public Works Board to defer allocation of certain capital outlay funds, resulting in a freeze on capital outlays. The Governor's Budget proposes to transfer these funds to the General Fund to balance the budget in the current year.

We recommend that Item 8940-495 be added to the Budget Bill to ensure that the unencumbered balances of the following appropriations are reverted and available for transfer to the General Fund in the current year:

1. Item 894-301-036(b), Budget Act of 1981, Fresno Armory—A & E.
2. Item 894-301-036(c), Budget Act of 1981, Fresno Aircraft Repair Facility—A & E.

Projects by Descriptive Category

In the A-pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenues in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 2 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

Table 2
Military Department
Major Projects by Descriptive Category
Item 8940-301-036

<i>Category</i>	<i>Item No./Project Title</i>	<i>Analyst's Proposal</i>
1.	None	
2.	None	
3.	None	
4.	None	
5.	(b) Fresno Armory	\$121,000
	(c) Fresno Aircraft Repair Facility	259,000
6.	None	
7.	None	
	Total—Military Department	<u>\$380,000</u>

MILITARY DEPARTMENT—REAPPROPRIATION

Item 8940-490 from the General
Fund

Budget p. GG 191

ANALYSIS AND RECOMMENDATIONS**Cal-Guard Security Account**

We recommend deletion of this item because legislation providing a permanent reappropriation has been enacted.

This item reappropriates \$2,500,000 provided in Item 894-490 of the 1981 Budget Act. Originally appropriated by Ch 583/79, these funds serve as a security account for revenue bonds sold by the Cal-Guard farm and home loan program. Chapter 920, Statutes of 1981 (AB 796), however, provides for a continuing appropriation of this amount, without regard to fiscal year. Therefore, this item is not needed in the 1982 Budget Act, and we recommend its deletion.