

The budget includes no information, however, which indicates (1) why the proposed three positions (discussed previously) would not be sufficient to meet the increased workload or (2) how such an arrangement would assist the commission in carrying out any additional compliance or monitoring activities. As a result, we have no reason to believe the funds are needed and recommend deletion of \$75,076 from the GLRF requested for consultant and professional services.

General Government
OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General
Fund and various funds

Budget p. GG 1

Requested 1984-85	\$24,739,000
Estimated 1983-84.....	25,849,000
Actual 1982-83	11,979,000
Requested decrease (excluding amount for salary increases) \$1,110,000 (-4.3 percent)	
Total recommended reduction	1,040,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,437,000
8100-001-241—Support		Local Public Prosecutors and Public Defenders	68,000
		Training	
8100-001-425—Support		Victim/Witness Assistance	909,000
8100-001-890—Support		Federal Trust	(374,000)
Chaper 917/80—Support		General	35,000
8100-011-890—State Operations		Federal Trust	(1,500,000)
8100-101-001—Local Assistance		General	10,225,000
8100-101-241—Local Assistance		Local Public Prosecutors and Public Defenders	495,000
		Training	
8100-101-425—Local Assistance		Victim/Witness Assistance	10,570,000
8100-101-890—Local Assistance		Federal Trust	(4,380,000)
Totals			\$24,739,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Local Assistance Grants. Reduce Item 8100-101-001 by \$767,000 (General Fund).* Recommend deletion of grants to local agencies because alternate funding is available. 1973
2. *Crime Prevention Expansion. Reduce Item 8100-101-001 by \$127,000 and Item 8100-101-425 by \$46,000.* Recommend that funds requested for expanded state activity be redirected from grants to local agencies, because these activities should result in a more cost-beneficial use of state-wide resources and benefit local programs. 1975
3. *Facilities Operations. Reduce Item 8100-001-001 by \$64,000 (General Fund), and various other items by \$36,000.* Recommend deletion of \$100,000 requested for facilities operations because the amount exceeds demonstrated needs. 1976

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.

The 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 56.5 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The total proposed expenditure program for the Office of Criminal Justice Planning in 1984-85 is \$30,993,000, consisting of \$12,697,000 from the General Fund, \$12,042,000 from special funds, and \$6,254,000 in federal funds. Table 1 shows the proposed funding, by source, for each of OCJP's four programs.

Table 1
Office of Criminal Justice Planning
Program Expenditures
in 1984-85
(in thousands)

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Totals</i>
1. Planning and operations	\$909	\$359	\$200	\$1,468
2. Administration	1,563	618	174	2,355
3. State and private agency awards	—	—	1,500	1,500
4. Local projects awards.....	10,225	11,065	4,380	25,670
Totals	\$12,697	\$12,042	\$6,254	\$30,993

Table 2 summarizes OCJP expenditure levels for the prior, current, and budget years. The table shows that proposed expenditures from the General Fund total \$12,697,000 in 1984-85. This is \$4,453,000, or 26 percent, less than estimated General Fund expenditures in 1983-84. The reduction, however, overstates the proposed change in the OCJP's budget.

Because of OCJP's method of accounting, expenditure comparisons between the current year and budget year are not meaningful. This is because nearly all funds appropriated in prior years which have not been expended are shown as being spent in the current year. A portion of these funds, however, will *not* be spent in 1983-84, and will be carried over to 1984-85. As a result, the amount shown in Table 2 for 1983-84 is "too high," and the amount shown for 1984-85 is "too low."

If these carry-over amounts are removed from the expenditure totals, the General Fund expenditures proposed for 1984-85 become \$12,662,000, which is \$74,000 *more* than estimated 1983-84 expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

Table 2
Office of Criminal Justice Planning
Budget Summary
1982-85 through 1984-85
(in thousands)

<i>Program</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change From 1983-84 to 1984-85</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Program</i>					
1. Planning and operations.....	\$1,776	\$1,269	\$1,468	\$199	15.7%
2. Administration.....	1,482	1,679	2,355	676	40.3
3. State and private agency awards	2,982	1,500	1,500	—	—
4. Local project awards	15,014	27,831	25,670	-2,161	-7.8
Totals	\$21,254	\$32,279	\$30,993	-\$1,286	-4.0%
Personnel-years	53.5	56.5	64.6	8.1	14.3%
<i>Funding</i>					
1. General Fund	\$5,235	\$12,588	\$12,662	\$74	0.6%
2. General Fund carry-over	1,426	4,562	35	-4,527	-99.0
Totals, General Fund	\$6,661	\$17,150	\$12,697	-\$4,453	-26.0%
3. Indemnity Fund	\$5,318	\$7,996	—	-\$7,996	-100.0%
4. Victim/Witness Assistance Fund	—	208	\$11,479	11,271	5,418.8
5. Assessment Fund	—	495	—	-495	-100.0
6. Local Public Prosecutors and Public De- fenders Training Fund	—	—	563	563	—
Totals, state funds	\$11,979	\$25,849	\$24,739	-\$1,110	-4.3%
7. Reimbursements	\$278	\$220	—	-\$220	-100.0%
8. Federal Trust Fund	8,997	6,210	\$6,254	444	0.7
Totals	\$21,254	\$32,279	\$30,993	-\$1,286	-4.0%

ANALYSIS AND RECOMMENDATIONS

The proposed budget includes various costs changes such as (1) increases to offset the effects of inflation, (2) increased employee compensation including the added cost of providing full-year funding for salary increases provided in the current year, and (3) merit salary adjustments.

Major Program Changes

We recommend approval.

The budget includes the following significant program changes:

- An increase in local assistance grants of \$4,250,000 from the Victim/Witness Assistance Fund, consisting of \$2,550,000 for the Victim/Witness Assistance Program and \$1,700,000 for the Rape Victim Counseling Center Program. These programs previously were supported from the Indemnity Fund.
- Increased staffing of four analyst positions to administer the new local assistance grants, at a cost of \$215,000 from the Victim/Witness Assistance Fund.
- A new associate deputy director position, at a cost of \$46,000—offset by a reduction of \$46,000 in consulting and professional services.
- Various increases including printing, consulting services, and in-

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

creased staffing of two new professional positions and one clerical position, to provide technical assistance support for the Crime Prevention program, at a cost of \$297,000—offset by a reduction of \$297,000 in local assistance grants for the Crime Prevention program.

We have reviewed the workload and program documentation prepared by OCJP in support of these proposed changes and conclude that they are reasonable.

Penalty Assessment Revenue**Background**

The Assessment Fund was created by Ch 530/80 to streamline the system for collecting and distributing revenues collected from penalty assessments levied on criminal and traffic fines. The fund serves as a depository for the assessments collected by the courts. Monies in the Assessment Fund are distributed monthly to various state special funds, in accordance with formulas specified in law. *Prior to January 1, 1984*, transfers were made to the following five special funds:

1. **Indemnity Fund.** This fund is used to pay claims of citizens (or their dependents) who are injured and suffer financial hardship as a result of crimes of violence, or who sustain damage or injury while performing acts which benefit the public. This program is administered by the Board of Control. Prior to January 1, 1984, Indemnity funds were used to support three grant programs administered by the Office of Criminal Justice Planning. These programs provide grants to local agencies for Victim/Witness Centers, Child Sexual Abuse Counseling Centers, and Rape Victim Counseling Centers.

In addition to allocations from the Assessment Fund, the Indemnity Fund receives revenues from criminal fines levied pursuant to various state laws.

2. **Driver Training Penalty Assessment Fund.** This fund supports the Driver Training Program in the Department of Education and the Traffic Adjudication Board. In addition, in recent years provisions in the annual Budget Act have required that the unencumbered balance of the fund be transferred to the General Fund surplus at the end of each year.

3. **Peace Officers Training Fund.** This fund supports the Commission on Peace Officer Standards and Training and is used to provide assistance to local law enforcement agencies to reimburse training costs.

4. **Corrections Training Fund.** This fund is used to provide grants to local agencies that meet training and recruitment standards established by the Board of Corrections.

5. **Fish and Game Preservation Fund.** This fund is used to pay the expenses of the Department of Fish and Game for its activities relating to protection and preservation of fish and game. Penalty assessment monies transferred to this fund are used for the education and training of department employees.

Legislation Redistributes Penalty Assessment Revenues

Chapter 1092, Statutes of 1983 (AB 1485), revised existing law in two ways. First, it increased fines, penalties, and surcharges and generated increased revenues to the Assessment Fund, and thus to the state special funds which it supports. Specifically, Chapter 1092:

- Doubled the level of criminal fines.
- Doubled the monetary threshold used to determine whether certain offenses are punishable as felonies.
- Increased the penalty assessment levied on criminal fines generally from \$4 to \$5 for each \$10 of fine.
- Increased the minimum restitution fine that may be levied on a convicted felon from \$10 to \$100. The maximum fine of \$10,000, was unchanged.

Second, in conjunction with Ch 1312/83 (SB 1084), Chapter 1092 increased the number of special funds receiving allocations from the Assessment Fund and changed the percentage formula for allocating penalty assessment revenue to the special funds.

Specifically, it changed the name of the Indemnity Fund to the Restitution Fund and limited its use solely to cash restitution to victims through the Board of Control. In addition, it provided that local grant programs administered by the Office of Criminal Justice Planning, which previously were funded from the Indemnity Fund, would be supported from a new Victim/Witness Assistance Fund established by Chapter 1312.

The measure also established a Public Prosecutors and Public Defenders Training Fund to finance projects previously funded by a direct appropriation from the Assessment Fund.

Table 3 displays, by fund, the percentage distribution of penalty assessment revenue before and after enactment of Chapter 1092. Although most of the funds will receive a lower *percentage* of penalty assessment revenues as a result of Chapter 1092, our analysis indicates that all of the funds will receive an amount of money which is equal to or greater than the amount they would have received in the absence of Chapter 1092.

Table 3
Distribution of Penalty Assessment Revenue
Before and After Enactment of Chapter 1092,
Statutes of 1983

<i>Fund</i>	<i>Distribution Percentage</i>	
	<i>Before</i> <i>January 1, 1984</i>	<i>After</i> <i>January 1, 1984</i>
Indemnity (Restitution)	24.58%	22.12%
Victim/Witness Assistance	—	10.00
Local Public Prosecutors and Public Defenders Training	— ^a	.90 ^b
Fish and Game Preservation42	.38
Corrections Training	10.14	9.12
Peace Officers Training	30.83	27.75
Driver Training Penalty Assessment	34.03	29.73
Totals	100.00%	100.00%

^a Previous law had required an annual appropriation of \$495,000 from the Assessment Fund to the Office of Criminal Justice Planning for the Local Public Prosecutors and Public Defenders Training program.

^b The amount allocated is limited to \$500,000 in any calendar year. Any funds in excess of \$500,000 are transferred to the Restitution Fund.

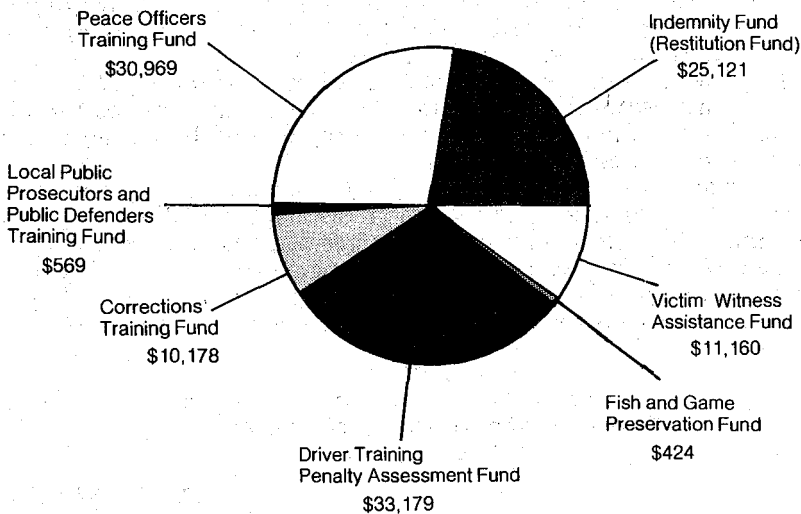
Budget Projects Major Increase in Penalty Assessment Revenues

The budget anticipates that total revenue to the Assessment Fund will be \$111,711,000 in 1984-85. This is \$21,311,000, or 19 percent, more than the \$90,400,000 estimated in the current year. The budget proposes a direct

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

appropriation of \$111,000 from the Assessment Fund to the State Controller to provide for audits of court fines. Deducting this amount from total revenue leaves \$111,600,000 available for allocation to the various special funds in accordance with the statutory formula. Chart 1 displays the proposed distribution of Penalty Assessment revenues in the budget year.

Chart 1
Distribution of Penalty Assessment Revenues
1984-85
(in thousands)

**Estimates of Increased Revenue are Conservative**

The revenue estimates shown in the budget are based on several assumptions. First, they assume that 1984-85 revenue will increase by 5 percent over 1983-84 levels to reflect expected growth in general fine, penalty, and surcharge revenues. In addition, the estimates include \$22.3 million for new revenue generated in 1984-85 from the increase in penalty assessments from \$4 to \$5. The estimates, however, do not assume that any additional revenue will result from the *doubling* of criminal fines.

It is difficult to predict how much additional revenue will be generated by the doubling of criminal fines in the budget year because of judicial discretion over the level of fines imposed. Also, historically, there has been a lag between the time that fines and penalty assessments are increased statutorily, and the time that additional revenues are generated. However, because Chapter 1092 doubled criminal fines, and penalty assessments will be levied on the higher level of fines, it is likely that the revenues to the Penalty Assessment Fund will be higher than what is shown in the budget.

Large Special Fund Reserves Available for Expenditure

The budget shows that the various funds which receive revenues from the Penalty Assessment Fund will have surplus balances totaling \$27,194,000 on June 30, 1985. This amount is detailed in Table 4.

Table 4
Estimated Special Fund Reserves
As of June 30, 1985
(in thousands)

<i>Fund</i>	<i>Estimated Reserves</i>
Restitution Fund (Indemnity Fund)	\$19,617
Victim/Witness Assistance Fund	1,631
Local Public Prosecutors and Public Defenders Training Fund	437
Corrections Training Fund	2,640
Peace Officers Training Fund	2,869
Driver Training Penalty Assessment Fund	— ^a
Fish and Game Preservation Fund	— ^b
Totals	\$27,194

^a The budget estimates that \$13,895,000 of surplus revenue will be transferred to the General Fund on June 30, 1985.

^b Penalty assessment revenue is merged with other revenue in this fund and is not reported separately.

If Penalty Assessment revenues are higher than estimated in the budget (as we believe they will be), and the Legislature does not increase the appropriations above the amounts proposed in the budget, the reserve balances of the various state special funds would be even higher than the amounts shown in Table 4.

In sum, the enactment of Chapter 1092 will provide \$22.3 million in new penalty assessment revenue in 1984-85, according to the budget. The amount of new revenues, however, could increase substantially if the courts set fines at the higher levels authorized by the measure. In addition, not all of the new revenue is proposed for expenditure in 1984-85. This is particularly true for the Restitution Fund, which is estimated to have a surplus balance of \$19.6 million on June 30, 1985.

Support Program with Unused Funds Appropriated in Prior Years

We recommend a reduction of \$767,000 in the amount budgeted from the General Fund for local assistance grants under the Career Criminal Apprehension program and the Community Crime Resistance program because alternate funding can be used to finance the level of expenditures proposed in the budget. (Reduce Item 8100-101-001 by \$767,000.)

The budget requests a total of \$3,453,000 from the General Fund for local assistance grants under the Career Criminal Apprehension program (\$2,500,000) and the Crime Resistance program (\$953,000) in 1984-85. The amount requested for the Career Criminal Apprehension program is the same as the current-year amount. The amount requested for the Crime Resistance program, however, is \$297,000 less than the current-year appropriation. The reduction reflects the redirection of these funds from local assistance to state operations in order to fund expanded crime resistance activities by OCJP.

Our review of these programs indicates that there are unspent and

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

uncommitted funds available from 1982–83 appropriations for these programs, which could replace General Fund monies requested for 1984–85 without reducing the level of grant activity below what the budget proposes.

Prior to 1983–84, appropriations made to OCJP for local assistance grants were available for three fiscal years. This allowed unspent and uncommitted funds to be carried over into subsequent fiscal years. Beginning with the 1983 Budget Act, expenditure from the appropriations were limited to one fiscal year.

Table 5 identifies the amounts proposed for expenditure in 1983–84 and 1984–85, and shows the carry-over balances from 1981–82 and 1982–83 appropriations. The budget indicates that all amounts available for expenditure in 1983–84 will be expended. Based on historical experience, however, it is likely that a portion of the 1982–83 appropriation will be carried over into 1984–85.

Table 5
Expenditures for Local Assistance
Grants for the Career Criminal Apprehension Program
and the Crime Resistance Program
1983–84 and 1984–85
(in thousands)

	<i>Estimated 1983–84</i>	<i>Proposed 1984–85</i>
Career Criminal Apprehension Program		
Budget Act appropriation	\$2,500	\$2,500
Carry over from 1981 Budget Act	432	—
Carry over from 1982 Budget Act	2,269	—
Proposed expenditures	\$5,201	\$2,500
Crime Resistance Program		
Budget Act appropriation	\$1,250	\$953
Carry over from 1981 Budget Act	327	—
Carry over from 1982 Budget Act	1,141	—
Proposed expenditures	\$2,718	\$953

The OCJP advises that there remains a total of \$767,000 in uncommitted balances that, without further commitments, could be carried forward into 1984–85. Of this amount, \$355,000 is for the Career Criminal Apprehension program and \$412,000 is for the Crime Resistance program. The OCJP further advises that these uncommitted balances will be used in 1983–84 to start new projects rather than to continue or expand existing ones.

Instead of using the \$767,000 to start new projects in the current year, we recommend that the funds be used to support the programs in 1984–85. We further recommend that the General Fund appropriation for 1984–85 be reduced by an equal amount. This would provide the same level of grant activity proposed in the Governor's Budget, and would result in a one time General Fund savings of \$767,000, making these funds available to the Legislature for other uses.

Expansion of State Activities for Crime Prevention

We recommend that the cost of expanding OCJP's statewide public awareness, training, and technical assistance activities be financed by redirecting funds from the proposed appropriations for local agency activities, for a savings of \$173,000 (\$127,000 from the General Fund in Item 8100-101-001 and \$46,000 from the Victim/Witness Assistance Fund in Item 8100-101-425).

The Community Crime Resistance program was established by Ch 578/78, and reauthorized by Ch 1291/82, to promote citizen involvement in crime resistance efforts. In the past, OCJP's activities under the program have been devoted primarily to administration of local assistance grants, with only a limited emphasis on statewide public awareness, training, and technical assistance to local programs. The OCJP received an appropriation of \$1,250,000 to finance grants to local agencies in the current year.

The budget contains two separate proposals, totaling \$470,000, for expansion of OCJP's services and activities relating to state and local crime prevention programs in 1984-85.

The first proposal is to increase OCJP's support budget by \$297,000 from the General Fund, and reduce local assistance funding by a corresponding amount, for the following purposes:

- Two new analyst positions and one clerical position to provide technical assistance and coordination to state and local programs, at a cost of \$123,000.
- An increase in consulting services to provide for two statewide training conferences, at a cost of \$40,000.
- Increased printing and postage expenses to provide a broad range of crime prevention materials to local agencies at a cost of \$134,000.

The second proposal seeks an increase of \$173,000 (\$127,000 from the General Fund and \$46,000 from the Victim/Witness Assistance Fund), to be used as follows:

- Increased consultant services and specialized media-graphic arts equipment for producing training aids, publications, films/slide presentations, and television/radio public service announcements, at a cost of \$88,000.
- Increased travel expenses, at a cost of \$15,000.
- Increased printing expenses to provide a broad range of crime prevention and victim assistance materials to local agencies, at a cost of \$70,000.

The OCJP advises that approximately 75 percent of the expanded services in the second proposal will be provided to crime resistance programs and 25 percent will be provided to victim programs.

There is no reliable workload measure that can be used to determine the need for an expansion of the state's technical assistance, training, and publication activities. Instead, the OCJP's request is based on its judgment that expansion of these activities is one of the higher priorities of the statewide crime resistance program. The OCJP advises that a substantial number of requests for crime prevention grants from local agencies indicate that one of their greatest needs is for funds to print informational publications.

The budget does not reduce local grant funds to free-up the funding

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

needed for the expansion of technical assistance training, and publications for the second proposal. Instead, the \$173,000 cost for expanding these activities is financed from an appropriation of \$127,000 from the General Fund and \$46,000 from the Victim/Witness Assistance Fund. In contrast, funds for the first proposal, discussed above, were redirected from local assistance.

We recommend approval of the proposal to redirect \$297,000 in grant funds to finance the expansion of OCJP crime prevention activities. If the OCJP performs these activities effectively, it should result in a more cost-beneficial use of statewide resources. For example, it should be less expensive for the state, rather than local programs, acting individually, to print crime prevention materials because the state can print these materials in larger quantities. Further, to the extent that training activities improve the skill of local personnel, local program efficiencies should result.

For the same reasons, however, we recommend that the activities contemplated by the second proposal also be financed by a redirection of grant monies to OCJP's operating budget, for a savings of \$127,000 to the General Fund and \$46,000 to the Victim/Witness Assistance Fund.

Facilities Operations

We recommend deletion of \$100,000 for facilities operations, to correct for overbudgeting. (Reduce Item 8100-001-001 (General Fund) by \$64,000 and various other items by \$36,000.)

The OCJP currently occupies 12,777 square feet of leased office space located east of Sacramento near Bradshaw Road. It requests \$218,000 in 1984-85 to pay for rent and other costs for facilities operations.

Effective May 1, 1984, the office plans to relocate its staff to downtown Sacramento and occupy 14,000 square feet in a building at the corner of Twelfth and K Streets.

The Department of General Services advises that the six-year lease for the new facility provides for free rent for the first six months; a monthly rate of 96 cents per square foot for the second six months; and a 98 cents per square foot rental rate for the second year. Based on these rates, \$108,000 will be required for rent in 1984-85. Additional charges from the Department of General Services for lease management and police services increase OCJP's need for facilities operations funding to \$118,000 in the budget year.

Because the amount OCJP will need for facilities operations in 1984-85 is \$100,000 less than the amount budgeted, we recommend a reduction of \$100,000 (\$64,000 from the General Fund and \$36,000 from various other funds) to correct for overbudgeting.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace
Officers' Training Fund

Budget p. GG 9

Requested 1984-85	\$32,244,000
Estimated 1983-84	26,232,000
Actual 1982-83	22,083,000
Requested increase (excluding amount for salary increases) \$6,012,000 (+22.9 percent)	
Total recommended reduction	None

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8120-001-268—Support		Peace Officers' Training	\$4,345,000
8120-011-268—Support—Contractual Services		Peace Officers' Training	1,560,000
8120-101-268—Local Assistance		Peace Officers' Training	26,339,000
Totals			\$32,244,000

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 88.9 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes appropriations totaling \$32,244,000 from the Peace Officers' Training Fund for support of the commission and assistance to local law enforcement agencies in 1984-85. Of this amount, \$5,905,000 is appropriated for support of the commission. This is \$1,887,000, or 47 percent, more than estimated current-year expenditures. This increase is due largely to a technical budgeting adjustment which shifts a total of \$1,874,000 in funds for certain contracts and interagency agreements from the commission's local assistance item to the support item. POST enters into these agreements with state agencies and other organizations to (1) obtain certain administrative and support services, and (2) compensate these agencies and organizations for the costs of providing training to local law enforcement on behalf of the commission. If the commission's support budget for 1984-85 is made comparable to estimated expenditures in the current year, we find that it represents an increase of only \$13,000, or less than one percent. This increase will grow by the cost of any salary or staff benefit increase that may be approved for the budget year.

An appropriation of \$26,339,000 is requested for assistance to local law enforcement agencies in 1984-85. This is \$4,125,000, or 19 percent, above estimated current-year expenditures. Due to the technical budgeting adjustment that shifted expenditures from the local assistance item to the support item, the increase in expenditures for local assistance proposed for

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

1984-85 actually is much larger than this. On a comparable basis, assistance to local agencies will increase by \$6 million, or 30 percent, above the current-year level if the budget is approved. This increase is discussed below.

Table 1 shows expenditures and personnel-years for the commission's four program elements in the prior, current, and budget years.

Table 1
Commission on Peace Officer Standards and Training
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

<i>Expenditures</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change from 1983-84</i>	
				<i>Amount</i>	<i>Percent</i>
Standards ^a	\$1,280	\$1,730	\$1,633	-\$97	-5.6%
Training ^a	3,017	3,339	3,612	273	8.2
Administration	(1,913)	(2,197)	(2,341)	(144)	(6.6)
Local Assistance ^b	17,887	21,351	26,999	5,648	26.5
Subtotals	\$22,184	\$26,420	\$32,244	\$5,824	22.0%
Less reimbursements	101	188	—	-188	-100.0
Totals	\$22,083	\$26,232	\$32,244	\$6,012	22.9%
<i>Personnel-Years</i>					
Standards	15.3	16.1	17.5	1.4	8.7%
Training	27.3	23.0	23.7	0.7	3.0
Administration	40.5	45.7	42.9	-2.8	-6.1
Totals	83.1	84.8	84.1	-0.7	-0.8%

^a Amounts for 1982-83 and 1983-84 include funds for administrative and training contracts totaling \$1,099,000 in 1982-83 and \$1,650,000 in 1983-84, that were funded from the local assistance item in these years. In 1984-85, these expenditures are budgeted from and are reflected in the commission's support items.

^b These amounts include administrative support for local assistance (\$574,000 in 1982-83, \$644,000 in 1983-84, and \$660,000 in 1984-85) allocated to the local assistance program, but funded from the commission's general support item.

Major Increase in Local Assistance. The budget proposes an increase of \$6 million in funds to reimburse local governments for training costs, including per diem, travel, tuition, and partial reimbursement of participants' salaries. The increase would allow the commission to reimburse local governments for approximately 94 percent of the salary costs of participants in certain POST courses, compared with an estimated 60 percent in the current year. In 1982-83, POST reimbursed local governments for approximately 50 percent of participant salary costs.

Table 2 shows the historical changes in local assistance provided by POST, and demonstrates that such expenditures have increased at an *annual* rate of about 16 percent since 1978-79. Thus the overall level of POST local assistance has been increasing in recent years at a rate significantly above the rate of inflation. Salary reimbursements currently comprise the largest share of total local assistance expenditures (about 45 percent in 1983-84).

Table 2
Commission on Peace Officer Standards and Training
Local Assistance Expenditures
(dollars in thousands)

<i>Year</i>	<i>Expenditure</i>	<i>Percentage Increase</i>
1978-79	\$10,799	N/A
1979-80	11,631	7.7%
1980-81	16,054	38.0
1981-82	15,420	-3.9
1982-83	18,412	19.4
1983-84 (estimated)	22,214	20.7
1984-85 (proposed)	26,339	18.6
Total Increase from 1978-79 to 1984-85	\$15,540	143.9%
Average Annual Increase	—	16.0%

We have no analytical basis for determining the precise rate at which participant salaries should be reimbursed. Consequently, we have no basis on which to recommend a change in the budgeted amount.

POST Work on Education and Selection Standards Nears Completion

The budget requests \$118,000 to extend to January 1, 1985, 4.5 positions currently limited to June 30, 1984. The budget indicates that this extension is necessary to complete the commission's work on job-related education and selection standards for law enforcement positions, as required by Ch 1180/80. Under Chapter 1180, these standards must be adopted by January 1, 1985. The commission indicates that the extension is necessary because it experienced a six-month delay in beginning work on the project.

We recommend approval of the extension so that the commission can complete the project required by existing law.

Additional Positions Warranted

The budget also proposes to add one new position at a cost of \$50,000 to establish a statewide reading and writing testing program. In addition, POST proposes to redirect \$104,000 in consulting funds to establish 3.5 positions to assist the commission in handling its ongoing data processing workload. Our analysis indicates that these positions are justified on a workload basis.

STATE PUBLIC DEFENDER

Item 8140 from the General

Fund

Budget p. GG 13

Requested 1984-85	\$4,815,000
Estimated 1983-84	5,525,000
Actual 1982-83	7,003,000
Requested decrease (excluding amount for salary increases) \$710,000 (-12.9 percent)	
Total recommended reduction	None
Recommendation pending	4,815,000

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

1. State Public Defender Role Needs Defining. Withhold recommendation on \$4,815,000 proposed for the office of the State Public Defender, pending the receipt of additional information on the state's plan for the defense of indigent appellants.

1982

GENERAL PROGRAM STATEMENT

The office of State Public Defender (SPD) 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 also may be provided by private attorneys appointed by the court. The SPD also conducts training seminars for private attorneys, operates a brief bank (a library of appellate briefs involving various issues the office has raised in the past), and responds to requests for assistance by private counsel, to the extent that resources are available. The SPD has offices in Los Angeles, Sacramento, and San Francisco. It recently closed its San Diego office, as a result of staff reductions. The SPD has an estimated 101.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$4,815,000 from the General Fund for the support of the State Public Defender (SPD) in 1984-85. This is \$710,000, or 13 percent, below estimated current-year expenditures. This amount, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

The proposed \$710,000 decrease in funding for the SPD reflects the administration's ongoing plan to reduce significantly the SPD's budget and staffing levels. Implementation of this plan began in the current year. Table 1 shows the office's expenditures and staffing levels in the past, current, and budget years.

Table 1
State Public Defender
Summary of Budget Changes
1982-83 through 1984-85
(dollars in thousands)

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change From</i> 1983-84	
				<i>Amount</i>	<i>Percent</i>
Expenditures	\$7,003	\$5,525	\$4,815	-\$710	-12.9%
Personnel-Years	154.3	101.7	80.2	-21.5	-21.1

ANALYSIS AND RECOMMENDATIONS**Governor's Effort to Reduce the SPD Continues**

In the 1983-84 budget, the administration proposed to reduce SPD staffing and expenditures to \$3,921,000 and 80.2 personnel-years—slightly more than one-half the 1982-83 levels—in order to limit the office's activities to death penalty appeals and the most complex noncapital cases. The Legislature, however, rejected the proposal and authorized a budget of \$7,842,000 in order to continue SPD staffing at approximately the 1982-83 level. In acting on the budget, the Governor vetoed \$2,317,000 from the

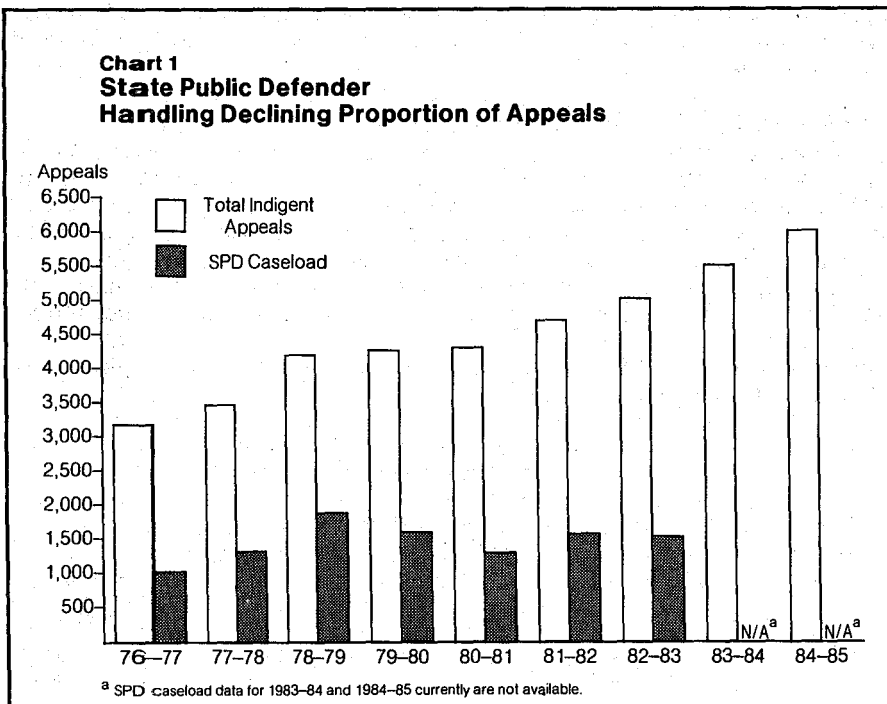
amount appropriated by the Legislature. This reduced the SPD budget to \$5,525,000, which included the amounts initially proposed in the budget, plus additional funds to allow the office to reduce its staffing gradually during the current year.

The \$4,815,000 proposed for the budget year will fund 80.2 personnel-years—the level originally proposed for 1983–84.

SPD Caseload Declining

As shown in Chart 1, the SPD has handled only about one-third of all indigent criminal appeals in recent years, and the office has never taken more than 45 percent of the total cases available. As a result of the recent staff reductions, the SPD will be able to handle considerably less than one-third of all cases in the current and budget years. At the time this *Analysis* was prepared, however, the SPD was unable to provide us with information indicating the number of cases it expects to handle in the current or the budget year.

Private counsel appointed by the courts will continue to represent indigent appellants in cases which the SPD does not handle.



Legislature Requests Comparison of SPD and Private Counsel

The Governor's Budget for 1983-84 justified the proposed reductions in SPD staffing on the basis that use of private counsel to represent indigents was more cost-effective than use of SPD staff. The budget indicated that

STATE PUBLIC DEFENDER—Continued

the average cost per case handled by the SPD was approximately double the cost of court-appointed counsel, although it acknowledged that part of the differential was due to the fact that the SPD handles a proportionately greater number of difficult cases.

Our review of the available information indicated that neither the Judicial Council nor the SPD maintained data that permit a comparison of either the cost-effectiveness of services, the complexity of cases handled, or even the actual cost of cases handled, by the SPD and private counsel. In order to insure that such data was available in the future, the Legislature adopted language in the *Supplemental Report of the 1983 Budget Act* directing the SPD and the Judicial Council to develop workload data on the cost-per-case and complexity of cases handled by the SPD and private counsel. The report is due to the Legislature by April 1, 1984.

SPD's Role in Statewide Defense of Indigents Is Not Defined

We withhold recommendation on the proposed budget for the office of the State Public Defender because the office's role in providing legal representation to indigent appellants statewide has not been specified. We recommend that the office of the State Public Defender and the Judicial Council report to the fiscal committees prior to budget hearings on specific unresolved issues concerning the state's indigent defense system.

Both the SPD and the Judicial Council have statutory responsibilities to coordinate the provision of defense services to indigent criminal appellants. Chapter 970, Statutes of 1983 requires the Judicial Council to adopt rules of court regulating the selection of appointed counsel other than the SPD by January 1, 1985. Government Code Section 15403 requires the SPD to formulate plans for the representation of indigents in the Supreme Court and in each court of appeal. Despite this statutory requirement, the SPD has not defined what role it intends to perform in the overall system of indigent appellant defense.

Judicial Council Plan. Partly in response to the requirements of Chapter 970, the Judicial Council proposes (in Item 0250) to expand the appointed counsel system which now is operating in the Fourth District of the Courts of Appeal to the entire state. Under this system, the Judicial Council contracts with a nonprofit organization composed of staff from the SPD's former San Diego office. This organization selects, assigns, assists, and evaluates appointed counsel for the Fourth District.

Problems with the Council's Plan. As we discuss in our analysis of the Judicial Council's budget, we have several concerns regarding the council's proposal for the defense of indigents in appellate cases during the budget year.

1. It is not clear how many of the state's indigent appeals will be handled by private counsel. The council estimates that 900 cases will be handled by the SPD. As we note, however, the SPD has been unable to estimate the number of cases it will handle in the budget year. Depending on the actual number of cases handled by the SPD in the budget year, the amount of funds needed for appointed counsel may be more or less than the \$8,923,000 the council is requesting.

2. The Judicial Council plans to use the Fourth District as the model for a statewide system of indigent defense. The Fourth District, however, is the only district in the state in which the SPD provides *no* legal representation. It is not clear how the Fourth District's approach would work in

the other districts where the SPD handles a portion of the cases. The SPD has not identified how it would fit into such a plan. In our judgment, it is important that the SPD and the Judicial Council coordinate their activities in order to allocate the caseload, avoid duplication of services, and maximize the use of existing capabilities within the SPD's office to provide assistance to appointed counsel.

3. It is not clear if the council will be able to find a sufficient number of the individuals or organizations to contract with for comprehensive indigent defense services in other districts of the Courts of Appeal. The Supreme Court, for example, so far has been unsuccessful in its efforts in the current year to implement a contract that would provide it with indigent defense services for capital cases. It is possible that the SPD could provide some or all of the appointed counsel oversight services in lieu of private individuals or organizations. Such an approach could maximize the use of existing capabilities within the SPD to provide assistance to appointed counsel, and fulfill the SPD's mandate to oversee the indigent defense system.

Because the SPD has not adequately defined how it intends to fit into the overall system for the defense of indigent appellants, and because the SPD has not provided data estimating the size or complexity of its workload in either the current or budget year, we are unable to recommend approval of the office's budget request at this time. Accordingly, we withhold recommendation on the \$4,815,000 requested to support the SPD in 1984-85.

We recommend that prior to budget hearings the SPD and the Judicial Council jointly report the following information to the fiscal committees:

1. The number of indigent appeals that will be handled by private appointed counsel and by the SPD in the current and budget years.

2. Any difficulties the council anticipates in obtaining qualified individuals or organizations to provide appointed counsel oversight services and how it proposes to overcome those difficulties.

3. The role of the SPD in the statewide system of indigent defense proposed by the Judicial Council.

4. The potential for using the SPD to perform the appointed counsel oversight responsibilities and the costs and benefits of such a proposal.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Item 8160 from the General

Fund

Budget p. GC 15

Requested 1984-85	\$3,200,000
Estimated 1983-84	4,286,000
Actual 1982-83	2,479,000
Requested decrease \$1,086,000 (-25.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

Under Ch 1048/77, the state reimburses counties for the costs of investigators, expert witnesses, and other individuals which trial judges determine are necessary to defend indigents in capital cases. The budget proposes an appropriation of \$3,200,000 from the General Fund for assist-

ance to counties for the defense of indigents in 1984-85. The amount requested is \$1,086,000, or 25 percent, below estimated current-year expenditures. This reduction results from two factors.

First, the budget proposes that counties provide a 20 percent match for capital case defense costs. Thus, of the \$4,000,000 in total program costs that the Department of Finance projects in 1984-85, the budget proposes that the state pay \$3,200,000, and the counties fund \$800,000. (Technically, the Budget Act language would result in the state providing 83 percent and the counties providing 17 percent of program costs. However the budget's estimates of state and county expenditures reflect an 80/20 cost sharing ratio.) Since the state began reimbursing counties for these costs in 1978, the counties have not been required to provide funds to partially match state expenditures.

Second, the total program cost projected for 1984-85—\$4 million—is about 7 percent less than estimated current-year costs of \$4,286,000. The budget does not indicate the reason for the expected decrease. Both amounts, however, are substantially higher than actual county costs incurred in 1980-81 and 1981-82, which totaled \$1,738,000 and \$2,394,000, respectively. Because of the uncertainties involved in projecting the level of county costs that will be eligible for reimbursement in 1984-85, we have no basis for recommending any adjustment in the budgeted amount.

Proposed Cost-Sharing Plan

The administration proposes Budget Bill language requiring counties to fund 20 percent of the cost of defending indigents in capital cases, allowing a reduction in the state's share of costs from 100 percent to 80 percent. The budget indicates that this proposal is intended to reduce the overall costs of the program.

Last year the administration proposed that similar language be added to the budget trailer bill. The Legislature rejected that proposal and instead required the State Controller to (1) reimburse counties for travel and per diem costs at the rates adopted by the Board of Control, except in unusual cases, and (2) adopt guidelines controlling reimbursements to counties for other costs of this program, such as compensation rates for investigators and expert witnesses. The Controller's office indicates that it is in the process of preparing these regulations, and will implement them by the end of the current year.

Last year, we recommended that the Legislature approve the administration's proposal to require counties to share in the cost of defending indigents in capital cases.

If the Legislature chooses to eliminate the Budget Bill language requiring counties to cover part of the costs incurred in defending indigents, the General Fund costs for this program would be higher. However, because of the uncertainties involved in projecting the amount of county costs that would be eligible for reimbursement, especially in light of the new cost controls adopted by the Legislature, we would not recommend a change in the proposed appropriation if the language is deleted from the bill.

Public Defender's Assistance Eliminated

Under Section 987.6 of the Penal Code (Ch 1334/65), the state may reimburse counties for a portion of their expenditures in providing legal assistance to indigents. The reimbursements may not exceed 10 percent of a county's expenditures for such purposes.

The state first funded this program in 1965-66, and from 1968-69 through 1982-83, the appropriation level remained at \$775,000 annually. In 1982-83, this amount represented less than 1 percent of county costs for public defenders' offices. No funds were provided for the program in the current year, and the Governor's Budget proposes no appropriation for the program in 1984-85.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 8180 from the General
Fund

Budget p. GG 16

Requested 1984-85	\$800,000
Estimated 1983-84	1,500,000
Actual 1982-83	1,325,000
Requested decrease \$700,000 (-46.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Reimbursement Regulations. Recommend adoption of supplemental report language requiring the Controller to develop specific reimbursement rates for attorneys, investigators, and other personal services.

1986

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$800,000 from the General Fund to reimburse counties for specified costs resulting from homicide trials.

Table 1
Reimbursements to Counties for Costs of Homicide Trials
1971-72 through 1984-85

	<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	1,325,000
1982-83	1,325,000
1983-84 (estimated)	1,500,000
1984-85 (proposed)	800,000

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued

Under current law, counties are reimbursed for all costs that exceed the revenue derived from a local property tax rate of .0125 percent of the full value of property assessed for purposes of taxation within the county. Expenditures for this program since 1971-72 are shown in Table 1.

There is no way to forecast the number and dollar value of future claims for reimbursement of homicide trial costs. Consequently, we have no basis for recommending any change in the budgeted amount.

Proposed Cost-Sharing Plan

The administration proposes Budget Bill language requiring counties to provide a 20 percent match to state reimbursements for homicide trial costs. The budget indicates that this proposal is intended to reduce total program costs. Because current law requires the state to provide 100 percent reimbursement of county costs that exceed the specified property tax threshold, the proposal requires implementing legislation, which is included in the budget trailer bill. (Technically, the Budget Bill language would result in the state providing 83 percent and counties providing 17 percent of homicide trial costs which exceed the specified property tax threshold. However, the budget estimates of 1984-85 expenditures for this program, and the budget trailer bill, reflect an 80/20 cost-sharing ratio.)

Last year the administration proposed to reduce the state's reimbursement rate for specified homicide trial costs from 100 percent to 80 percent, as part of the budget trailer bill. The Legislature rejected that proposal and instead required the State Controller to (1) reimburse counties for travel and per diem costs in accordance with Board of Control standards, except in unusual cases, and (2) develop and adopt guidelines controlling reimbursements to counties for the other costs of homicide trials, such as compensation rates for attorneys, investigators, and expert witnesses.

Last year, we recommended that the Legislature approve the administration's proposal to require counties to cover a greater share of homicide trial costs.

If the Legislature chooses to reject the administration's cost-sharing proposal, General Fund costs for this program would be higher. However, because there is no analytical basis for projecting expenditures under this item, we would not recommend a change in the proposed appropriation if the administration's proposal is rejected.

More Specific Regulation Needed

We recommend that the Legislature adopt supplemental report language directing the Controller to adopt specific reimbursement rates for attorneys, investigators, and other personal services.

The Controller's office issued regulations governing reimbursements for homicide trials in April 1983. Subsequently, the Legislature adopted language in the 1983 Budget Act requiring the Controller to develop such guidelines. The Controller's office advises us that it believes the April regulations comply with the Legislature's mandate. These regulations provide that:

- certain costs are not reimbursable (for example, books and magazine subscriptions),
- counties should seek approval, in writing, from the presiding judge for out-of-state or foreign travel,
- written contracts and adequate timekeeping records are required for the reimbursement of personal services,
- adequate records of costs must be kept,

- travel costs cannot exceed the rates at which the state reimburses for state employee travel, and
- the fee paid to attorneys, investigators, and experts must be determined by the trial judge.

One of the reasons the Legislature required the development of reimbursement guidelines was the high level of expenditures incurred during the Juan Corona trial, for which Sutter County requested state reimbursement. Our analysis indicates that if these regulations had been in effect during the Corona trial, the state might have been able to reject many of the county's seemingly excessive claims for reimbursement.

The regulations issued by the Controller in April 1983, however, do not provide specific guidance to judges as to what fees are appropriate for attorneys, investigators, psychiatrists, and others. Since these costs account for a large part of homicide trial costs, the Controller should develop additional regulations containing specific fees for various personal services. Therefore, we recommend that the Legislature adopt the following supplemental report language:

"The Controller shall develop regulations containing specific reimbursement rates for attorney, investigator, and other personal services utilized in homicide trials."

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General Fund

Budget p. GG 17

Requested 1984-85	\$600,000
Estimated 1983-84	1,495,000
Actual 1982-83	665,000
Requested decrease \$895,000 (-59.9 percent)	
Total recommended reduction	None

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 then conducting 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

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

reimburse the General Fund for payments made under the program on their behalf.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$600,000 from the General Fund for payment of tort liability claims in 1984-85. This is the same amount *appropriated* by the 1983 Budget Act. Total General Fund *expenditures* in 1983-84, however, are expected to be \$1,010,000 because Ch 49/83, and Ch 538/83 appropriated \$250,000 and \$160,000, respectively, from the General Fund for payment of these claims.

Table 1 summarizes statewide tort liability claims in the past, current, and budget years. In addition to the \$600,000 appropriated for claims of up to \$50,000 against General Fund state agencies, \$8,149,000 is budgeted for claims against the Department of Transportation in 1984-85. Thus, the total amount budgeted in 1984-85 for claims against state agencies is \$8,749,000.

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity
1982-83 through 1984-85
(dollars in thousands)

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change from</i> <i>1983-84 to</i> <i>1984-85</i>	
				<i>Amount</i>	<i>Percent</i>
1. Staff Services					
a. Department of Justice ^a					
General Fund	\$3,012	\$3,453	\$3,779	\$326	9.4%
Special Fund	2,238	2,278	2,443	165	7.2
b. Department of Transportation	4,005	4,524	4,990	466	10.3
c. Board of Control	75	75	75	—	—
Subtotals ^a	\$9,330	\$10,330	\$11,287	\$957	9.3%
2. Claim Payments					
a. Department of Justice					
General Fund	\$655	\$1,010	\$600	—\$410	—40.6%
Special Fund	448	485	—	—485	—100.0
b. Department of Transportation	5,685	7,688	8,149	461	6.0
Subtotals	\$6,788	\$9,183	\$8,749	—\$434	—4.7%
3. Insurance Premiums					
a. General Fund	\$72	\$73	\$76	\$3	4.1%
b. Special Fund	214	218	230	12	5.5
Subtotals	\$286	\$291	\$306	\$15	5.2%
Totals ^a	\$16,404	\$19,804	\$20,342	\$538	2.7%

^a These amounts differ from the amounts shown in the budget document, which understate staff services costs. The Department of Justice advises that the staff services expenditures shown here are the appropriate amounts.

Table 2 shows total tort claims workload (excluding Caltrans) from 1978-79 through 1982-83. The *number* of tort claims filed with the Board of Control increased during the five-year period, although the dollar amount of claim payments decreased in the last two years. Although administrative costs increased substantially over the period as a whole, they declined slightly in 1982-83. The Department of Justice advises that the 42 percent increase in 1981-82 resulted from several factors, the most significant of which was increased workload associated with Mediterranean Fruit Fly claims. Our review indicates that the two percent decrease in 1982-83 is primarily attributable to a reduction in the number of positions that the department was authorized for tort workload.

Table 2
Summary of Tort Claims Activity
(Excluding Department of Transportation)
1978-79 through 1982-83
(dollars in thousands)

	1978-79	1979-80	1980-81	1981-82	1982-83
1. Tort claims filed with Board of Control ^a	1,536	1,636	1,510	1,783	2,449
Change from prior year	8%	7%	-8%	18%	37%
2. Total claims payments	\$1,952	\$1,965	\$2,643	\$2,089	\$1,103
Change from prior year	27%	1%	34%	-21%	-47%
3. Administrative costs	\$2,863	\$3,185	\$3,855	\$5,455	\$5,325
Change from prior year	8%	11%	21%	42%	-2%

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

Tort Liability Insurance

Prior to 1978, 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 \$291,000 on such policies in the current year. This amount is \$5,000, or 1.7 percent, more than the amount expended in 1982-83.

Since 1981, the Legislature has adopted Budget Act language prohibiting the use of funds appropriated in the budget to purchase discretionary tort liability insurance policies unless 30 days' advance notice and a cost-benefit analysis of the proposed policies are provided to the Joint Legislative Budget Committee. Similar language is proposed in Section 7 of the 1984 Budget Bill.

COMMISSION FOR ECONOMIC DEVELOPMENTItem 8200 from the General
Fund

Budget p. CG 18

Requested 1984-85	\$408,000
Estimated 1983-84.....	389,000
Actual 1982-83	315,000
Requested increase (excluding amount for salary increases) \$19,000 (4.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission for Economic Development (CED) was established in 1972 to provide guidance on statewide economic development by: (1) identifying and assessing regional and local economic development problems and making recommendations for solving them; (2) providing a forum for an ongoing dialogue on economic development issues between state government and the private sector; (3) identifying and reporting important secondary effects of regulations and economic development programs; and (4) undertaking special studies at the request of the Governor or the Legislature. The commission is composed of 17 members, including six members of the Legislature, and is chaired by the Lieutenant Governor.

In the current year, the commission's staff consists of nine positions.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes a General Fund appropriation of \$408,000 for support of the commission in 1984-85. This is \$19,000, or 4.9 percent more than current-year expenditures. This increase will grow by the cost of any improvements in salaries or benefits approved for the budget year.

Table 1 summarizes the past-, current- and budget-year expenditures and staffing for the commission.

Table 1
Commission for Economic Development
Budget Summary
1982-83 Through 1984-85
(dollars in thousands)

Category	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change from 1983-84	
				Amount	Percent
Personal Services	\$152	\$244	\$259	\$15	6.1%
Operating Expenses	164	148	152	4	2.7
Total Expenditures	\$316	\$392	\$411	\$19	4.8%
General Fund	\$315	\$389	\$408	\$19	4.9%
Reimbursements	1	3	3	—	—
Authorized Positions (staff-years)	6.2	9.0	9.0	—	—

Of the proposed \$19,000 increase in expenditures (1) \$15,000 is for personal services, consisting of cost-of-living and merit salary adjustments, as well as the increased costs of retirement and health benefits, and (2) \$4,000 is

for the commission's participation in the standard accounting system (CALSTARS), as required by state law.

Our analysis indicates that the proposed increases are routine in nature, and we recommend that they be approved.

Current and Proposed Activities of the Commission

CED reports its activities on a calendar year basis. In 1983, the commission:

- Held three regular meetings, at which it reviewed economic development legislation pending before the Legislature and the linkage between the state's educational system and economic development;
- Created advisory committees on tourism, local government, and the aerospace and maritime industries; and task forces on the wine industry and on the "feminization" of poverty; and
- Published its statutorily required annual report and updated its informational publication entitled, *Doing Business in California—A Guide for Establishing a Business*.

Its staff currently is working on a study of plant closures in California and on a 10-year economic development plan for the state, to be drafted in conjunction with the Department of Economic and Business Development.

Also during 1983, the commission established an office in Los Angeles, at which six of its nine staff members are now located. The remaining three staff members are located in Sacramento.

In 1984, the commission plans to:

- Create task forces on international trade and rural economic development;
- Address such issues as (1) the retraining of workers who become unemployed because of economic dislocations, (2) the economic impact of air pollution, and (3) toxic waste cleanup; and
- Publish a monthly newsletter containing pertinent economic development information for the public and private sectors.

MOTION PICTURE COUNCIL

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

Budget p. GG 19

Requested 1984-85	\$200,000
Estimated 1983-84	190,000
Actual 1982-83	153,000
Requested increase (excluding amount for salary increases) \$10,000 (5.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Reimbursement for Administrative Costs. Recommended adoption of supplemental report language directing Caltrans to reimburse the Motion Picture Council for the

1993

MOTION PICTURE COUNCIL—Continued

Council's administrative costs of processing applications for Caltrans permits issued to motion picture companies.

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 17 members. Eleven public members, with specific qualifications, are appointed by the Governor. The Speaker of the Assembly and the Senate Rules Committee each appoint three members. Chapter 730/83 (SB 535) increased membership of the council from 14 to 17 members by adding one public member, appointed by the Governor, and one member each appointed by the Senate Rules Committee and the Speaker of the Assembly.

The responsibilities of the MPC include (1) developing and distributing promotional materials which encourage production of films and commercials 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 three positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$200,000 from the Motion Picture Council Account of the Special Deposit Fund for support of the council in 1984-85. This is \$10,000, or 5.3 percent, more than current-year expenditures. This increase will grow by the cost of any salary or benefit adjustments approved for the budget year.

Table 1 shows the MPC's expenditures and staffing for the past, current and budget years.

Table 1
Motion Picture Council
Budget Summary
1982-83 Through 1984-85
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change from</i> <i>1983-84</i>	
				<i>Amount</i>	<i>Percent</i>
Personal Services	\$85	\$97	\$104	\$7	7.2%
Operating Expenses	68	93	96	3	3.2
Total Expenditures	\$153	\$190	\$200	\$10	5.3%
Personnel-Years	2.9	3.0	3.0	—	—

Of the proposed \$10,000 increase in expenditures: (1) \$7,000 is for cost-of-living and merit salary adjustments and increased costs for retirement and health benefits, and (2) \$3,000 is for increased operating expenses associated with updating and distributing the California Movie Production Handbook. Published intermittently by the council, this handbook assists

motion picture companies in obtaining federal, state and local permits for filming movies and commercials.

Our analysis indicates that the proposed increases are justified.

Fee Revenues May Be Overestimated

The council's annual expenditures are financed from fees which are established and charged by the council for the use of state-owned property under management of the Department of Parks and Recreation in filming movies and commercials. Currently, the fees range from \$600 to \$1,200 per day of filming, depending on the number of vehicles admitted to the filming site. These fees were established in 1981 and are reviewed periodically by the council. In addition to supporting the MPC, revenues from these fees are also used to reimburse the Department of Parks and Recreation for its costs associated with the filming.

Table 2 summarizes the actual and projected fee revenues and expenditures of the MPC for the past, current and budget years.

Table 2
Motion Picture Council
Summary of Revenues and Expenditures
1982-83 Through 1984-85
(in thousands)

	1982-83 Actual	Estimated 1983-84	1983-84	1984-85 Proposed
			Actual As of 12/31/83	
Beginning Reserves.....	\$21	\$27	\$27	\$37
Fee Revenues.....	159	200	70	250
Total Resources	\$180	\$227	\$97	\$287
Expenditures.....	153	190	67	200
Ending Surplus	\$27	\$37	\$30	\$87

Table 2 shows that, as of December 31, 1983, the council had collected only \$70,000, or 35 percent, of the \$200,000 in fee revenues it expects to receive in 1983-84. Although fee collections always fluctuate to some degree because of weather and filming schedule constraints, the MPC staff acknowledges that the current-year fee collections are lagging. The staff hopes that good weather and an anticipated increase in filming activity during the January-June 1984 period will enable the council to reach the \$200,000 target in 1983-84. The staff also indicates that the projection of \$250,000 in 1984-85 fee revenues may be too optimistic, given past- and current-year experience.

Because the annual expenditures of the council are limited to the amount of fee revenues collected each year and any carryover surplus from the preceding years, a revenue shortfall in any year can require a reduction in the council's expenditures to keep the annual budget within available resources.

Council Should Be Reimbursed by Caltrans for Administrative Services

We recommend that the Legislature adopt supplemental report language directing Caltrans to reimburse the MPC for the council's administrative costs of processing applications for Caltrans permits issued to motion picture companies.

In October 1, 1983, the MPC staff began processing applications for

MOTION PICTURE COUNCIL—Continued

Caltrans permits needed by motion picture companies to film movies and commercials on state highways or parking lots. This service was initiated by the MPC, on a trial basis, in Caltrans District 7 (consisting of Los Angeles, Orange and Ventura Counties) in order to expedite the issuance of these permits. Prior to October 1, 1983, movie companies had to submit an application to Caltrans and pay a \$97 nonrefundable fee. In addition to the processing fee, Caltrans also charges the movie companies for its actual personnel (inspector's time) and operating costs associated with the filming.

Since October 1, 1983, the MPC (1) processes all permit applications for Caltrans District 7, (2) collects the application fees and (3) obtains the Caltrans permits for the requesting film companies. Caltrans, however, retains the entire \$97 application fee.

Our analysis indicates that the MPC should retain a share of the application fee to cover the cost it incurs in processing applications. These costs currently are estimated at about \$70. The remaining \$27 from the application fee should accrue to Caltrans, to cover its cost of issuing the permit. To implement this reimbursement procedure, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that, beginning July 1, 1984, Caltrans shall reimburse, through interagency agreement, the Motion Picture Council for the council's actual administrative costs of processing applications for Caltrans permits issued to motion picture companies for the use of state highways and parking lots when filming movies and commercials. Such reimbursement shall be deducted by the council's staff from the application fee charged by Caltrans for the permit.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General
Fund

Budget p. GG 20

Requested 1984-85	\$8,767,000
Estimated 1983-84.....	8,577,000
Actual 1982-83	10,465,000
Requested increase (excluding amount for salary increases) \$190,000 (+2.2 percent)	
Total recommended reduction	153,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8260-001-001—Support		General	\$2,257,000
8260-001-890—Support		Federal Trust	(39,000)
8260-101-001—Local Assistance		General	6,510,000
8260-101-890—Local Assistance		Federal Trust	(788,000)
Totals			\$8,767,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. *Interagency Arts. Reduce Item 8260-001-001 by \$10,000 and Item 8260-101-001 by \$40,000 (General Fund).* Recommend elimination of the Interagency Arts program because the council has no plans for the program. 1997
2. *Staff Positions. Reduce Item 8260-001-001 (General Fund) by \$103,000.* Recommend deletion of three positions not justified by workload. 1997
3. *Grant Programs.* Recommend that the council report during budget hearings on grant allocation decisions. 1998

GENERAL PROGRAM STATEMENT

The enabling legislation for the California Arts Council directs it to (1) encourage artistic awareness and expression, (2) assist local groups in the development of arts programs, (3) promote the employment of artists in both the public and private sector, (4) provide for the exhibition of artworks in public buildings, and (5) 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 48.5 authorized personnel-years during the current year.

Table 1
California Arts Council
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change From 1983-84	
				Amount	Percent
Cultural participation	\$1,969	\$1,555	\$1,891	\$336	21.6%
Grant expenditures	(1,572)	(1,174)	(1,384)	(210)	17.9
Administrative costs	(397)	(381)	(507)	(126)	33.1
Organizational grants	6,804	5,181	5,768	587	11.3
Grant expenditures	(5,612)	(4,116)	(4,484)	(368)	8.9
Administrative costs	(1,192)	(1,065)	(1,284)	(219)	20.6
Direct support and training for artists	106	—	—	—	—
Grant expenditures	(71)	—	—	—	—
Administrative costs	(35)	—	—	—	—
Statewide projects	2,445	2,558	1,935	-623	-24.4
Grant expenditures	(1,906)	(1,978)	(1,430)	(-548)	-27.7
Administrative costs	(539)	(580)	(505)	(-75)	-12.9
Central Administration (distributed)	(1,304)	(1,124)	(1,418)	(294)	26.2
Totals (all funds)	\$11,324	\$9,294	\$9,594	\$300	3.2%
Grant expenditures	9,161	7,268	7,298	30	0.4
Administrative costs	2,163	2,026	2,296	270	13.3
Personnel-years	53.5	48.5	52.5	4	8.2
<i>Funding</i>					
General Fund	\$10,465	\$8,577	\$8,767	\$190	2.2%
Federal funds	802	717	827	110	15.3
Reimbursements	57	—	—	—	—
Totals	\$11,324	\$9,294	\$9,594	\$300	3.2%

CALIFORNIA ARTS COUNCIL—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$8,767,000 from the General Fund for the California Arts Council in 1984–85. This is an increase of \$190,000, or 2 percent, over estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

In addition to General Fund support, the budget indicates that the council will receive federal funds totaling \$827,000 in 1984–85. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$9,594,000, an increase of \$300,000, or 3 percent, over estimated current-year expenditures.

Proposed Program Changes

Table 2 shows the budget changes proposed for 1984–85. The budget proposes a net increase of \$30,000 in program grants and \$270,000 in administrative costs. The council proposes to increase grant funds for six programs and to reduce grants for three programs.

Table 2
California Arts Council
Proposed Budget Changes
1984–85

Grants:	
Artists in Residence.....	\$210,000
Artistic and Administrative Development	231,000
Support to Prominent Organizations.....	173,000
State-Local Partnership	100,000
Art in Public Buildings.....	85,000
Interagency Arts Coordination	17,000
Exemplary Arts Education	-750,000
Technical Assistance	-24,000
Touring Programs	-12,000
Administrative Costs:	270,000
Total	\$300,000

The funding levels requested in 1984–85 for five programs—Artists in Residence, Artistic and Administrative Development, Support to Prominent Organizations, State-Local Partnership, and Art in Public Buildings—are less than the amounts approved by the Legislature in the 1983 Budget Bill. The actual funding levels for these programs in 1983–84 are less than what the Legislature approved, due to vetoes by the Governor. Given the nature of these programs, we have no analytical basis for recommending a change in the requested funding levels. (The Interagency Arts program, for which the council is also requesting more grant funds, is discussed later in the *Analysis*.)

The council proposes to reduce funding for the following three programs:

Exemplary Arts Education Program. This program promotes the integration of arts into the curricula of elementary and secondary educational programs. Chapter 1258, Statutes of 1980, appropriated \$2,250,000 for this program, consisting of \$750,000 for each fiscal year from 1981–82 to 1983–84. The Arts Council does not propose additional funding for the program at this time. Chapter 1258 also required an evaluation of the program by a contractor monitored by the Department of Education be

submitted to the Legislature by December 31, 1983. The evaluation was not received in sufficient time for us to review it prior to completing this analysis. We will be prepared to discuss the report at the time of budget hearings on this item.

Technical Assistance. This program provides fiscal and management services and training to artists and arts organizations that represent underserved populations. The council proposes to combine the responsibilities of this program with the State-Local Partnership program in the budget year.

Touring. This program reimburses nonprofit sponsors for up to 30 percent of the fees paid to touring artists. Although the council proposes to increase General Fund support by \$38,000 in 1984-85, federal funds for the program are expected to drop by \$50,000. As a result, total funding for the program will drop by \$12,000.

Given the nature of these programs, we have no analytical basis for recommending that they be restored to previous funding levels.

ANALYSIS AND RECOMMENDATIONS

No Documented Workload for Interagency Arts Program

We recommend deletion of funds for the Interagency Arts program because no plans for the program have been prepared, for a total General Fund savings of \$50,000 (\$40,000 in Item 8260-101-001 and \$10,000 in Item 8260-001-001).

The council proposes a budget-year increase of \$17,000 for grants under the Interagency Arts program, which supports and coordinates arts programs with other state departments. This would result in a total funding level for the program of about \$50,000. This amount consists of \$40,000 in grants and approximately \$10,000 in direct staff support.

The council indicates that currently it is pursuing the development of projects with the Department of Economic and Business Development. At the time this analysis was prepared, however, the council advised us that (1) specific plans for the use of the requested funds have not been prepared for either 1983-84 or 1984-85, and (2) interagency agreements with other state agencies have not been developed for either the current or budget year.

Without any information on how the requested funds for this program will be spent, we have no basis for recommending that these funds be approved. Accordingly, we recommend deletion of the funds requested for the Interagency Arts program, for a savings of \$50,000 to the General Fund.

Redirected Staff Positions Unjustified

We recommend deletion of three staff positions that are not supported by workload data, for a General Fund savings of \$103,000 (Item 8260-001-001).

Our analysis indicates that three positions requested by the council for new activities are not justified on a workload basis. The positions are discussed below.

Southern California Regional Office. The council proposes to permanently establish a field office in Los Angeles that would be staffed by a special assistant and one clerical position. The office would provide assistance and information to arts organizations in the southern California area, and provide work space for other staff members when they are on field trips.

2 supported by workload, but
LA office is policy issue

CALIFORNIA ARTS COUNCIL—Continued

Through redirection of an authorized position, the special assistant position was established administratively last year and reestablished in the current year. The employee was hired in February 1983, and worked out of her home in Los Angeles until June 1983, when the council opened a regional office in borrowed office space. The Legislature was not notified of these actions, despite the fact that the *Legislature specifically rejected the establishment of an office in Los Angeles* during the 1980–81 budget process. The council now proposes to permanently establish the special assistant position and add one clerical position to staff the new office in the budget year.

Our analysis indicates that the positions are not justified on a workload basis. First, the council has provided no workload data supporting the proposed positions. Second, *no* arts organization has indicated to us during our field visits in the last three years that a need for such an office exists. Third, we know of no reason why the council's headquarters staff cannot provide the necessary administrative support for the council's programs in southern California, just as it always has for the entire state. Thus, it appears that the staffing request is not based on program workload considerations.

Because the council has not provided any workload data that supports the need for a regional office in Los Angeles, we recommend the deletion of two positions and \$69,000 requested from the General Fund for this purpose (Item 8260-001-001).

Council Staff Assistant. The council has also redirected one position to carry out unspecified duties for council members. The council has provided *no* workload justification for this position. Moreover, the council has not indicated why the entire Arts Council staff of over 50 positions is unable to carry out members' assignments, as it has done in the past. Because the position is not justified on a workload basis, we recommend deletion of the position, for a General Fund savings of \$34,000 (Item 8260-001-001).

Council Should Explain Grant Fund Allocations

We recommend that the Arts Council report to the legislative fiscal committees during budget hearings on how it proposes to allocate grant funds in 1984–85.

As mentioned above, we have no analytical basis for recommending a change in the amount of funds requested for the council's grant programs. In the case of the Artists in Residence program, however, our analysis indicates that the council should provide additional information to the Legislature on *how* it plans to spend the requested grant funds.

The council proposes to use the \$210,000 increase in grant funds requested for this program to provide a 20 percent fee increase to artists who participate in the program. Current fees, which were established in 1979–80, are \$1,000 per month for artists who work on a half-time basis. The council proposes to raise the fees to \$1,200 per month. Alternatively, the council could use the additional funds to hire more artists and expand the size of the residencies program. The council advises that it typically receives many more grant applications from artists than it is able to fund in any one year.

We recommend that the council report to the legislative fiscal committees during budget hearings on why it has chosen to increase fees rather than to expand the program.

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General

Fund

Budget p. GG 28

Requested 1984-85	\$220,000
Estimated 1983-84	148,000
Actual 1982-83	157,000
Requested increase (excluding amount for salary increases) \$72,000 (+48.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Reimbursements. Recommend that reimbursements to 8280-001-001 be reduced by \$15,000 to correct for overbudgeting. 2000

GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission was established on January 1, 1977 by Ch 1332/76. Commission members are appointed by the Governor and serve without compensation, although they are reimbursed for their 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 expression of Native American religion. In addition, Ch 1492/82 authorized the commission to mediate between Native Americans and landowners, developers, or public agencies in order to mitigate any adverse impact to sacred sites.

The commission is authorized 3.4 positions in the current year. Support services are provided by the Department of General Services.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a General Fund appropriation of \$220,000 and reimbursements of \$30,000 for support of the commission in 1984-85. This would result in total expenditures of \$250,000, which is \$72,000, or 40 percent, above estimated expenditures in the current year. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

Table 1 shows actual, estimated and projected expenditures and authorized positions for the commission for the period 1980-81 through 1984-85.

Table 1
Native American Heritage Commission
Total Expenditures and Staffing
1980-81 through 1984-85

	<i>Actual</i>			<i>Estimated</i>	<i>Projected</i>
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>
Personal Services	\$134,000	\$135,000	\$111,000	\$89,000	\$151,000
Operating Expenses and Equipment	76,000	58,000	53,000	89,000	99,000
Total Expenditures	\$210,000	\$193,000	\$164,000	\$178,000	\$250,000
Reimbursements	-5,000	—	-7,000	-30,000	-30,000
Net, Total Expenditures	\$205,000	\$193,000	\$157,000	\$148,000	\$220,000
Authorized Positions	5.0	4.7	3.9	3.4	4.5

NATIVE AMERICAN HERITAGE COMMISSION—Continued**ANALYSIS AND RECOMMENDATIONS****Commission Funding Reduced, Augmented, Vetoed, and Augmented**

In both the 1981 and 1982 Budget Acts, the Legislature reduced the level of funding for the commission and included language expressing its intent to phase out the commission by 1984-85.

In the 1983 Budget Act, the Legislature chose not to include the phase-out language and augmented the commission's 1983-84 budget by \$50,000 and two positions. This action reflected the enactment of Ch 1492/82 (SB 297) which broadened the commission's role.

The Governor vetoed the \$50,000 augmentation to the commission's 1983-84 budget that had been approved by the Legislature. For 1984-85, however, the Governor is proposing to augment the commission's funding by \$72,000. The proposed funding level for the commission is slightly higher than what the commission spent in 1980-81.

The commission has continued to investigate disturbances of cultural sites, attend reburials, and file legal briefs, and has developed a formal procedure to respond to requests for mediation assistance, even though there have been funding cutbacks. The funding tug-of-war, however, has had several adverse effects on the commission's operations in the current year: (1) completion of the sacred land resource inventory, which Ch 1492/82 requires by January 1, 1984, will be delayed until June 1985; (2) commission meetings, which normally are held on a monthly basis, were reduced to just one during the first six months of 1983-84; and (3) monthly news bulletins detailing commission activities were discontinued.

Our analysis indicates that the proposed increase of \$72,000 in the commission's 1984-85 budget is justified. The increase will permit the commission to fulfill its statutory obligation to identify, catalog, and preserve Native American cultural sites and to mediate conflicts involving cultural sites when called upon.

Overbudgeted Reimbursements

We recommend a reduction of \$15,000 in reimbursements to correct for overbudgeting.

The Native American Heritage Commission proposes to enter into an interagency contract with Caltrans for \$30,000. Under the agreement, the commission would provide, when requested, on-site advisors for highway projects where preliminary studies show that human burials and/or sacred or ceremonial materials either do exist or have the potential to exist. In addition, on-site advisors are to be provided when Native Americans have strong concerns for specific cultural resources.

Through January 9, 1984, the commission had provided on-site advisors eight times, for a total of 39 days, at a cost of \$4,342, or \$543 per visit. The commission indicates that 24 such on-site visits are anticipated in 1984-85 under an interagency agreement identical to the one entered into in the current year. Based on the average cost per visit in the current year, we

estimate the commission will spend \$15,000 for such visits in 1984-85. This is \$15,000, or 50 percent, less than the amount included in the commission's budget for this purpose in 1984-85. Accordingly, we recommend that the amount of reimbursements budgeted for this purpose be reduced by \$15,000 to more accurately reflect the anticipated level of activity in 1984-85.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General
Fund

Budget p. CG 33

Requested 1984-85	\$7,610,000
Estimated 1983-84	7,411,000
Actual 1982-83	8,320,000
Requested increase (excluding amount for salary increases) \$199,000 (+2.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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- | | |
|---|------|
| 1. Compliance Policy. Recommend Agricultural Labor Relations Board and General Counsel develop staffing policy for compliance function and report to Joint Legislative Budget Committee by November 1, 1984. | 2006 |
| 2. New Settlement Procedures. Recommend General Counsel report prior to budget hearings on success of new policies regarding settlement of unfair labor practice cases. | 2007 |
| 3. Unfair Labor Practice Cases. Recommend General Counsel develop system to track cases involving charges of unfair labor practices and report to the Joint Legislative Budget Committee by December 1, 1984. | 2007 |

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board (ALRB) protects the rights 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 federal National Labor Relations Act, which guarantees similar benefits to other workers in the private sector.

Current-year staffing for the board totals 143.2 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$7,610,000 from the General Fund for support of the ALRB in 1984-85. This is an increase of \$199,000, or 2.7 percent, above estimated current-year expenditures. The increase will grow by the cost of any salary or staff benefit increase that may be approved for the budget year.

Table 1 shows personnel-years and expenditures for the board in the past, current and budget years.

AGRICULTURAL LABOR RELATIONS BOARD—Continued

Table 1
Agricultural Labor Relations Board
Program Summary
1982-83 Through 1984-85
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Change From 1983-84</i>	
	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Amount</i>	<i>Percent</i>
Board Administration	72.1	52.7	63.8	\$3,359	\$2,951	\$3,596	\$645	21.9%
General Counsel	117.6	90.5	78.4	4,973	4,460	4,014	-446	-10.0
Administrative Services (distributed)	(17.6)	(16.0)	(16.1)	(\$606)	(\$751)	(\$794)	(\$43)	(5.7)
Totals	189.7	143.2	142.2	\$8,332 *	\$7,411	\$7,610	\$199	2.7%

* Includes \$12,000 in expenditures from reimbursements.

The increase of \$199,000 proposed for 1984-85 is due primarily to merit salary adjustments and increases to offset the impact of inflation on operating expenses. The budget proposes the same number of authorized *positions* in 1984-85 that the board has in 1983-84, but it shows a decrease of 1.0 *personnel-year*, due to a higher level of estimated salary savings in the budget year. As Table 1 indicates, however, the budget proposes to shift personnel between programs by transferring 10 positions from the General Counsel to Board Administration.

The board was exempted from the Governor's three-percent position reduction plan initiated by Executive Order D-26-83 because of the significant staffing reductions imposed on the agency in the current year.

ANALYSIS AND RECOMMENDATIONS

Current-year Deficiency

The board's estimated current-year expenditures include a proposed \$200,000 allocation from the Reserve for Contingencies or Emergencies (Item 9840). Last year, the Governor reduced the board's budget by \$2,584,000 (General Fund) and 50.3 positions. Because of delays in and the complexity of the state's lay-off process, however, most of the employees in these terminated positions continued on the payroll for several months during the current year. At the time this analysis was prepared, there were seven terminated positions yet to be vacated. The \$200,000 allocation is proposed to cover these "transition" costs associated with the terminated positions.

The proposed deficiency shown in the budget, however, may not be adequate. This is because the actual costs to the board of providing continued employment for these employees probably will be closer to \$400,000. The board plans to cover this \$200,000 "shortfall" through program savings, achieved primarily through a reduction in the number of unfair labor practice hearings conducted in the current year. Only 23 hearings have been initiated in the first six months of 1983-84, compared to 52 for the comparable period in 1982-83. The board anticipates that these savings will cover the remaining \$200,000 deficit.

1983-84 Reductions

As noted above, the Governor reduced the board's budget in 1983-84 by \$2.6 million and 50.3 positions. Table 2 shows the distribution of the reductions for each of the board's program elements. It indicates that, proportionately, the greatest cuts were taken in the General Counsel's central office staff (10 out of 27 positions) and in the Salinas regional office (9 out of 26 positions).

Table 2
Agricultural Labor Relations Board
1983-84 Position Reductions by Program *

	<i>Authorized 1982-83</i>	<i>Reductions</i>	<i>Authorized 1983-84</i>
<i>Board Administration</i>			
Board members	5.0	—	5.0
Executive secretary	1.0	—	1.0
Hearing officers.....	14.3	-4.3	10.0
Attorneys	19.0 ^b	-6.0	13.0 ^b
Administrative positions	5.0	-1.0	4.0
Clerical	23.0	-6.2	16.8
Totals, Board Administration.....	67.3	-17.5	49.8
<i>General Counsel Administration</i>			
<i>Central Office Staff</i>			
<i>Unfair Labor Practice Advice:</i>			
Attorneys	5.0	-1.0	4.0
Clericals.....	1.0	—	1.0
<i>Solicitor: *</i>			
Attorneys	8.0	-2.0	6.0
Clericals.....	5.0	-1.0	4.0
<i>Operations:</i>			
Chief	1.0	-1.0	—
Field examiners and staff assistants	5.0	-3.0	2.0
Clerical	2.0	-2.0	—
Subtotals	(27.0)	(-10.0)	(17.0)
<i>Regional Offices</i>			
<i>Salinas:</i>			
Regional director	1.0	—	1.0
Attorneys	7.0	-2.0	5.0
Field Examiners	11.0	-4.0	7.0
Clericals.....	7.0	-3.0	4.0
Subtotals	(26.0)	(-9.0)	(17.0)
<i>Oxnard:</i>			
Regional director	1.0	—	1.0
Attorneys	3.0	-1.0	2.0
Field examiners.....	6.0	-2.0	4.0
Clericals.....	4.0	-1.0	3.0
Subtotals	(14.0)	(-4.0)	(10.0)
<i>Delano:</i>			
Regional director	1.0	—	1.0
Attorneys	6.0	-2.0	4.0
Field examiners.....	9.0	-1.0	8.0
Clericals.....	6.0	-2.0	4.0
Subtotals	(22.0)	(-5.0)	(17.0)

AGRICULTURAL LABOR RELATIONS BOARD—Continued

El Centro:			
Regional director	1.0	—	1.0
Attorneys	7.0	-2.0	5.0
Field examiners.....	8.0	-1.0	7.0
Clericals.....	4.0	—	4.0
Subtotals	(20.0)	(-3.0)	(17.0)
Totals, General Counsel Administration.....	109.0	-31.0	78.0
Administrative Services			
Administrative positions	8.0	—	8.0
Clerical	10.5	-1.8	8.7
Totals, Administrative Services.....	18.5	-1.8	16.7
Grand Totals, ALRB	194.8	-50.3	144.5

^a Excludes temporary help in most cases.

^b Includes the Deputy Executive Secretary and a staff counsel III, who previously were considered management positions.

^c Proposed for transfer from General Counsel to board administration in 1984-85.

In our analysis of the ALRB's budget request for 1983-84, we recommended an augmentation of \$1.1 million to restore 22.2 of the positions which were proposed for deletion by the Governor. As we pointed out then, our analysis of the board's staffing requirements under existing law indicated that the Governor's proposal was based on some faulty premises. The most serious of these involved the incorrect application of 1979 workload standards by the Department of Finance (DOF). These standards were designed to apply only to the *regional* operations. The DOF, however, assumed that the standards covered not only the processing time required for cases at the regional office level, but all processing time in the General Counsel's office and appeals work at the board level, as well (see 1983-84 *Analysis*, pages 1804-05). As discussed more fully below, these reductions have resulted in some serious backlogs and unusual workload trends in the agency.

Overview of Workload Trends

Table 3 summarizes the basic workload indicators for the ALRB, for fiscal years 1980-81 through the first half of 1983-84.

Representation Issues. Election activity appears to be rising in all categories. From a low of 38 in 1981-82, election petitions increased to 69 in 1982-83 and totaled 33 during the first half of 1983-84. The number of elections to which objections have been filed also has increased. These objections, which contest the fairness of an election, are resolved through informal hearings by the executive secretary. There have been 18 objections filed during the first half of 1983-84, compared to 21 during all of 1982-83. Although ALRB workload is difficult to predict, given current trends it is likely that the number of representation issues will continue to increase in 1984-85. Because of the staffing reductions made in 1983-84, the executive secretary is not staffed to handle an increase in election objections.

ULP Activity. The ALRB received 1,218 unfair labor practice (ULP) charges in 1982-83, which represents an increase of about 30 percent over the prior two years. During the first half of 1983-84, 513 cases were filed. As case filings for November and December historically are quite low compared with other months in the year, the 513 cases filed in the first six months of 1983-84 suggest that the high level of ULP charges experienced in 1982-83 is continuing.

Table 3
Agricultural Labor Relations Board
Selected Workload Indicators
1980-81 through 1983-84

	1980-81	1981-82	1982-83	1983-84 (Half-Year)
<i>Representation Issues</i>				
Election petitions filed	140	38	69	33
Elections held	64	25	36	26
Elections where objections were filed	43	14	21	18
Election decisions issued.....	4	17	9	12
<i>Unfair Labor Practices</i>				
Charges filed	938	930	1,218	513
Complaints issued.....	105	137	85	36
Hearings opened.....	87	90	111	23
Board decisions issued.....	35	62	83	26
Board decisions appealed to the court	50	82	92	25 ^a
Court decisions issued	41	16	16	2 ^a

^a Includes the workload for the first four months in 1983-84. November and December data was not available when this analysis was prepared.

Although ULP charge filings are up, the number of complaints, hearings and board decisions are down. There were 48 complaints issued in the first half of 1982-83, compared with only 36 during the same period in 1983-84; and there were 52 hearings (conducted by administrative law judges) opened by the board during the first six months of 1982-83, compared with 23 during the same period in 1983-84. The board issued 62 decisions in 1981-82 and 83 in 1982-83, but the number of decisions is projected to decline to 55 in the current and budget years. These decisions involve appeals of determinations made by the agency's administrative law judges.

The declines in complaints, hearings and board decisions are due to the 1983-84 staff reductions, a backlog of compliance work and changes in the General Counsel operating procedures. Under the new procedures, following an investigation by field staff, the General Counsel's staff in Sacramento now determines whether an unfair labor charge has merit and whether a complaint should be issued. Formerly, such determinations were made by the agency's four regional directors.

ULP Investigation Backlog. The number of unresolved ULP charges has increased from 496 in December 1982, to 1,091 in December 1983. This backlog represents charges that have been filed but not fully investigated by regional office staff to determine whether a complaint should be issued and a formal prosecution undertaken. The backlog has developed primarily because of staff reductions and the redirection of personnel to cover the backlog in compliance cases.

ULP Compliance Backlog. As of January 15, 1984, there was a backlog in the regional offices of 48 ULP cases involving back pay and "make whole" issues. Back pay cases are those where workers are reimbursed for lost wages, usually because of job discrimination related to union participation. Make whole cases involve situations where workers are reimbursed for the higher wages they would have received had the employer not committed a violation of the Agricultural Labor Relations Act by failing

AGRICULTURAL LABOR RELATIONS BOARD—Continued

to bargain with the union in good faith. Table 4 shows the number of back pay and make whole cases that have been decided by the board between 1977 and 1983, and which either were not appealed to the courts or were upheld upon appeal.

Table 4
Agricultural Labor Relations Board
Compliance Cases
Involving Back Pay or Make Whole Issues
1977-1983

	<i>Not Appealed</i>	<i>Upheld by Court</i>	<i>Total</i>
1977	7	4	11
1978	9	2	11
1979	4	15	19
1980	7	23	30
1981	4	14	18
1982	17	13	30
1983	12	15	27

Two cases in particular currently require a significant amount of regional staff time to determine awards for workers. Principally as a result of these two cases, regional staff hours dedicated to compliance activities (as reported through the agency's time reporting system) have *doubled* from eight percent in 1982-83 to 16 percent for the first six months of 1983-84.

The ALRB also has other kinds of compliance cases, such as those that require board agents to read to workers a notice of a violation or an agreement by the guilty party to abide by the law. These kinds of cases are not covered in our discussion of the backlog because the workload involved is relatively minor.

ULP Compliance Policy Needed

We recommend that the Agricultural Labor Relations Board and the General Counsel develop a policy for determining the staffing level for compliance activities and report to the Joint Legislative Budget Committee by November 1, 1984.

The board has never developed staffing standards or budget and work priorities for handling *compliance* cases, primarily because these kinds of cases have only recently (since 1980) become a significant factor in the agency's workload.

Our review indicates that the ALRB needs to provide better budgeting and planning for its compliance workload, for several reasons. First, as noted above, the compliance function is becoming an increasingly larger part of the board's workload. Second, the compliance function is a critical part of the ALRB's role, as the Agricultural Labor Relations Act cannot work well unless compliance with board orders is assured. Finally, it is impossible for the Legislature to determine what level of staffing is adequate for the board without having better workload and budget information.

For these reasons, we recommend that the Legislature direct the ALRB to develop staffing standards and priorities for its compliance workload. The board could pattern its staffing standards after those of the National Labor Relations Board (NLRB). Accordingly, we recommend that the Legislature adopt the following supplemental language:

The Agricultural Labor Relations Board and the General Counsel shall develop a proposal for staffing the compliance function at a level appropriate to meet workload requirements and report thereon to the Joint Legislative Budget Committee by November 1, 1984.

Success of New Procedures Is In Doubt

We recommend that the General Counsel report prior to budget hearings on the success of new case settlement procedures in reducing the backlog of Unfair Labor Practice charges.

The General Counsel has instituted procedural changes which he claims will not only eliminate the unfair labor practice (ULP) backlog, but also allow the agency to operate within the budget restraints imposed by the Governor in 1983-84. Two key procedural changes were instituted on October 16, 1983:

- Declarations from all witnesses must be provided by parties who file a ULP charge at the time of the filing, and
- Regional personnel must send to the charged party, prior to the formal investigation of a charge, a letter specifying the allegations in the charge and offering a settlement.

The purpose of the new procedures is to increase the number of cases that are settled and thereby avoid the costly investigation-prosecution-hearing process.

There is little doubt that additional settlements would reduce board costs at all levels. The National Labor Relations Board (NLRB) has kept its costs relatively low in recent years by resolving 98 percent of the charges filed on an informal basis.

Although we agree with the objectives of the General Counsel's new policies, we question whether the new procedures are working. The original proposal outlining the new procedures stated that the backlog would be eliminated by January 31, 1984. The exact opposite, however, seems to be occurring. The number of settlements has actually *decreased* from 29 during the first half of 1982-83 to 12 during the same period in 1983-84. Moreover, during our visits to the regional offices in November, we found very few instances where growers, who are the charged party in most cases, were responding to settlement offers in pre-investigation letters.

It may be, however, that the General Counsel's procedures have not had adequate time to work. In order to make available to the Legislature the latest workload information, we recommend that the General Counsel report prior to budget hearings on the backlog of ULP charges and, if progress is not being made in reducing the backlog, advise the Legislature how he proposes to handle the workload associated with ULP charges in the budget year.

Case-Tracking System Needed

We recommend that the General Counsel develop a system for tracking unfair labor practice charges and report to the Joint Legislative Budget Committee by December 1, 1984.

As noted above, there were 1,091 unresolved unfair labor practice charges in the regions as of December 1, 1983. Currently, it is difficult to manage properly the investigation of these cases because there is no centralized system for keeping track of them. It is also impossible for anyone—for example, an interested legislator, a charging party, or a charged party—to determine the exact status of a particular case.

AGRICULTURAL LABOR RELATIONS BOARD—Continued

Our analysis indicates that the General Counsel should develop a case-tracking system similar to the one that has been used for several years by the NLRB. The system could provide such information as the date on which the charge is filed, the nature of the charge, the specific status of the case, the name of the board agent who is responsible for processing the case, and any reasons why resolution of the case is delayed.

We therefore recommend that the Legislature adopt the following supplemental report language:

The General Counsel of the Agricultural Labor Relations Board shall develop a case-tracking system for all unfair labor practice cases and report on his progress in implementing such a system to the Joint Legislative Budget Committee and the fiscal committees by December 1, 1984.

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General

Fund

Budget p. GG 40

Requested 1984-85	\$5,259,000
Estimated 1983-84.....	5,122,000
Actual 1982-83	4,437,000
Requested increase (excluding amount for salary increases) \$137,000 (+2.7 percent)	
Total recommended reduction	220,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8320-001-001—Support		General	\$4,959,000
8320-490—Reappropriation. To pay one-time collective bargaining costs.		General	300,000
Total			\$5,259,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Reversion of Reappropriated Funds. Reduce Item 8320-490 by \$220,000.* Recommend reversion of unneeded funds. 2011

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board guarantees to public education and state employees the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages, and working conditions. It does so by administering 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).

The board is authorized 97.5 personnel-years in 1983-84.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$4,959,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1984-85. This is an increase of \$222,000, or 4.7 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

The board is also requesting a reappropriation of \$300,000, which is the balance remaining from a 1979 Budget Act appropriation made to cover one-time costs primarily associated with the implementation of HEERA. Thus, the board proposes total General Fund expenditures in 1984-85 of \$5,259,000, which is 137,000 or 2.7 percent, above current-year expenditures (including expenditures from the 1979 appropriation).

The \$222,000 increase in PERB's 1984-85 support item is due primarily to merit salary increases and inflation adjustments. It also includes: (1) \$24,000 to reflect increased costs for obtaining fact finders from the private sector to help resolve labor disputes in the school districts, and (2) \$66,000 to replace obsolete word processing equipment that is used primarily to prepare transcripts for hearings related to the resolution of unfair labor practice disputes.

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
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change From 1983-84	
				Amount	Percent
Dispute Resolution	\$3,565	\$3,848	\$4,045	\$197	5.1%
Representation Determination.....	649	889	914	25	2.8
Administration (distributed)	(\$948)	(\$851)	(\$992)	(\$141)	(16.6)
Totals, Support Costs	\$4,214	\$4,737	\$4,959	\$222	4.7%
HEERA Implementation ^a	223	385	300	-85	-22.1
Totals.....	\$4,437	\$5,122	\$5,259	\$137	2.7%
Personnel-years	94	97.5	94.5	-3 ^b	-3.1%

^a One-time costs funded from reappropriations.

^b This reduction is pursuant to the Governor's Executive Order D-26-83.

Three Percent Position Reduction

The PERB's budget shows that three clerical positions are being proposed for elimination in 1984-85, for salary savings to the General Fund of \$38,000. This is pursuant to the Governor's Executive Order D-26-83, which required most state agencies to reduce their total number of positions by 3 percent. The reduction is consistent with our analysis of the board's budget last year, which showed that PERB, when compared with similar operations of the Agricultural Labor Relations Board and the National Labor Relations Board, generally has too much clerical staff (see *1983-84 Analysis*, page 1809).

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued**ANALYSIS AND RECOMMENDATIONS****Case Processing Improving**

In past years, we have demonstrated that PERB has been inordinately slow in case processing, particularly at the board level. In 1980, for example, PERB was more than four times slower than the Agricultural Labor Relations Board, three times slower than the New York State 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. The rights of employees and employers under collective bargaining laws cannot be protected effectively unless the board processes its cases expeditiously.

During the last three years, the Legislature has adopted language in supplemental reports to the Budget Act requiring PERB to (1) develop procedures for expediting case processing and (2) report quarterly to the Legislature on its progress in implementing the new procedures for increasing staff productivity (please see the *1981-82 Analysis*, pages 1513-15; the *1982-83 Analysis*, pages 1641-43; and the *1983-84 Analysis*, pages 1809-12).

In response to the Legislature's concerns, the board adopted the goal of processing 10 cases per month. We are pleased to report that *the board has met this goal in 1983*. It has also significantly reduced the number of old cases on its docket (appealed cases filed with the board but awaiting decision). For example, on December 29, 1983, 11 cases had been on its docket for more than a year, compared to 42 cases on December 31, 1981. The median length of time on the docket for unfair labor practice cases had been reduced from more than 800 days in 1981 to 149 days by January 1, 1984. At the current rate, the board should eliminate all cases over 9 months old by July 1, 1984.

PERB One-Time Costs for Collective Bargaining Implementation

Item 375 of the 1979 Budget Act appropriated \$1,285,812 for the implementation of two new collective bargaining acts affecting state civil service employees and employees of the state's two higher education systems. The unexpended balance of the 1979 appropriation has been reappropriated each year since that time. The budget shows that the board will spend approximately \$385,000 of the 1979 appropriation in 1983-84. The board is requesting that the remaining balance, estimated at \$300,000 be reappropriated for expenditure in 1984-85.

These funds initially were 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 more than 200,000 employees. The collective bargaining acts give the parties a number of due process rights which, if exercised, can significantly delay the completion of the unit-determination and election process. As a result, the board does not have complete control over the timing of the expenditure of the funds.

Most of the implementation work for which the 1979 appropriation was made has been completed. Elections affecting a total of 193,000 state employees have been held in all 20 of the SEERA bargaining units, all nine

of the California State University (CSU) units, and 26 of 35 possible units in the University of California (UC). An election currently is underway in a UC unit of 1,877 nonacademic senate instructional employees, and another is pending in a UC unit of research and allied employees. Additional elections are possible in six existing UC faculty units and a potential new unit containing administrative and professional employees. Thus, PERB may still have to hold elections covering up to 15,000 UC employees.

Election costs have ranged as high as \$2 per employee, depending primarily on the number of voters whose eligibility to participate is challenged. The costs include such expenses as ballot printing and mailing, the use of a computer firm to count the ballots and the employment of temporary help to handle election procedures (especially challenged ballots).

With a maximum of 15,000 employees for which elections may still be held, and at a maximum cost of \$2 per employee, PERB should require not more than \$30,000 to complete the implementation of SEERA and HEERA in 1984-85. PERB proposes to use the remaining \$270,000 of the funds remaining from the 1979 appropriation as its own reserve for emergencies and contingencies to cover the costs of any large decertification or organizational security election that might occur in 1984-85.

There is a possibility that a large number of organizational security elections could take place in the 20 SEERA units. Ch 1572/82 (SB 1419) amended SEERA to allow for the negotiation of agency shop arrangements. (Under such arrangements, an employee is not required to join the union, but he/she must pay the union a service fee as a condition of continued employment.) Ch 1572/82 also provides for the rescission of agency shop agreements that have been negotiated by a majority vote of the members of the unit. PERB is required to hold such elections if it receives a petition signed by not less than 30 percent of the membership of the unit.

One organizational security election has already taken place under this measure (SEERA unit 10, November 1983). It is not known how many, if any, additional elections will be requested and held in 1984-85.

PERB could incur costs totaling as much as \$226,000 in 1984-85 if it were to receive petitions with sufficient signatures for *each* of the 20 SEERA units. It is, however, highly speculative at this time whether any large decertification or organizational security elections will occur in 1984-85.

PERB Should Revert Most of Its Reappropriated Funds

We recommend the reappropriation of \$80,000 of the \$300,000 available from the 1979 Budget Act, as PERB does not need the entire amount to complete the implementation of HEERA.

Our analysis indicates that PERB needs to develop a funding mechanism to take care of the extraordinary costs associated with large decertification and organizational security elections. These costs, for example, could be handled by augmenting the board's *baseline* budget by a reasonable amount, if it can be shown that these "extraordinary" costs actually occur fairly frequently.

Our analysis indicates, however, that PERB no longer needs its own large reserve for contingencies and emergencies. We therefore recommend that the \$300,000 reappropriation requested by the board be reduced by \$220,000, which would leave \$80,000 for the remaining implementation costs associated with HEERA and \$50,000 for any large decertification or organizational security elections that might occur in 1984-85. Any costs that exceed this amount could be funded from the

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

reserve for contingencies and emergencies—just as unforeseen costs incurred by all other agencies are funded.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General
Fund and Industrial Relations
Construction Industry En-
forcement Fund

Budget p. GG 44

Requested 1984-85	\$106,967,000
Estimated 1983-84.....	102,578,000
Actual 1982-83	93,167,000
Requested increase (excluding amount for salary increases) \$4,389,000 (4.3 percent)	
Total recommended decrease	55,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8350-001-001—Departmental Support		General	\$82,296,000
8350-001-023—Regulation of Farm Labor Contrac- tors		General (Farm Labor Con- tractors' Special Account)	\$50,000
8350-001-216—Enforcement of Laws Relating to the Licensing of Contractors		Industrial Relations Con- struction Industry Enforce- ment	529,000
8350-001-452—Elevator Inspections		General (Elevator Safety Inspection Account)	2,183,000
8350-001-453—Pressure Vessel Inspections		General (Pressure Vessel Inspection Account)	3,185,000
8350-001-571—Workers' Compensation Benefits for Employees of Uninsured Employers		Uninsured Employers' (Em- ployees' Account)	900,000 *
8350-001-572—Workers' Compensation Benefits for Asbestos Workers		Uninsured Employers' (As- bestos Workers' Account)	864,000
8350-001-890—Departmental Support		Federal Trust	16,900,000
Statutory Appropriation		Unpaid Wage	60,000
Total			\$106,967,000

* The Budget Bill shows \$7,116,000 for this item, of which \$900,000 is appropriated from fines, penalties and recoveries from the Uninsured Employers' Fund and the remaining \$6,216,000 is appropriated from Item 8350-001-001.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Staff Reductions. Recommend Departments of Finance and Industrial Relations report, prior to budget hearings, on the impact of the following on the department's ability to perform its statutory responsibilities:
 - Budget reductions made during 1983-84,
 - The 3-percent personnel reductions proposed in the budget year, and

2022

- High vacancy rates throughout the department.
- 2. **Cancer Presumption Position. Reduce Item 8350-001-001 2022**
by \$55,000. Eliminate attorney requested to administer local mandate claims for "cancer presumption" workers' compensation benefits since this workload can be handled by the Board of Control without an increase in staff.
- 3. **Cal-OSHA Clerical Performance Standards. Recommend 2023**
Department of Industrial Relations develop performance and staffing standards for clerical field enforcement positions in the Division of Occupational Safety and Health, and report to the Joint Legislative Budget Committee on its progress by December 1, 1984.

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 nine programs:

1. **Administrative Supportive Services.** This program includes the office of the Director and provides overall policy direction, legal, public information, fiscal management, personnel, training, and data processing services within the department, as well as consultation services to employers regarding compliance with the California Occupational Safety and Health Act (Cal-OSHA).

2. **Self-Insurance Plans Unit.** This program 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.** This program 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.** This program adjudicates disputed claims for compensating workers who suffer industrial injury in the course of their employment, approves rehabilitation plans for disabled workers, and administers the Uninsured Employers' Fund (UEF).

5. **Division of Occupational Safety and Health.** This program 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.** This program 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.** This program 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.** This program gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illnesses as part of the Cal-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.

9. *Payment of Claims, Wages and Contingencies.* This program provides workers' compensation benefits to injured workers and certain employees who suffer from asbestosis, in cases where the employer fails to provide the benefits, and makes payment of wages to certain workers.

The department is authorized 2,244.3 personnel-years in 1983-84.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes nine appropriations totaling \$106,967,000 for support of the Department of Industrial Relations (DIR) in 1984-85. The General Fund portion of the request is \$82,296,000, which is an increase of \$3,051,000, or 3.9 percent, over current-year expenditures.

Table 1
Department of Industrial Relations
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Program	Actual	Estimated	Proposed	Change	
	1982-83	1983-84	1984-85	Amount	Percent
Regulation of Workers' Compensation					
Self-Insurance Plans	\$912	\$1,182	\$1,232	\$50	4.2%
Conciliation of Labor Disputes	1,330	1,451	1,590	139	9.6
Adjudication of Workers' Compensation Disputes	32,312	35,726	38,600	2,874	8.0
Prevention of Industrial Injuries and Deaths	31,038	33,792	35,015	1,223	3.6
Enforcement of Laws Relating to Wages, Hours and Working Conditions	17,177	17,905	18,181	276	1.5
Apprenticeship and Other On-the-Job Training	5,100	6,148	4,962	-1,186	-19.3
Labor Force Research and Data Dissemination	1,769	2,597	2,782	185	7.1
Payment of Claims, Wages and Contingencies	6,142	7,622	7,652	30	0.4
Administrative Supportive Services (Distributed to Other Programs)	(6,699)	(8,061)	(9,530)	(1,469)	(18.2)
Total Expenditures	\$95,780	\$106,423	\$110,014	\$3,591	3.4%
Less Reimbursements	2,613	3,845	3,047	-798	-20.8
Net Expenditures	\$93,167	\$102,578	\$106,967	\$4,389	4.3%
<i>Funding</i>					
General Fund	\$73,098	\$79,245	\$82,296	\$3,051	3.9%
Farm Labor Contractors' Account	—	—	50	50	—
Industrial Relations Construction Industry Enforcement Fund	416	504	529	25	5.0
Elevator Safety Inspection Account	1,687	2,147	2,183	36	1.7
Pressure Vessel Inspection Account ..	2,169	3,117	3,185	68	2.2
Uninsured Employers' Fund, Employees' Account	1,072	900	900	—	—
Asbestos Workers' Account	185	864	864	—	—
Federal Trust Fund	14,483	15,741	16,900	1,159	7.4
Unpaid Wage Fund	57	60	60	—	—

The budget proposes a total expenditure program for the department of \$110,014,000 in 1984-85. This is \$3,591,000, or 3.4 percent, above estimated current-year total expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year. Table 1 shows expenditures by program, for the prior, current and budget years. As the table shows, the General Fund supports over three-fourths of the department's expenditures, with the remainder coming from various special funds, nongovernmental cost funds and federal funds.

Current-Year Deficiency

The department's estimated current-year expenditures include a proposed allocation from the reserve for contingencies and emergencies of \$3.2 million (\$2.2 million from the General Fund and \$1 million from the Federal Trust Fund). This allocation is to cover one-time costs associated with the termination of 170 positions in 1983-84. The positions and funding for them (\$8.0 million) were eliminated by the Governor, effective July 1, 1983. Many of these positions, however, have continued to be occupied well into the current year, due to the fact that the state's involved layoff procedures make it difficult to terminate positions quickly.

Most of the employees whose positions were abolished either voluntarily left the department for other jobs, moved into similar positions in the department or took advantage of the "golden handshake" retirement plan. As of January 1, 1984, however, 22 of the 170 positions affected by the reduction were still filled by state employees.

Budget-Year Changes

Table 2 summarizes the major components of the \$3.6 million increase in the department's budget proposed for 1984-85. *Baseline adjustments*, which include such factors as inflation and merit salary adjustments, account for \$1,363,000, or 38 percent, of the total increase. The largest of these adjustments is a special salary savings reduction. In past years, the department administratively increased salary savings in order to finance a variety of salary upgrades, acquire additional rental space and expand programs. It has been necessary, therefore, to hold a large number of positions vacant each year in order to generate sufficient salary savings to maintain expenditures within budgeted amounts. The budget proposes an increase of \$888,000 (\$574,000 from the General Fund and \$314,000 in federal funds) in order to reduce salary savings from 8.7 to 7.3 percent in 1984-85.

The budget also proposes a reduction of 18 positions and \$675,000 as the department's response to the Governor's 3-percent personnel reduction directive. These proposed reductions are discussed in more detail below.

The department's budget includes almost \$1.5 million in additional funding to give the department the ability to meet increased *workload*, primarily involving (1) the legal defense and administration of the Uninsured Employers' Fund (UEF), and (2) collection of death-without-dependency payments.

Proposed *program changes* include \$460,000 (General Fund) to implement newly enacted legislation and \$306,000 for a new employer consultation function in the mine safety program. Eighty percent, or \$245,000, of the cost of the new consultation program will be offset by federal funding.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 2
Department of Industrial Relations
Proposed 1984-85 Budget Changes
(in thousands)

	<i>All Funds (Including Reimbursements)</i>
1983-84 Expenditures (Revised)	\$106,423
<i>Baseline Adjustments</i>	
Merit salary adjustments	508
Inflation adjustments	642
Special salary savings adjustment	888
Governor's 3-percent position reduction	-675
Subtotal, Baseline Adjustments	(\$1,363)
<i>Workload Changes</i>	
Increased departmental fiscal management staff	\$72
Administration of the Uninsured Employers' Fund	1,096
Workers' Compensation Program	78
State Building Standards Commission: Review of Cal-OSHA standards	66
Equipment Replacement	150
Subtotal, Workload Changes	(\$1,462)
<i>Program Changes</i>	
New employer consultation function in the state Mine Safety program	\$306
New legislation: Ch 1096/83 (increased penalties for wage law violations) and Ch 1568/82 (cancer presumption for firefighters)	460
Subtotal, Program Changes	(\$766)
1984-85 Expenditures (Proposed)	\$110,014
Change from 1983-84:	
Amount	\$3,591
Percent	3.4%

ANALYSIS AND RECOMMENDATIONS

A. THE IMPACT OF STAFFING REDUCTIONS

Our review of the department's 1984-85 budget request indicates that DIR may not have the resources needed to perform its statutory functions. The level of staffing in many of the department's program areas may not be adequate due to the following three factors:

- **1983-84 Reductions.** In 1983-84, the Governor reduced DIRs budget by \$8 million and 170 positions;
- **1984-85 "3-Percent" Reductions.** The Governor proposes to eliminate another 18 positions (and \$675,000) from the department as part of his statewide personnel reduction program; and
- **Excessive Vacancies.** The department currently is experiencing a vacancy rate of *almost 14 percent*, with even *higher* rates in several units.

These factors are discussed in more detail below.

1983-84 Reductions

In 1983-84, the Governor reduced the budget of the Department of Industrial Relations by a total of \$7,988,000 and eliminated 170 positions in the Divisions of Occupational Safety and Health, Labor Standards Enforcement and Apprenticeship Standards. Table 3 shows the staffing levels

—by division and program element—prior to and after these reductions were made.

Table 3
Department of Industrial Relations
Impact of 1983-84 Budget Reductions
On Staffing Levels^a

<i>Division of</i>	<i>1982-83 Staffing Levels</i>			<i>Reductions</i>			<i>1983-84 Staffing Levels</i>		
	<i>Profes-</i>	<i>Clerical</i>	<i>Total</i>	<i>Profes-</i>	<i>Clerical</i>	<i>Total</i>	<i>Profes-</i>	<i>Clerical</i>	<i>Total</i>
<i>Occupational Safety and Health</i>									
Cal-OSHA									
Administration	14.0	17.0	31.0	-5.0	-3.0	-8.0	9.0	14.0	23.0
Research and Standards Development ..	14.0	4.0	18.0	-6.0	-1.0	-7.0	8.0	3.0	11.0
Medical Support	6.0	—	6.0	-3.0	—	-3.0	3.0	—	3.0
Special Health Studies	5.0	2.0	7.0	-1.0	—	-1.0	4.0	2.0	6.0
Legal Unit	11.0	9.0	20.0	-7.0	-4.0	-11.0	4.0	5.0	9.0
Bureau of Investigations	10.0	3.0	13.0	-4.0	—	-4.0	6.0	3.0	9.0
Monitoring Unit	4.0	2.0	6.0	-3.0	-1.5	-4.5	1.0	0.5	1.5
Field Enforcement	210.0	72.5	282.5	-10.0	-27.0	-37.0	200.0	45.5	245.5
Elevator Inspections	41.0	17.0	58.0	-2.0	-4.0	-6.0	39.0	13.0	52.0
Pressure Vessel Inspections	52.0	18.0	70.0	-3.0	-2.0	-5.0	49.0	16.0	65.0
Subtotals	(367.0)	(144.5)	(511.5)	(-44.0)	(-42.5)	(-86.5)	(323.0)	(102.0)	(425.0)
<i>Division of Labor Standards Enforcement</i>									
Concentrated Enforcement Program	48.0	18.5	66.5	-28.0	-13.5	-41.5	20.0	5.0	25.0
Legal Unit	16.0	16.8	32.8	-6.0	-5.0	-11.0	10.0	11.8	21.8
Talent Agency Regulation	4.5	2.0	6.5	-2.5	-2.0	-4.5	2.0	—	2.0
Field Enforcement	198.5	139.8	338.3	-6.0	—	-6.0	192.5 ^b	139.8 ^a	332.3
Subtotals	(267.0)	(177.1)	(444.1)	(-42.5)	(-20.5)	(-63.0)	(224.5)	(156.6)	(381.1)
<i>Division of Apprenticeship Standards</i>									
Headquarters Operations	18.0	19.0	37.0	-7.0	-5.0	-12.0	11.0	14.0	25.0
Field Operations	65.0	32.5	97.5	-7.5	-1.0	-8.5	57.5	31.5	89.0
Subtotals	(83.0)	(51.5)	(134.5)	(-14.5)	(-6.0)	(-20.5)	(68.5)	(45.5)	(114.0)
Totals	717.0	373.1	1,090.1	101.0	69.0	170.0	616.0	304.1	920.1

^a Staffing levels and reductions are shown for selected programs and units only.

^b These figures do not reflect the reorganization resulting from Ch 323/83, which requires the establishment of outreach field offices in five specified areas in the state.

Table 3 indicates that programs and units affected by the current-year cuts experienced reductions of 14 percent in professional staff (101 of 717 positions) and 18 percent in clerical help (69 of 373 positions). The largest reduction was made in the Concentrated Enforcement Program, which lost 41.5 of its 66.5 positions, a staffing decrease of almost two-thirds. Other programs and units which took proportionately larger reductions were: (1) Cal-OSHA support (that is, nonfield enforcement) staff, and (2) the legal unit and the talent agency regulation program, both of which are in the Division of Labor Standards Enforcement.

In our analysis of the Governor's Budget for 1983-84, we divided the reductions proposed in the DIR budget into four categories:

- (1) Reductions having little or no program impact,
- (2) Reductions whose impacts were difficult to determine,
- (3) Reductions involving basic legislative policy issues, and
- (4) Reductions that would seriously impair essential program services.

(For more information, see our April 26, 1983 analysis of the Department

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

of Finance's March 25, 1983 "Amendment Letter" for DIR, which allocated the proposed 1983-84 reductions to the department's programs.)

Reductions Impairing Program Services. In category (4), above, we included the reduction of 10 attorney positions (and related expenses) in Cal-OSHA and the Division of Labor Standards Enforcement, and the reduction of 6.5 positions in the talent agency regulation program. While we are still concerned about the program impacts of these cuts, it is difficult to document any actual backlog or program disruptions that can be attributed to them. This is because many of the eliminated positions *are still filled* due to the lengthy state layoff process.

Clerical Reductions. In category (2), above, we included the reduction of 27, or 37 percent, of the 72.5 clerical positions in the Cal-OSHA field enforcement program. The positions were located in five regional and 19 district offices located throughout the state. These reductions were part of the overall \$4.9 million reduction in the budget of the Division of Occupational Safety and Health, which resulted in the elimination of 86.5 positions. We were unable to evaluate the clerical reduction last year because the division had failed to develop performance and staffing standards for field clerical positions.

We are still unable to evaluate accurately the impact of this reduction because performance and staffing standards are still lacking. Our review and analysis of the operations of several field offices, however, indicates that the reductions *are* interfering with the effectiveness of the Cal-OSHA enforcement program. We found, for example, district offices where clerical personnel were no longer conducting history checks to determine whether an employer being investigated has had prior violations. In addition, we found at least two cases in which clerical vacancies and reductions had left the office with only a single remaining clerical position, making it necessary for compliance personnel to take turns handling telephone and counter duty. This is not only a misuse of technical staff; it also constitutes "out-of-class" work, which is against state law.

Governor's Three-Percent Position Reduction

The department's budget proposes a reduction of \$675,000 and the elimination of 18 positions, as part of the Governor's plan to reduce the total number of state positions by 3 percent. The Divisions of Labor Standards Enforcement and Apprenticeship Standards, and the Cal-OSHA program in the Division of Occupational Safety and Health, were exempted from these personnel reductions because of the 170 positions which were deleted from these programs in the current year.

Table 4 shows the number of positions, by program and funding source, that are proposed for deletion in 1984-85.

After reviewing these proposed reductions, we have specific concerns about the following cuts: (1) workers' compensation judges, (2) inspection positions, and (3) the AB 1111 position.

Workers' Compensation Judges. Among the positions proposed for reduction in response to the 3-percent directive are five workers' compensation judges and two support positions (General Fund reduction of \$307,000 in 1984-85). Our analysis indicates that this proposed reduction will make it very difficult for the division to avoid backlogs and maintain the quality of decisions in the workers' compensation adjudication program.

Table 4
Department of Industrial Relations
Three Percent Position Reductions, by Program and Funding Source
(dollars in thousands)

	Positions	General Fund	Expenditures		Totals
			Elevator and Pressure Vessel Accounts	Federal Funds and Reimbursements	
Administration	1	\$55	\$4	\$15	\$74
Regulation of Workers' Compensation Self-Insurance Plans	1	—	—	33	33
Adjudication of Workers' Compensation Disputes	7	307	—	—	307
Prevention of Industrial Injuries and Deaths:					
OSHA Appeals Board	2	40	—	39	79
OSHA Standards Board	1	34	—	—	34
Elevator Inspections	2	—	66	—	66
Pressure Vessel Inspections	2	—	82	—	82
Labor Force and Research and Data Dissemination	2	—	—	—	—
Totals	18	\$436	\$152	\$87	\$675

As Table 5 shows, new case filings are expected to increase from 138,000 in 1982-83 to 160,000 in the budget year, a two-year increase of 16 percent. At the same time, the administration proposes to *decrease* the number of authorized judges by five, resulting in a per-judge caseload increase from 1,140 to 1,379 over the two-year period. Even these figures, however, may underestimate the growth in workload per judge, as new filings in calendar year 1983 have increased by *more than 20 percent* over the prior-year level.

Table 5
Department of Industrial Relations
Workload Growth for Workers' Compensation Judges
Selected Years

	1972-73	1982-83	1983-84	1984-85	Change Over	
	Actual	Actual	Estimated	Proposed	1983-84	Percent
New Case Filings	69,657	137,947	151,742	160,000	8,258	5.4%
Authorized Judges	104	121	121	116	-5	-4.1
Cases Per Judge	670	1,140	1,254	1,379	125	10.0

Thus far, the department has managed to handle additional workload by instituting productivity reforms and encouraging the parties to settle as many cases as possible. Our analysis indicates, however, that the system cannot handle many additional cases without causing delays and deterioration in the quality of judges' decisions.

Pressure Vessel and Elevator Inspection Positions. The budget also proposes the reduction of (1) an elevator inspector and a clerical support position (for a reduction of \$66,000 in 1984-85 to the Elevator Safety Inspection Account in the General Fund), and (2) two inspector positions in the pressure vessel inspection program (for a reduction of \$82,000 to the Pressure Vessel Inspection Account). The pressure vessel inspection program ensures the safety of such pressurized equipment as liquified petro-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

leum gas (LPG) tanks, boilers and air compressor tanks.

Both of these programs, which are located in the Division of Occupational Safety and Health, *already have serious backlog problems:*

- Approximately 13,600, or 40 percent, of the elevators in the state currently are overdue for the annual inspection required by law.
- At the present time, 2,255, or 7.5 percent, of the LPG tanks in the state and 1,052, or 44 percent, of the boilers which are used to generate steam pressure are past due for inspection.

These pressure vessel devices potentially are very dangerous. For instance, an LPG tank exploded in Spain in 1978, killing 300 people; and a boiler exploded in San Jose, California in 1963, killing eight people and injuring 69 people. Rigorous inspection programs have minimized the number of accidents involving LPG and boilers in recent years.

The private sector portions of these programs are entirely supported by revenue from inspection fees paid by the owners of elevators and pressure vessels. These revenues accrue to two special accounts in the General Fund. The General Fund itself supports only the inspection of elevators and pressure vessels that are owned by the state and local governmental agencies.

AB 1111 Positions. Last year, the department requested and the Legislature approved eight additional positions for the Cal-OSHA Standards Board, at a 1983–84 General Fund cost of \$350,000. The positions were proposed to review and revise 37,000 pages of Cal-OSHA regulations by June 30, 1986, pursuant to Ch 567/79 (AB 1111). As we have noted in prior *Analyses*, many of the Cal-OSHA regulations are poorly organized, inconsistent and not directly related to worker safety and health (for example, please see the 1977–78 *Analysis*, pages 176–178). In past years, the department has estimated that review and revision of the regulations would consume a total of 87.5 personnel-years. The board has not yet started the revision process. Thus, it probably will have great difficulty meeting the June 30, 1986 deadline even with the eight positions that were approved in the current year.

Nevertheless, the department proposes to eliminate one of the positions without explaining how the review process can be completed successfully and on time with a reduced level of staffing.

Excessive Vacancies Throughout Department

As of December 31, 1983, there were 327 vacant positions in the Department of Industrial Relations, which is equal to 14 percent of the department's permanently authorized positions. These vacancies are shown, by program, in Table 6.

Many of the vacancies are in programs that seek to protect worker safety and health and already have serious backlog problems. Others are in programs that are self-supporting or nearly self-supporting. Some of the areas experiencing particularly serious vacancy rates are the following:

Cal-OSHA Compliance Inspectors. Currently, 25, or 31 percent, of the 80 authorized occupational health compliance inspector positions and 27, or 20 percent, of the 137 safety compliance inspector positions in the Cal-OSHA program are vacant. If this vacancy rate continues in 1984–85, the department will be able to conduct approximately 3,000 fewer safety and 700 fewer health inspections of workplaces in California than the numbers that would be conducted if the positions were filled. Based on past trends, it could also mean that approximately 8,000 fewer violations will be corrected, of which approximately 1,200 will be serious violations.

Table 6
Department of Industrial Relations
Vacancies, by Program and Selected Subprograms
As of December 31, 1983

<i>Program</i>	<i>Authorized Positions</i>	<i>Vacancies</i>	
		<i>No.</i>	<i>Percent</i>
Regulation of Workers' Compensation Self-insurance Plans	30.0	7.0	23.3
Conciliation of Labor Disputes	28.0	3.0	10.7
Adjudication of Workers' Compensation Disputes	824.4	85.0	10.3
Judges	(120.5)	(15.5)	(12.9)
Prevention of Industrial Injuries and Deaths	635.9	134.0	21.1
Cal-OSHA Consultation Service	(67.0)	(13.0)	(19.4)
Cal-OSHA Compliance Inspectors	(217.0)	(52.0)	(24.0)
Pressure Vessels Inspections	(50.0)	(25.0)	(50.0)
Elevator Inspection	(39.0)	(11.0)	(28.2)
Enforcement of Laws Relating to Wages, Hours, and Working Conditions	439.5	32.8	7.5
Apprenticeship and Other On-The-Job Training	109.0	2.0	1.8
Labor Force Research and Data Dissemination	121.9	32.5	26.7
Administration	169.9	31.0	18.2%
Totals, Positions	2,358.6	327.3	13.9%
Less Salary Savings	-114.3		
Totals, Personnel-Years	2,244.3		

Industrial Hygienists. As of the end of December 1983, 9, or 41 percent, of the industrial hygienist positions in the Cal-OSHA consultation program were vacant. This program helps employers comply with Cal-OSHA regulations. There currently is a backlog of about 50 requests from employers for on-site consultation services for industrial hygienists. Ninety percent of the costs of this program are borne by the federal government.

Pressure Vessel Inspections. As of the end of calendar year 1983, 25, or 50 percent, of the positions that inspect pressure vessels were vacant. These positions are charged with ensuring that such devices as liquid petroleum gas (LPG) tanks, boilers, and other potentially dangerous pressure vessels are used and maintained in a safe manner. At the current time, 2,255, or 7.5 percent, of the state's 30,000 LPG tanks, and 1,052, or 44 percent, of the boilers in the state, are past due for inspection.

Other Inspectors. Currently, 11, or 28 percent, of the technical positions that inspect elevators, escalators, aerial tramways and amusement rides are vacant. The portion of this program that serves the private sector is entirely self-supporting, covering its costs from inspection fee revenue.

Workers' Compensation. At present, 15.5, or 13 percent, of the 120.5 administrative law judge positions which adjudicate workers' compensation disputes are vacant, together with 50.5 clerical and nine hearing-reporter positions in the division. Case filings under this program have almost doubled since 1972-73, but the number of judges has increased by only 16.5 percent during the same period. The department's budget shows that case intake is expected to increase by an additional 10 percent in 1983-84 and by 5.4 percent in 1984-85. The department is not able to explain how this increasing workload will be handled in view of such a large number of vacant positions in the division.

Self-insured Employers. Currently, 7, or 23 percent, of the positions

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

are vacant in the program that regulates self-insured employers for purposes of workers' compensation. This program, which is self-supporting through assessments paid by employers, issues to employers certificates of self-insurance for workers' compensation and monitors benefit payments.

Gubernatorial Appointees. After more than 12 months in office, the Governor has still not appointed chiefs for the Division of Apprenticeship Standards and the Division of Labor Research and Statistics. He has also failed to appoint replacements to the three-member Cal-OSHA Appeals Board, which hears appeals by employers of citations which are issued by Cal-OSHA compliance personnel. At the time this *Analysis* was prepared, the board was operating with only one member. One position had been vacant since May 10, 1983, and the other had been vacant since November 19, 1983. To expedite case processing, a board employee currently is filling a vacant board position.

Conclusion

We recommend that, prior to the budget hearings, the Departments of Finance and Industrial Relations report to the fiscal committees on the extent to which staffing reductions and position vacancies are affecting and will affect DIR's ability to meet its statutory responsibilities.

The combination of current-year and budget-year reductions and high departmentwide vacancy rates may result in the Department of Industrial Relations not being able to meet its legal mandate to "foster, promote and develop the welfare of the wage earners of California, improve their working conditions and advance their opportunities for profitable employment."

Accordingly, we recommend that the Departments of Finance and Industrial Relations report to the fiscal committees on (1) the program impact of the personnel reductions already made or proposed, and (2) the steps being taken to address the current vacancy problem. In doing so, the departments should specifically address the problem areas described above.

B. OTHER ISSUES**Cancer Presumption Attorney Not Needed**

We recommend that Item 8350-001-001 (General Fund) be reduced by \$55,000 to eliminate one attorney position that is proposed to screen local mandate claims under Ch 1568/82 since this workload can be handled by the Board of Control with no increase in staff.

Chapter 1568, Statutes of 1982 (AB 3011), requires the Workers' Compensation Appeals Board, when resolving workers' compensation benefit disputes, to *presume* that certain forms of cancer contracted by firefighters are caused by employment-related conditions unless the employer proves otherwise. Prior to this measure, a firefighter, in order to receive such benefits, was required to prove that his/her cancer was caused by employment-related conditions. The act requires that all reimbursements provided to a local agency, school district or any state agency as a result of costs arising from this act be paid from the General Fund appropriation to the Subsequent Injury Program (Item 8450-001-001).

In our analysis of Item 8450, we recommend—for several reasons—that the funding for this mandate be provided through the local mandate item

(9860), which is administered by the Board of Control. Adoption of this recommendation would eliminate the need for a new attorney position in DIR to administer the mandate program, and allow a General Fund savings of \$55,000 in 1984-85. The Board of Control could absorb this workload with no increase in staff.

Department Needs Clerical Performance Standards

We recommend that the Legislature direct the Department of Industrial Relations to establish performance and staffing standards for its clerical field enforcement positions in the Division of Occupational Safety and Health and report on its progress to the Joint Legislative Budget Committee by December 1, 1984.

As noted above, the department has never established performance and staffing standards for the use of clerical positions in the Division of Occupational Safety and Health. As a result, it was not possible for the Legislature to assess the impact of last year's proposed reduction in the number of these positions.

Last year we noted that the number of clerical positions assigned to Cal-OSHA regional managers ranged from 2 to 5 positions for each manager. In addition, the number ranged from 1 clerical position for each 2.4 compliance officers to 1 clerical for every 6 compliance officers in the field offices. Moreover, the division does not use modern word processing equipment, which would probably make the clerical staff more efficient.

To provide the Legislature with a better basis for establishing staffing needs, we recommend that it adopt the following supplemental report language:

The Department of Industrial Relations shall develop performance and staffing standards for clerical staff in the Division of Occupational Safety and Health and report thereon to the Joint Legislative Budget Committee by December 1, 1984. The report also shall explore the extent to which the use of word processing equipment would make the Cal-OSHA field officers more efficient.

Reimbursement of Mandated Local Costs

We recommend approval.

The budget proposes \$5 million to reimburse the costs of two state-mandated programs which increase the workers' compensation benefits paid by local governments. The components of the \$5 million are: (1) \$4,400,000 for a mandate which reduced the period during which a worker must be disabled in order to qualify for temporary disability benefits (Ch 1021/73) and (2) \$600,000 for a mandate which modified life pension provisions for totally disabled workers (Ch 1023/71).

DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY

Item 8350-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 65

Requested 1984-85	\$46,000
Recommended approval	46,000

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend approval of Item 8350-301-036, minor capital outlay.

The budget contains \$46,000 for the Department of Industrial Relations for one minor capital outlay project. The request would provide funds for a halogen fire suppression system for the computer center at the department's San Francisco headquarters. Halogen fire suppression systems are similar to automatic fire sprinklers. Rather than dispensing water during a fire, however, the system dispenses a fire suppressing, breathable gas, which does not damage equipment or asphyxiate occupants. The State Administrative Manual, Section 4845.61, recommends this type of fire suppression system for computer centers operated by state government offices.

The State Fire Marshal has reviewed the proposal and has recommended that the halogen system be installed. On this basis, we recommend approval of the request.

DEPARTMENT OF PERSONNEL ADMINISTRATION

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

Budget p. GG 65

Requested 1984-85	\$3,165,000
Estimated 1983-84	2,900,000
Actual 1982-83	2,966,000
Requested increase (excluding amount for salary increases) \$265,000 (+9.1 percent)	
Total recommended reduction	472,000
Recommendation pending	17,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8380-001-001—	Departmental Support	General	\$2,772,000
8380-001-915—	For Support of the deferred com- pensation insurance plan	Deferred Compensation Plan	393,000
Total			\$3,165,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Salary Savings. Reduce Item 8380-001-001 by \$45,000, Item 8380-001-915 by \$6,000 and reimbursements by \$46,000.* 2026
Recommend reduction to reflect anticipated salary savings more accurately.
2. *State Personnel Management Function. Recommend that the Legislature direct the Department of Finance to report prior to budget hearings on proposed reorganization of the state's personnel management function, and on the personnel, funding, and activities to be transferred from the State Personnel Board to the Department of Personnel Administration.* 2028
3. *Facilities Operation. Withhold recommendation on \$17,000 in reimbursements, pending receipt of proposed personnel management reorganization plan.* 2028
4. *Merit Award Program. Reduce Item 8380-001-001 by \$222,000. Increase reimbursements by corresponding amount. Recommend funding shift because program can be financed from savings generated by employee suggestions.* 2029
5. *Collective Bargaining Activities. Reduce Item 8380-001-001 by \$199,000. Increase reimbursements by a corresponding amount. Recommend that collective bargaining activities be financed entirely through reimbursements.* 2030
6. *Bargaining Costs. Recommend that Department of Finance identify the source of funding for collective bargaining operations.* 2031
7. *State-Owned Housing. Recommend that the Department of Personnel Administration report prior to budget hearings on the results of departmental negotiations on rental rate changes.* 2031
8. *Time Accounting System. Recommend adoption of supplemental report language requiring the department to report on its program-based time accounting system.* 2032

GENERAL PROGRAM STATEMENT

The Department of Personnel Administration (DPA) was established May 1, 1981, by 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) provides for collective bargaining for most state civil service employees. Under 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 memoranda of understanding (MOUs).

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

The DPA has 112.4 authorized positions in the current year.

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$5,980,000 from the General Fund, the Deferred Compensation Plan Fund, and reimbursements for support of the department in 1984-85. This is \$508,000, or 9.3 percent, above estimated total expenditures for the current year. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

Department expenditures in 1984-85, exclusive of reimbursements, are proposed at \$3,165,000, which is \$265,000, or 9.1 percent, above estimated current-year expenditures. The General Fund portion of this request is \$2,772,000, which is \$244,000, or 9.7 percent, above the estimated 1983-84 level.

Table 1 presents expenditures and personnel-years for each of DPA's four programs during the three-year period ending June 30, 1985.

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

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Personnel Management	\$2,820	\$3,836	\$3,930	\$94	2.5%
Labor Relations	1,001	1,152	1,461	309	26.8
Legal	193	484	589	105	21.7
Administration (distributed)	(613)	(930)	(990)	60	6.5
Total Expenditures	\$4,014	\$5,472	\$5,980	\$508	9.3%
<i>Funding</i>					
General Fund	2,582	2,528	2,772	244	9.7
Reimbursements	1,048	2,572	2,815	243	9.4
Deferred Compensation Plan Fund	384	372	393	21	5.6
Personnel Years	99.7	117.7	121.0	3.3	2.8

Budget-Year Changes

The major changes proposed in the department's budget for 1984-85 are displayed in Table 2. The proposed \$508,000 increase in expenditures is attributable primarily to (1) the full-year cost of salary increases provided for DPA employees in 1983-84, (2) merit salary adjustments, (3) the effects of inflation on the operating expenses incurred by the department, and (4) workload changes in the labor relations and legal services programs, as described below.

The budget proposes to continue ten new positions which were established administratively in the current year, consisting of:

- Seven positions and \$264,000 to negotiate and administer collective bargaining agreements.
- Three legal positions and \$143,000 to handle collective bargaining workload.

ANALYSIS AND RECOMMENDATIONS**Salary Savings is Underestimated**

Reduced to \$42,000 my
We recommend a reduction of \$97,000 (\$45,000 in Item 8380-001-001 (General Fund), \$6,000 in Item 8380-001-915, and \$46,000 in reimbursements), in order to reflect more accurately expected salary savings.

Table 2
Department of Personnel Administration
Proposed 1984-85 Budget Changes
(dollars in thousands)

	<i>General</i> <i>Fund</i>	<i>Deferred</i> <i>Compensation</i> <i>Plan Fund</i>	<i>Reimburse-</i> <i>ments</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$2,528	\$372	\$2,572	\$5,472
<i>Baseline Adjustments</i>				
Personal Services:				
• Full-year cost of employee compensation in-				
creases granted in 1983-84	\$53	\$4	\$59	\$116
• Merit salary adjustments	28	2	27	57
• Salary savings adjustments	—	—	23	23
Operating expenses and equipment	25	15	39	79
Funding shift from reimbursements to General				
Fund	129	—	-129	—
Restore positions to labor relations program—Ch				
1258/83	—	—	37	37
Subtotals, Baseline Adjustments	(\$235)	(\$21)	(\$56)	(\$312)
<i>Workload Changes</i>				
Labor relations program	—	—	\$214	\$214
Legal services program	—	—	77	77
Reduction in training program positions	—	—	-104	-104
Ch 523/82: Special Pay	9	—	—	9
Subtotals, Workload Changes	(\$9)	—	(\$187)	(\$196)
1984-85 Expenditures (Proposed)	\$2,772	\$393	\$2,815	\$5,980
Change From 1983-84:				
Amount	\$244	\$21	\$243	\$508
Percent	9.7%	5.6%	9.4%	9.3%

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

The DPA currently estimates salary savings at \$100,000, or 3.0 percent of total salaries and wages. This amount is based on the assumption that the equivalent of three of the department's 124 authorized positions will be vacant throughout the fiscal year.

Our review of the department's vacancy reports for the years 1981-82, 1982-83 and the first half of 1983-84 indicates that the department has had *actual* salary savings greatly in excess of what it estimates for the budget year. The DPA documents we examined revealed salary savings equivalents of 7.9 percent in 1981-82, 11.0 percent in 1982-83, and 11.1 percent in 1983-84.

While the department's more recent salary savings experience may be

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

somewhat atypical, due to such factors as hiring freezes and the “newness” of the agency, the salary savings estimates in the budget are unrealistically low. Based on our analysis of the department’s experience and that of comparable state agencies, we estimate that a salary savings adjustment for DPA of 6 percent would be more reasonable than the budget estimate of 3 percent. Accordingly, we recommend a reduction of \$97,000—\$45,000 from the General Fund, \$46,000 in reimbursements, and \$6,000 from the Deferred Compensation Plan Fund.

Budget Does Not Reflect the Proposed Reorganization

We recommend that the Department of Finance report to the Legislature prior to budget hearings on the status of the proposed reorganization of the state’s personnel management function, and on the personnel, funding and activities to be transferred from the State Personnel Board to the Department of Personnel Administration.

As we describe in our analysis of the State Personnel Board (SPB) (Item 1880-001-001), the amounts proposed for SPB and DPA in the 1984–85 budget do not reflect any of the changes that would result from the reorganization plan being developed by the administration. At the time this analysis was prepared, the specific details of the plan had not been finalized.

If the administration proposes to make the reorganization effective for any part of the budget year, the Legislature should be informed of the impact that the reorganization would have on the SPB and DPA budgets. Accordingly, we recommend that the Department of Finance report to the Legislature prior to budget hearings on the status of the reorganization plan and, if the plan is to be implemented in 1984–85, on the personnel, funding and functions to be transferred from the SPB to the DPA.

Proposed Reorganization May Alter Department’s Space Needs

We withhold recommendation on \$17,000 requested for facilities operations, pending receipt of information on the reorganization plan.

The department is requesting a total of \$375,000 for facilities operations in the budget year. Our review of the department’s proposed expenditures for rent reveals that \$17,000 is budgeted for 1,200 square feet of space to accommodate the ten new positions requested by the department in 1984–85. While the department may need some additional space for the new positions, other space changes may be required if the proposed reorganization between SPB and DPA takes place. Accordingly, we withhold recommendation on the funding of \$17,000 budgeted for new facilities pending receipt of information on the proposed reorganization.

Personnel Management Program

The personnel management program is responsible for (1) developing the administration’s policy regarding management relations, (2) coordinating the terms and conditions of employment for non-civil service employees, (3) administering the deferred compensation, merit award and dental insurance programs, (4) coordinating and providing training for state employees, (5) administering the state’s workforce reduction policies and procedures, and (6) maintaining the state’s compensation and pay program.

Approved
with
language

Merit Award Program

Pursuant to the Governor's Reorganization Plan No. 1 of 1981, the California Merit Award Program (MAP) was transferred to the DPA from the Board of Control. This program began in 1950 and was patterned after a federal program then in use by the military service. The MAP was established to improve the operations and efficiency of state government and to provide honorary and cash awards to state employees whose contributions exceed normal job requirements and result in *identifiable* savings to the affected state agencies.

The Merit Award Board administers the state suggestion system and makes recommendations to the department as to whether the suggestions justify the issuance of cash awards. The awards, which are financed from the departmental savings, may not exceed 10 percent of the amount saved on an annualized basis.

Table 3 highlights the program activities for the past four years. As the table indicates, the annual award payments to state employees represent about 10 percent of the total savings.

Table 3
Department of Personnel Administration
Merit Award Program: Awards and Savings
1980-81 through 1983-84

	<i>Number of Awards</i>	<i>Award Payments</i>	<i>Savings Reported</i>
1980-81 ^a	392	\$95,725	\$842,129
1981-82	437	225,147	2,499,043
1982-83	363	165,294	1,812,367
1983-84 ^b	221	101,618	1,041,390

^a Program administered by the Board of Control until May 1981.

^b As of December 1983.

General Fund Support for Merit Award Program Not Needed

We recommend a General Fund reduction of \$222,000 (Item 8380-001-001) and a corresponding increase in reimbursements because the costs of the Merit Award Program can be financed from the savings generated by employee suggestions.

For 1984-85, the DPA requests a total of \$222,000 from the General Fund to cover the costs of administering MAP, which consist of salaries and related expenses for six staff positions. While the costs of this program traditionally have been financed from the General Fund, our analysis indicates that the administrative costs should be supported instead by the agencies realizing the savings. This is appropriate because, through their participation in the program, departments "free up" funds already provided in their base budgets. Thus, it is reasonable that some of these savings be applied toward DPA's costs for administering MAP. Additionally, there is a precedent for funding these costs from program savings. The "Shared Savings Program," which also encourages efficiency by rewarding special employee efforts, provides that a portion (5 percent) of realized savings is to be made available to state agencies for administrative costs.

As Table 3 shows, the savings generated by employee suggestions have far exceeded award payments and, thus, are more than adequate to fund

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

the administrative costs of the program.

For these reasons, we recommend a General Fund reduction of \$222,000 (Item 8380-001-001) and a corresponding increase in reimbursements (all funds) to provide funding for MAP administrative costs from departmental savings. The allocation of savings from departmental appropriations should be determined by the Department of Finance.

Labor Relations Program

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

Administrative Costs Should be Funded From Reimbursements

We recommend a General Fund reduction of \$199,000 (Item 8380-001-001) and a corresponding increase in reimbursements (all funds) to ensure that state agencies which support the collective bargaining program also finance related administrative costs.

The 1983 Budget Act provided a significant change in how DPA collective bargaining activities are funded. The measure shifted the funding for those activities which are clearly and directly chargeable to collective bargaining from General Fund support to reimbursements. These costs are now reflected in the budgets of the various departments which benefit from DPA's services.

For 1984-85, the department proposes to spend a total of \$1,730,000 from the General Fund and reimbursements to cover the costs of collective bargaining activities. Table 4 shows these activities and the funding sources for each. The DPA states that the \$199,000 in General Fund support for the labor relations program represents the administrative costs associated with collective bargaining operations.

We find no reason why financing the administration of collective bargaining operations should be a General Fund responsibility. The agencies that benefit from the collective bargaining function should pay these administrative costs, just as they do in connection with the dental insurance program, which is also administered by DPA.

In order to ensure that those who benefit from the collective bargaining program also finance the related administrative costs, we recommend a \$199,000 reduction in General Fund support and a corresponding increase in reimbursements from various state agencies.

Table 4
Department of Personnel Administration
Collective Bargaining Activities
Source of Funding
1984-85

<i>Program</i>	<i>General Fund</i>	<i>Reimbursements</i>	<i>Total</i>
Labor Relations	\$199,000	\$1,262,000	\$1,461,000
Personnel Services	—	269,000	269,000
Total	\$199,000	\$1,531,000	\$1,730,000

Collective Bargaining Operations Should Be Reflected in State Agencies' Budgets

We recommend that prior to budget hearings, the Department of Finance identify the source, by agency, of the \$1,531,000 shown in the Governor's Budget as reimbursements for DPA's ongoing collective bargaining operations.

As shown in Table 4, the budget proposes \$1,531,000 in reimbursements from other state agencies to support collective bargaining operations in the budget year. We have asked both DPA and the Department of Finance (DOF) to provide information on how collective bargaining charges are allocated among the various agencies. The DPA provided us with a breakdown of the \$1.1 million in charges to departments for 1983-84, but it could not provide a similar breakdown for 1984-85.

At this time, it is unclear whether the department will have adequate reimbursements to fund the budgeted level of collective bargaining activity (\$1,531,000). Accordingly, we recommend that prior to the budget hearings, DOF identify which state agencies will provide support for DPA's collective bargaining operations.

Rental Rates Policy Raises Concern

We recommend that the Department of Personnel Administration report, prior to budget hearings, on the results of efforts made by departments to negotiate rental rate increases on state-owned property.

In the Budget Act of 1982, the Legislature directed DPA to take several actions regarding adjustment of rental rates on state-owned housing. Specifically, the Legislature:

- Adopted Control Section 24.50, which reduced appropriations to departments having employee-related housing, and
- Adopted supplemental report language, which required DPA to report to the Joint Legislative Budget Committee on the implementation of a rental rate policy based on market value.

In December 1982, DPA reported that rental rates had *not* been adjusted because in those cases where an employee/occupant is *required* to live in the state-owned housing as a condition of employment, rate increases must be negotiated.

During the spring of 1983, the Legislature adopted control language requiring DPA to (1) complete an economic rent survey of all state-owned units and (2) report to the Legislature on the status of the rental policy after completion of the 1983-84 collective bargaining agreements.

Since the passage of the 1983 Budget Act, two actions have been taken that affect the rental policy. First, the Legislature passed Ch 1258/83 (SB 922) which: (1) declared that the setting of rental rates for state-owned housing shall be a negotiable issue under collective bargaining law and (2) eliminated the requirement that DPA conduct a rent survey and report to the Legislature on changes in the rental rate structure. Second, DPA recently delegated its responsibility for negotiating the rental rate issue to the operating departments.

Under existing law, DPA is required to: (1) determine the fair and reasonable value of housing furnished by the state for its employees and (2) represent the Governor in negotiating employment issues such as the setting of rental rates.

We have some concerns as to the administration's current negotiating position on the issue of rental rates. First, by delegating the responsibility

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

for setting rental rates to individual departments, the current policy could result in:

- Inconsistent treatment of state employees *within the same bargaining unit*, as different departments—each with employees in the same unit—could implement the rental policy differently; or
- An inability on the part of the negotiating parties to evaluate the rental policy in conjunction with the employees' total compensation packages.

Second, it is not evident to us that individual departments have any incentives to negotiate increases in rental rates.

For these reasons, we recommend that, prior to budget hearings, DPA report to the Legislature on the results of efforts made by departments to negotiate rental rate increases on state-owned property. The report should include (a) the amounts by which rates for state-owned housing were changed or are proposed to be changed and (b) the amounts of additional reimbursements the various state agencies will receive in 1984–85 as a result of these rate changes.

Legal Services Program

The purposes of this program are to (1) represent the department in all legal matters before any administrative agency or court of law and (2) provide legal services for other state agencies in all labor relations matters.

Collective Bargaining Legal Workload

We recommend approval.

In the current year, two labor relations counsel positions and one clerical position were established administratively to deal with the workload requirements associated with collective bargaining. The budget requests that the positions be continued on a permanent basis. Our review of the workload indicates that the positions are needed and we recommend their approval.

Administration Program

The administration program consists of (1) executive management, (2) analysis and coordination of legislative bills, and (3) central support services, including accounting, budgeting, and duplicating services. Program costs are distributed among the department's three-line programs.

Report on Time Accounting System

We recommend that the Legislature adopt supplemental report language directing the Department of Personnel Administration to submit a report on its program-based time accounting system.

In reviewing DPA's proposed budget, we found that workload data for evaluating budget requests needs further development. DPA advises that it currently is developing a program-based time accounting system to verify the time and staff allocated to certain activities. In order for the Legislature to be able to evaluate future budget requests for positions related to increased workload, we recommend that it adopt the following supplemental report language:

The Department of Personnel Administration shall submit to the fiscal committees and the Joint Legislative Budget Committee by November 1, 1984, a report on its program-based time accounting system. Further,

it is the intent of the Legislature that any request for new positions in the 1985-86 Governor's Budget shall be supported by data derived from this time-accounting report.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General
Fund

Budget p. GG 70

Requested 1984-85	\$6,216,000
Estimated 1983-84	5,738,000
Actual 1982-83	4,116,000
Requested increase \$478,000 (+8.3 percent)	
Total recommended reduction	None

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8450-001-001—General Fund Support		General	\$4,135,000
8450-001-016—Death-Without-Dependency Support		General, Subsequent Injuries Moneys Account	2,081,000
Total			\$6,216,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Local-Mandate Funding. Recommend enactment of legislation to repeal provision of existing law which requires local-mandate claims for Ch 1568/82 to be paid from the subsequent injury support item.

2034

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 from an annual General Fund appropriation and from workers' compensation payments made to the state by employers and insurance companies on behalf of workers who die leaving no surviving heirs. These payments are collected by the Department of Industrial Relations (DIR) and placed in the Subsequent Injuries Moneys Account of the General Fund.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations of \$6,216,000 to fund workers' compensation benefits paid under the subsequent injury program during 1984-85. This amount consists of (1) \$4,135,000 from the General Fund (Item 8450-001-001) and (2) \$2,081,000 in death-without-dependency payments

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

(Item 8450-001-016). Together, these appropriations are \$478,000, or 8.3 percent, more than estimated current-year expenditures. The increase is due primarily to the increased costs of workers' compensation benefits.

Table 1 shows the sources and uses of funds under the subsequent injuries program for the prior, current, and budget years.

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Budget Summary
1982-83 through 1984-85
(in thousands)

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Changes	
				Amount	Percent
Benefits Payments	\$3,779	\$4,893	\$5,400	\$507	10.4%
State Compensation Insurance Fund Service					
Charges	155	319 ^a	263	-56	-17.6
DIR Legal Defense Costs	103 ^b	526	553	27	5.1
Attorney General Costs	79 ^c	—	—	—	—
Totals	\$4,116	\$5,738	\$6,216	\$478	8.3%
General Fund Appropriation (Item 8450-001-001)	\$2,593	\$3,938	\$4,135	\$197	5.0%
Death-Without-Dependency Payments (Item 8450-001-016)	1,523	1,800	2,081	281	15.6

^a Includes \$80,000 in expenses incurred in 1982-83 but deferred until 1983-84.

^b An additional \$457,000 was allocated from DIR's main support Item (8350-001-001).

^c Legal defense of the program was transferred from the Attorney General to the Department of Industrial Relations in 1982-83.

ANALYSIS AND RECOMMENDATIONS

Funding Mechanism Change Needed

We recommend that legislation be enacted to repeal a provision of Ch 1568/82 which requires reimbursements arising from the measure to be paid from the subsequent injury appropriation.

Chapter 1568, Statutes of 1982 (AB 3011), requires the Workers' Compensation Appeals Board, when resolving workers' compensation benefit disputes, to *presume* that certain forms of cancer contracted by fire fighters are caused by employment-related conditions unless the employer proves otherwise. Prior to this measure, a fire fighter was required to prove that his/her cancer was caused by employment-related conditions in order to receive such benefits.

During hearings on the measure, the legislative fiscal committees were advised that enactment would result in additional, but unknown, costs to those state agencies which employ fire fighters. In addition, the Department of Finance advised the Legislature that the measure would result in

annual costs to local governmental agencies of up to \$3.1 million, beginning as early as 1983-84. The act did not appropriate funds to reimburse local agencies for such costs, but recognized that local agencies could seek reimbursement through the Board of Control. The act requires that all reimbursements to a local agency, school district or any state agency be paid from the General Fund appropriation to the subsequent injury program.

Several claims for reimbursement are now pending before the board. If approved, these claims probably will be funded in 1984-85.

Our analysis indicates that it would be more appropriate to fund these reimbursements from the appropriation for state-mandated local program costs (Item 9680), than from the subsequent injury appropriation, for several reasons. First, payments to local governments for "cancer presumption" workers' compensation benefits have nothing to do with the subsequent injuries program. Second, repeal of the language would allow the Ch 1568/82 claims to be administered by the Board of Control and the Controller's Office in the same manner as most other local mandate claims. Third, funding these reimbursements from the appropriation for local government claims would preclude any disruption of subsequent injury benefit payments in those situations where the amount of funds available is not sufficient to cover both the cost of these benefits and the costs of Ch 1586/82 reimbursement claims. The disabled workers who receive benefits under the subsequent injury program are at least 70 percent disabled. Thus, they rely heavily on the benefits from the subsequent injury program for their subsistence. Finally, the recommended change in the funding mechanism would result in administrative cost savings, since existing Board of Control staff could administer the mandate, thereby eliminating the need for an attorney position requested by DIR in 1984-85 to administer the program under the subsequent injury program.

We therefore recommend that legislation be enacted to repeal the provision of Ch 1568/82 which requires that costs of the measure to state and local agencies be paid from the subsequent injury program. We understand that the staff of both the Department of Finance and the DIR concur with this recommendation.

This action would also eliminate the need for the attorney position requested by DIR, resulting in a General Fund savings to DIR of \$55,000 (please refer to our write-up on this issue in Item 8350-001-001).

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General
Fund

Budget p. GG 72

Requested 1984-85	\$415,000
Estimated 1983-84.....	365,000
Actual 1982-83	358,000
Requested increase \$50,000 (+13.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides \$415,000 for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster relief services. This is an increase of \$50,000, or about 14 percent, above estimated current-year expenditures. The increase reflects higher medical costs and an expected increase in the number of compensation payments. It also reflects \$15,000 in payments that are being deferred from 1983-84.

The total amount of compensation paid on behalf of volunteer personnel fluctuates with the volume of both training exercises and actual emergencies (such as fires, floods, or earthquakes). Past experience indicates that cost estimates prepared by the State Compensation Insurance Fund, which administers the program, have been realistic.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board
of Chiropractic Examiners

Budget p. GG 73

Requested 1984-85	\$687,000
Estimated 1983-84.....	666,000
Actual 1982-83	580,000
Requested increase (excluding amount for salary increases) \$21,000 (+3.2 percent)	
Total recommended reduction	27,000
Recommendation pending	443,000

*Now recommend
approval*

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Clerical Positions. Reduce Item 8500-001-152 by \$27,000.* Recommend deletion of funds for 1.5 positions because need for positions has not been justified on a workload basis. Further recommend adoption of supplemental report language requiring the board to implement procedural changes recommended by the Department of Consumer Affairs. 2037
2. Withhold recommendation on \$443,000 for consultant and professional services, pending receipt of a schedule of proposed expenditures. 2038

*→ now recommend approval
as requested.*

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners, which was established by initiative in 1922, is responsible for protecting the users of chiropractic services by assuring adequate training and compliance with 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 4.1 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$687,000 from the State Board of Chiropractic Examiners Fund for support of the board in 1984-85. This is \$21,000, or 3.2 percent, above estimated current-year expenditures. This amount will grow by the amount of any salary or staff benefit increase approved for the budget year.

The \$21,000 increase primarily reflects the board's request for an additional 1.5 clerical positions.

Need for Additional Clerical Positions Unjustified

We recommend a reduction of \$27,000 and the deletion of 1.5 positions because the need for additional clerical support has not been justified on a workload basis. We further recommend that the Legislature adopt supplemental report language requiring the board to implement procedural changes recommended by the Department of Consumer Affairs.

In its 1983-84 budget, the board requested 1.5 clerical positions to meet projected workload increases. The Legislature deleted the funds from the 1983 Budget Bill because the positions had not been justified by workload data.

Subsequent to enactment of the Budget Act, the board contracted with the Department of Consumer Affairs to conduct a management analysis of its operations. In performing its analysis, the department analyzed the tasks performed by the board's staff and the amount of time required to complete each task.

In its report to the board, the Department of Consumer Affairs concluded that the board is adequately staffed to perform all necessary office tasks. In addition, the board identified 321 hours of staff time that could be saved if the board implemented certain procedural changes.

Based on our review, we concur with the findings contained in the department's report. The board, with several minor exceptions, also concurs with the department's findings. It has not, however, taken steps to implement the recommended changes.

Despite the department's findings that the board is adequately staffed, the board is requesting \$27,000 to support 1.5 new clerical positions in 1984-85. Once again, the board has failed to document any significant growth in program activities that would justify the need for additional personnel. Consequently, we recommend that the Legislature not approve the additional positions, and instead adopt the following supplemental report language requiring the board to fully implement the procedural changes recommended by the department.

"Procedural Changes. The Board of Chiropractic Examiners shall fully implement certain procedural changes recommended by the Department of Consumer Affairs in its report entitled Workload Analyses and Procedural Review dated August 1983"

BOARD OF CHIROPRACTIC EXAMINERS—Continued**Accurate Schedule for Consultant and Professional Services Not Received**

The budget proposes \$443,000 for consultant and professional services in the budget year. At the time our *Analysis* was completed, the board had not provided the Legislature with a schedule of consultant and professional services to justify the proposed expenditures. Therefore, we have no basis on which to evaluate this component of the board's budget. Accordingly, we withhold recommendation, pending the receipt of a detailed schedule.

BOARD OF OSTEOPATHIC EXAMINERS

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

Budget p. GG 75

Requested 1984-85	\$338,000
Estimated 1983-84	308,000
Actual 1982-83	273,000
Requested increase (excluding amount for salary increases) \$30,000 (+9.7 percent)	
Total recommended reduction	67,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis*
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1. *Legal Positions. Reduce Item 8510-001-264 by \$67,000.* Recommend funding for a full-time legal counsel and a legal stenographer position be deleted because the positions have not been justified on a workload basis.

2039

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 against osteopaths for violations of laws, rules or regulations. The board has 4.5 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$338,000 from the Contingent Fund of the Board of Osteopathic Examiners for support of the board in 1984-85. This is an increase of \$30,000, or 9.7 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase for the budget year.

The \$30,000 increase is requested primarily to cover the cost of converting one legal counsel position from half-time to full-time and adding a legal stenographer position.

Legal Positions Not Justified by Workload Data

We recommend a reduction of \$67,000 and the deletion of one full-time legal counsel and one legal stenographer position, because workload data needed to justify the positions has not been submitted.

In August 1976, the Attorney General advised the board to obtain its own counsel, rather than continue to depend on the Attorney General for legal services. Accordingly, in April 1977, the State Personnel Board approved the class of General Counsel for the board.

The board requested funds for a full-time General Counsel in 1978-79. In the absence of information justifying the need for a full-time position, the Legislature provided funds in the 1978 Budget Act for a half-time position.

During the current year, the Department of Finance temporarily upgraded the General Counsel position to full-time status and also established a legal stenographer position. In providing the required 30-day advance notice of these actions to the fiscal committees and the Joint Legislative Budget Committee, the department indicated that funds would be requested in the budget for 1984-85 to continue these positions.

At the time notification was given to the committees, the board was unable to provide adequate workload justification for the new positions. With the understanding that the board would submit workload data justifying the need to continue the positions in 1984-85, the committees took no action on the matter.

The board is now requesting \$67,000 to continue the General Counsel as a full-time position and to maintain the legal stenographer position in the budget year. According to the board, the justification for these positions is an anticipated increase in workload. However, the board has again failed to document the increase.

In the absence of workload information justifying an increase in staffing for the board, we have no analytical basis to recommend approval of the board's request for additional funds. Accordingly, we recommend a reduction of \$67,000 to delete the funds requested for the full-time counsel position and the legal stenographer position. Approval of this recommendation would leave the board with adequate funds to continue a half-time legal counsel position until such time as the board can adequately justify the need for increased resources in this area.

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

Item 8530 from the Board of Pi-
lot Commissioners' Special
Fund

Budget p. GG 77

Requested 1984-85	\$80,000
Estimated 1983-84.....	83,000
Actual 1982-83	64,000
Requested decrease (excluding amount for salary increases) \$3,000 (-3.6 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. This three-member board, which is appointed by the Governor, licenses, regulates and disciplines pilots through such activities as examinations and acting on complaints.

The board has one authorized position, consisting of an administrative assistant. This position provides support for the three paid commissioners 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 is collected directly by the pilots from the ships they serve. The law provides that a maximum assessment of 5 percent of pilotage fees shall be paid into the fund. The current assessment is 2.5 percent.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$80,000 from the Board of Pilot Commissioners' Special Fund for support of the commission in 1984-85. This is \$3,000, or 3.6 percent, below estimated current-year expenditures. The decrease proposed for the budget year does not reflect a reduction in program but rather a more accurate assessment of pro rata charges. In addition, expenditures from the fund will increase above the level proposed in the budget to the extent any salary or staff benefit increase is approved for the budget year.

During 1983-84, the percent assessment on pilotage fees was increased by the board, with Department of Finance approval, from 1 percent to 3.5 percent. On November 1, 1983, the assessment was reduced from 3.5 percent to 2.5 percent. According to the board, the reduction was necessary to: (1) ensure that a more equitable assessment fee was levied on pilots, (2) provide the board with a stable revenue base, and (3) avoid the buildup of an excessive balance in the fund.

CALIFORNIA AUCTIONEER COMMISSION

Item 8540 from the Auctioneer
Commission Fund

Budget p. GG 78

Requested 1984-85	\$115,000
Estimated 1983-84	122,000
Actual 1982-83	13,000
Requested decrease (excluding amount for salary increases) \$7,000 (-5.7 percent)	
Recommendation pending	\$115,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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page

1. Enforcement Program. Withhold recommendation on the commission's budget request for ~~\$115,000~~ (Item 8540-001-114), pending receipt of an enforcement program plan and budget request. *Now recommend approval as requested.*

GENERAL PROGRAM STATEMENT

The seven-member Auctioneer Commission was established by Ch 1499/82 as a public corporation for the purpose of licensing and regulating auctioneers and auction companies. Chapter 516, Statutes of 1983, amended the earlier law to make clear that individuals operating an auction house or company are required to hold a valid license. After March 31, 1984, all individuals seeking licensure will be required to pass an auctioneer's examination developed by the commission. The commission has 1.5 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$115,000 from the Auctioneer Commission Fund for support of the commission in 1984-85. This is a decrease of \$7,000, or 5.7 percent, below estimated current-year expenditures. This amount will grow by the amount of any salary or staff benefit increase approved for the budget year.

The decrease proposed for the budget year is due to a reduced need for services from the Department of General Services.

Enforcement Program Not Developed

Now recommend approval as requested.
We withhold recommendation on this item until the commission submits to the Legislature a planning proposal and budget request for the enforcement program that includes a discussion of procedures for (1) complaint handling, (2) investigations, and (3) disciplinary actions.

The Governor's Budget for 1983-84 did not include the commission's budget. This is because the Department of Finance and the commission were unable to develop a budget proposal by the time the budget went to press. In order to finance the commission's activities during 1983-84, the commission's first year of operation, the Department of Finance authorized the use of continuously appropriated funds provided in its enabling legislation.

The budget for 1984-85 requests funds primarily for general operating expenses, because the commission's programs are still in the development stage. According to the commission, its primary goals for the budget year

CALIFORNIA AUCTIONEER COMMISSION—Continued

are to (1) ensure licensure of the majority of auctioneers, (2) develop an examination, (3) informally investigate consumer complaints, (4) begin development of formal disciplinary procedures, (5) seek amendment of the law to enable the commission to levy fines, and (6) adjust fee schedules to generate revenues sufficient to support program activities.

No funds are included in the budget for the enforcement program because (1) complaint handling, investigation, and disciplinary procedures are not completed, and (2) workload data is not yet available. Thus, all enforcement activities will be conducted during the budget year on an informal basis, until the commission develops the needed program plan and associated procedures.

Lacking a program plan and budget request for the commission's enforcement program, we are unable to conduct a meaningful analysis of the commission's budget. Accordingly, we withhold recommendation on the budget until this information is submitted to the Legislature.

CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and Exposition Fund and various funds

Budget p. GG 80

Requested 1984-85	\$5,067,000
Estimated 1983-84.....	4,551,000
Actual 1982-83	4,268,000
Requested increase (excluding amount for salary increases) \$516,000 (11.3 percent)	
Total recommended reduction	8,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8550-001-191—Horse Racing Board		Fair and Exposition	\$1,591,000
8550-001-942—Horse Racing Board		Racetrack Security Account, Special Deposit	376,000
—Continuing Appropriation—Horsemen's Organization Welfare Special Account			1,400,000
—Continuing Appropriation—Standardbred Sires Stakes Account		Special Deposit	1,700,000
Total			\$5,067,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Automated Recordkeeping System. Recommend adoption of Budget Bill language requiring that the Feasibility Study Report for this system be amended and approved by the Department of Finance before any expenditures for this project are permitted. 2044
2. ~~Savings from Microfilm Conversion. Reduce Item 8550-001-191 by \$8,000. Recommend reduction to reflect the reduced cost of contracting with a private vendor for con-~~ 2046

withdraw
Rec.

verting paper records to microfilm.

3. HOWSA budgets. Recommend adoption of supplemental report language requiring the board to make various changes in the format and content of proposed HOWSA budgets required of horsemen's organizations.

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where parimutuel wagering is allowed.

Responsibilities of the board include promoting horse racing, regulating wagering, and maximizing the horse racing revenues collected by the state. The board's activities consist of (1) licensing all horse racing participants, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations 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 52.7 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$5,067,000 from the Fair and Exposition Fund and other state funds to support the California Horse Racing Board in 1984-85. This is an increase of \$516,000, or 11.3 percent, above estimated current-year expenditures of state funds. This increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

Table 1
California Horse Racing Board
Summary of Program Expenditures
1982-83 through 1984-85
(dollars in thousands)

Program Elements	Personnel-Years			Expenditures		
	Actual 1982-83	Estimated 1983-84	Requested 1984-85	Actual 1982-83	Estimated 1983-84	Requested 1984-85
Licensing	10.3	12.7	12.1	\$250	\$300	\$305
Enforcement	11.8	15	14	686	827	849
State Stewards Program	14	14	14	945	1,070	1,070
California Standardbred Sires Stakes.....	1	1	1	1,646	1,700	1,700
Administration (undistribut- ed)	9.6	10	10	312	374	813
Horsemen's Organization Welfare Special Account, Special Deposit Fund	—	—	—	1,374	1,350	1,400
Totals	46.7	52.7	51.1	\$5,213	\$5,621	\$6,137
<i>Financing</i>						
California Standardbred Sires Stakes Account, Special Deposit Fund	—	—	—	1,646	1,700	1,700
Fair and Exposition Fund	—	—	—	1,195	1,448	1,591
Racetrack Security Account, Special Deposit Fund	—	—	—	53	53	376
Horsemen's Organization Welfare Special Account, Special Deposit Fund	—	—	—	1,374	1,350	1,400
Reimbursements	—	—	—	945	1,070	1,070

CALIFORNIA HORSE RACING BOARD—Continued

As in the current year, the board will also receive reimbursements of \$1,070,000 in the budget year from California track associations to support the State Stewards Program. These reimbursements will bring the board's total program expenditures to \$6,137,000. This represents an increase of 9.1 percent above estimated total current-year expenditures. Table 1 shows the expenditures and personnel-years for the past, current and budget years.

The proposed increase in the board's expenditures for 1984-85 consists primarily of \$323,000 for installation of a computer system to support the licensing and enforcement operations of the board. The budget also proposes increased expenditures to convert essential records to microfilm, and make nominal equipment purchases.

ANALYSIS AND RECOMMENDATIONS**New Automated Recordkeeping System**

We recommend that the Legislature adopt Budget Bill language requiring the board to obtain from the Department of Finance approval for an amended Feasibility Study Report (FSR) before any funds are expended for an automated recordkeeping system.

The CHRB currently supports its licensing and enforcement programs with a manual recordkeeping system, supplemented by a dial-up connection with the NASRIS computer system operated by the National Association of State Racing Commissioners (NASRC). NASRIS is a nationwide data base that provides licensing and disciplinary information about racing participants. The CHRB receives information from NASRIS about racing participants in other states, and provides information about California licensees to the NASRIS data base.

The transient nature of the horse racing industry is such that racing participants move frequently between tracks, often on a daily basis. Because of the rapid turnover of personnel at the tracks, the board's investigators and licensing personnel need to have up-to-date information about racing participants. Currently, however, the board's information can be as much as a month out-of-date because of its present recordkeeping system. Three separate filing systems are kept at each field office and the board's headquarters: microfiche records of current state licenses, microfiche records of NASRIS data, and paper copies of recently issued state licenses. The field offices must maintain paper records because the microfiche records are only updated monthly.

In 1981, the Data Processing Services Section (DPSS) of the Department of General Services prepared a Feasibility Study Report (FSR) for the board and recommended that the manual recordkeeping system be converted to an automated system. The budget proposes \$323,000 for implementation of one of the computer options discussed in the FSR.

According to the design of the proposed system, information on licensing and enforcement will be stored on a computer at the Teale Data Center and will be available to the CHRB headquarters and field offices for on-line inquiry only. On a daily basis, the field operations will mail license applications and other documents to the board's headquarters, which will route it to the Department of General Services for key entry. New data will be entered into the Teale computer by DPSS.

Cost Estimates are Excessive

Our analysis indicates that automation of the board's recordkeeping system is warranted. The board's licensing and enforcement programs are seriously handicapped by the delays that are inherent in the present manual recordkeeping system. A computerized system will enable the board to fulfill its statutory responsibilities more efficiently and effectively.

Nevertheless, our analysis has uncovered two problems with the budget proposal: (1) the estimated costs of the proposed computer system are dated and excessive; and (2) there are several software and hardware options that warrant further consideration by the board because they may be superior to the system that is being proposed.

The budget-year costs of \$323,000 for initial development and operation of the automated system were derived from cost figures contained in the 1981 FSR. Since the preparation of that report, however, rapid technological changes in the computer industry have occurred which have reduced costs. We estimate that the amount needed for the board's automated system in 1984-85 may be as much as \$100,000, or roughly 30 percent, less than what is budgeted.

Our analysis also indicates that the FSR did not consider, or give sufficient attention to, several software and hardware options that may be preferable to the system that is currently being proposed. The following options, in particular, warrant further consideration by the board:

- A fully interactive system using data concentrators in San Francisco and Los Angeles. With this system, investigators and licensing personnel would be able to enter data at the field operations and avoid the daily shipments of license applications to Sacramento;
- System development using a fourth generation language, such as RAIMIS or FOCUS; and
- Purchasing small, portable terminals for the field operations, rather than leasing this equipment.

The Office of Information Technology (OIT) in the Department of Finance has recommended approval of the proposed automated system on the condition that the Board amend the FSR to update the cost estimates and other features of the system for OIT review. Consequently, the Legislature essentially is being asked to appropriate funds for a computer system without knowing either its design or cost. Therefore, we recommend that the Legislature adopt the following Budget Bill language in Item 8550-001-942, in order to ensure that it has an opportunity to review the specific use of funds requested for automated recordkeeping before these funds are obligated:

"Of the amount appropriated in this item, up to \$323,000 shall be available for expenditure no sooner than 30 days after The California Horse Racing Board submits an amended Feasibility Study Report of the automated record keeping system to the Joint Legislative Budget Committee. The amended Feasibility Study Report shall not be submitted to the committee until the Department of Finance's Office of Information Technology (OIT) has reviewed and approved the amended report. The amount appropriated by this item shall be reduced by the amount of any difference between \$323,000 and the amount found to be needed by the amended Feasibility Study Report."

CALIFORNIA HORSE RACING BOARD—Continued**Microfilm Conversion is Overbudgeted***withdrawn
Belomm.*

We recommend that the microfilm conversion proposal be contracted to a private vendor for a savings of \$8,000 to the Fair and Exposition Fund.

The budget requests \$32,000 for the conversion of essential historical records to microfilm (\$19,000) and for the purchase of a microfilm reader / printer, plus related equipment and supplies (\$13,000). These records consist of the board's files relating to licensing and enforcement activities, which under existing law must be maintained in perpetuity.

Our analysis indicates that the board's records system should be converted to microfilm. In recent years the space demands of storing in excess of 487,000 document pages at the board's headquarters have become excessive. The Records Management Division of the Department of General Services also has reviewed the records conversion proposal and found that it is justified.

The budget change proposal submitted by the board calls for an interagency agreement with the Department of Water Resources providing for conversion of 487,000 document pages at four cents each, at a cost of \$19,000.

The Division of Records Management reports, however, that private vendors typically charge 2½ cents per document page for microfilm conversion. Private vendors also will be able to provide "blip" coding on the microfilm, which enables automatic indexing and retrieval of documents. The Department of Water Resources currently is unable to provide this coding. Therefore, we recommend that a private vendor be used for the microfilm conversion, instead of the Department of Water Resources, for a savings of \$7,000.

We further recommend that an additional \$1,000 be reduced from Item 8550-001-191 to reflect incorrect budgeting for the microfilm conversion. Specifically, the budget proposal requests \$350 for unnecessary equipment, and does not recognize \$700 in salvage value that will be realized from disposing of unneeded file cabinets after the microfilm conversion.

CHRB Response to HOWSA Fund Requirements is Not Adequate

We recommend adoption of supplemental report language requiring the board to make changes in the format and content of proposed HOWSA budgets.

Background. Chapter 1043, Statutes of 1980 (AB 3383), provided that certain horse racing revenues that otherwise would accrue to the state's General Fund be allotted to three horsemen's organizations to fund welfare programs for employees of horse owners and trainers. Specifically, Chapter 1043 provided that 50 percent of the monies from unclaimed parimutuel tickets shall be paid to the Horsemen's Organization Welfare Special Account (HOWSA), and transferred thereafter to the horsemen's organizations.

We indicated in our *Analysis of the 1983-84 Budget Bill* that legislative review of the expenditure of HOWSA funds was appropriate and necessary. The HOWSA funds are essentially General Fund monies that have been diverted to programs which traditionally have been financed by the horse racing industry (as indeed similar programs in other industries are financed by the industries themselves, rather than by the state). Prior to the enactment of Chapter 1043 the welfare programs of the horsemen's

organizations were funded by charitable donations from horse owners, trainers and track associations. According to CHRB staff, these charitable donations have now been almost entirely supplanted by HOWSA funds.

Also in our *Analysis of the 1983-84 Budget Bill*, we identified numerous expenditures of HOWSA funds that may not be consistent with what the Legislature intended in enacting Chapter 1043. For example, 30 percent of the HOWSA funds were allocated to "welfare" activities which included soccer teams, burial benefits, chaplains, newsletters, and recreation hall attendants. We questioned whether it was appropriate for the state to bear the major costs of programs that typically are funded by employers in other industries. Because of these concerns, we recommended that the Legislature direct the board to regulate HOWSA expenditures.

In response, the Legislature adopted language in the *Supplemental Report to the 1983 Budget Act* that required the board to:

- Prepare proposed budgets for the expenditure of HOWSA funds; and
- Promulgate regulations to specify and govern the appropriate use of HOWSA funds.

Proposed Budgets are Inadequate. The CHRB has prepared budgets for the expenditure of HOWSA funds. Our analysis indicates, however, that these budgets are not adequate for the purpose of legislative review.

The proposed budgets will not enable the Legislature or the board to monitor expenditures of HOWSA funds, for several reasons. First, they do not provide sufficient detail about HOWSA fund expenditures. The budgets do not report current or prior year expenditures, and some items are ambiguously titled. Second, the budgets are not binding documents. The horsemen's organizations may freely transfer funds among programs without notifying the board or receiving its approval. Finally, although the horsemen's organizations have other sources of funds, the budgets do not detail to what extent, if any, these other funds will be used to pay for the costs of programs that are also funded with HOWSA monies.

In light of the problems detailed above, we recommend that the Legislature adopt the following supplemental report language:

"The CHRB shall require horsemen's organizations to submit yearly budgets detailing proposed expenditures of HOWSA funds. The board shall also require these budgets to include prior year actual and current year estimated expenditures, and to detail to what extent funds from other sources are expended on programs that are also funded by HOWSA funds.

California Standardbred Sires Stakes Account Revenues Are Less Than Expected

Chapter 1148, Statutes of 1977 (AB 3300) established the California Standardbred Sires Stakes Program to encourage breeding of quality harness racing horses in California. This act created a special account, the California Standardbred Sires Stakes Account, to provide for purse awards at harness races, for breeder awards and for administrative costs of the program.

Funding for the California Standardbred Sires Stakes Account is derived primarily from "breakage"—the odd cents not paid on winning tickets in parimutuel wagering at harness race meetings in California. Additional funding is provided by registration and entry fees paid by horse owners.

The budget estimates that current year revenues to the California Standardbred Sires Stakes Account will be \$1,700,000. This is \$350,000, or

CALIFORNIA HORSE RACING BOARD—Continued

17 percent, less than projected one year ago. The budget projects that revenues will remain at this level in 1984-85.

The current-year revenue estimates were lowered because the board has not found an operator willing to conduct the 1984 harness race meeting at Golden Bear Raceway in Sacramento. The summer racing dates at Golden Bear Raceway overlap the current year and the budget year. Accordingly, the budget reflects reduced revenues to the California Standardbred Sires Stakes Account for both years.

CALIFORNIA EXPOSITION AND STATE FAIR

Item 8560 from the General

Fund

Budget p. GC 84

Requested 1984-85	\$9,135,000
Estimated 1983-84.....	9,586,000
Actual 1982-83	9,355,000
Requested decrease (excluding amount for salary increases) \$451,000 (-4.7 percent)	
Total recommended reduction	None

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8560-001-001—Debt service		General	\$1,130,000
8560-011-001—Appropriation of revenues		General	7,993,000
8560-021-001—Advance authority to encumber funds for 1985 State Fair		General	(300,000)
8560-001-466—Support		State Fair Police	12,000
		Special Account,	
		General	
Total			\$9,135,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Accurate Financial Plan. Recommend that Cal Expo and the Department of Finance provide the fiscal subcommittees with updated expenditure and revenue plans for Cal Expo in both 1983-84 and 1984-85. 2049
2. Cal Expo Enterprise Fund. Recommend enactment of legislation creating a Cal Expo enterprise fund, into which all Cal Expo revenues would be deposited, and from which funds would be appropriated to Cal Expo on a continuous basis. 2050

GENERAL PROGRAM STATEMENT

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

Cal Expo began operating at its present site in Sacramento during 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 167.2 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$9,135,000, for Cal Expo in 1984-85. This amount includes \$1,130,000 appropriated by Item 8560-001-001 for principal and interest payments on the revenue bonds issued for acquisition and construction of the current Cal Expo site. The budget request is \$451,000, or 4.7 percent, less than estimated current-year expenditures. Expenditures in the budget year, however, will grow by the amount of any salary or staff benefits increase approved for 1984-85.

The budget also includes a continuing appropriation of \$265,000 from the Fair and Exposition Fund and \$500,000 in expenditures from reimbursements, bringing total proposed expenditures in 1984-85 to \$9,900,000. Section 30.00 of the Budget Bill, as introduced, extends the continuing appropriation from the Fair and Exposition Fund through 1984-85.

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 estimated amount of operating revenues that Cal Expo expects to receive. Budget Bill language for this item limits expenditures from this appropriation to the amount that Cal Expo deposits in the General Fund. Therefore, if actual revenues fall short of the estimate, the amount available for expenditure by Cal Expo is reduced accordingly. If revenues exceed the estimate, however, the excess revenue remains in the General Fund and is not appropriated to Cal Expo. The 1984-85 budget anticipates that operating revenues will be \$7,993,000, and requests an appropriation of this amount.

Chapter 548, Statutes of 1982, created the California State Fair Police Special Account in the General Fund. The account receives 50 percent of all fines and bail forfeitures arising from arrests on Cal Expo grounds, and these funds may be used for law enforcement at Cal Expo. The budget proposes to appropriate \$12,000 from this account in 1984-85.

No significant program changes are proposed for 1984-85. The net expenditure decrease of \$451,000 reflects an increase of \$42,000 for personal services and a decrease of \$493,000 for operating expenses and equipment.

ANALYSIS AND RECOMMENDATIONS**Budget Information—As Usual—Is Not Accurate**

We recommend that Cal Expo and the Department of Finance provide the fiscal subcommittees with updated expenditure and revenue plans for Cal Expo for both 1983-84 and 1984-85.

The budget indicates that for 1983-84, Cal Expo's total operating expenditures will be \$8,682,000, compared with total operating revenues of \$8,417,000—a difference of \$265,000, which is the amount continuously

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

appropriated to Cal Expo from the Fair and Exposition Fund pursuant to Section 19622(a) of the Business and Professions Code. The budget, however, does not accurately reflect the financial problems facing Cal Expo in the current year.

Cal Expo estimated in January 1984, that it will incur a deficit of approximately \$332,000 for 1983-84, based on its analysis of expenditures and revenues for the first six months of the year. In addition, our analysis of Cal Expo's cash accounts indicates that as early as September 1983, Cal Expo was \$188,000 below the goals established in its break-even financial plan for 1983-84.

A Pattern of Misinformation. On May 5, 1983, Cal Expo requested a \$600,000 loan from the Department of Finance to meet, what Cal Expo termed, a "cash flow" problem. Cal Expo indicated in its loan application that it would realize a \$49,000 surplus by the end of 1982-83. Included in this projection was \$360,000 of revenue from two contracts. After granting Cal Expo the \$600,000 loan, however, the Department of Finance discovered that revenue of \$360,000 would not be realized because two concerts had been canceled and a lease payment had been postponed in 1982-83. In June 1983, Cal Expo informed the Department of Finance that it could not repay the loan in 1982-83. Consequently, on June 29, 1983, the Department of Finance allocated \$600,000 to Cal Expo from the 1982-83 General Fund appropriation for contingencies and emergencies to repay the loan, and unallotted \$600,000 from Cal Expo's 1983-84 General Fund support appropriation.

Budget Information for 1984-85 is Not Accurate. Our analysis indicates that the proposed budget does not accurately reflect Cal Expo's expenditure plan for 1984-85. For example, the budget detail shows entertainment costs of \$291,000 for the state fair in 1984-85. Cal Expo's state fair program budget for 1984-85, however, indicates that it plans to spend \$360,000 on entertainment.

Revised Financial Analysis Needed. In light of these inconsistencies in Cal Expo's proposed budget for 1984-85, and the projected \$332,000 deficit for 1983-84, we believe that Cal Expo and the Department of Finance should provide the fiscal subcommittees with an up-to-date analysis of Cal Expo's financial condition in the current year and a revised expenditure and revenue plan for 1984-85.

Cal Expo: Business or Bureaucracy?

We recommend the enactment of legislation creating a Cal Expo enterprise fund, into which all Cal Expo revenues would be deposited, and from which funds would be appropriated to Cal Expo on a continuous basis.

Cal Expo has a unique status in state government. On one hand, Cal Expo is expected to pay its own way, just like a business enterprise. On the other hand, Cal Expo must receive approval for its expenditure and revenue plan through the budget process, and must abide by the same expenditure controls applied to other state agencies.

Chapter 1148, Statutes of 1980, created the current Cal Expo organizational structure. In doing so, the Legislature expressed its intent that the board shall have "sufficient autonomy for efficient operation balanced by appropriate state oversight." The current relationship between autonomy and oversight does not appear to be in balance.

The Legislature specified in Chapter 1148 that Cal Expo "shall work towards a goal of fiscal independence from the state General Fund support." As Table 1 (below) shows, the General Fund operating subsidy of Cal Expo has been decreasing both in absolute terms and as a percentage of total Cal Expo operating resources. The General Fund operating subsidy to Cal Expo as a percentage of operating resources has fallen from 28 percent in 1980-81 to an estimated 4 percent in 1983-84. Until the current year, Cal Expo received in the annual budget act a General Fund appropriation for an operating subsidy. No such appropriation, however, was included in the 1983 Budget Act, and the budget does not provide any General Fund operating subsidy for Cal Expo in 1984-85. The totals in Table 1 do not include the \$1,130,000 General Fund subsidy for payment of principal and interest on the acquisition and construction bonds for Cal Expo. Clearly, Cal Expo has moved toward the goal of fiscal independence from state General Fund operating support.

Table 1
Cal Expo's General Fund Operating Subsidy
1980-81 through 1984-85
(dollars in thousands)

	1980-81	1981-82	1982-83	1983-84 (estimated) ^b	1984-85 (proposed)
Operating Expenditures	\$8,065	\$8,709	\$8,952	\$9,617	\$8,770
Resources					
Revenue	5,157	6,424	6,907	8,447	7,993
Special funds ^a and reimbursements	628	655	727	777	777
General Fund ^c operating subsidy: amount	2,280	1,630	1,318	393 ^d	—
Percent of total operating expenditures	(28)	(19)	(15)	(4)	(—)

^a Includes \$265,000 per year from Fair and Exposition Fund (Business and Professions Code, § 19622(a)) and funds from State Fair Police Special Account.

^b From Cal Expo's financial analysis through December 1983.

^c Includes Budget Act appropriation for operating expenses, plus any deficit appropriation, less revenue deposited into the General Fund to which Cal Expo does not have access.

^d Includes an estimated deficit of \$332,000.

The budget treats Cal Expo as a business, in that it can spend only as much of its support appropriation as it receives in revenue. If Cal Expo's revenues exceed the appropriated amount, however, Cal Expo is treated as a state agency and the surplus revenues remain in the General Fund.

Table 2 compares Cal Expo's revenues with the amount of revenue appropriated to Cal Expo from 1980-81 to 1983-84.

Table 2
Cal Expo
Comparison of Revenue Appropriated with Revenue Generated
1980-81 to 1983-84
(in thousands)

	1980-81	1981-82	1982-83 ^a	1983-84	Cumulative Total (Since 1980-81)
Generated revenue	\$5,157	\$6,424	\$6,907	\$8,447	26,935
Appropriated revenue	4,580	5,860	8,550	8,730	27,720
Difference	\$577	\$564	—\$1,643	—\$283	—785

^a Estimated from Cal Expo's six-month financial analysis.

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

As Table 2 shows, the cumulative shortfall of operating revenues to appropriated revenues over the last four years is \$785,000, or 2.9 percent of total cumulative operating revenues. The annual variation, however, is much greater. Fiscal controls for Cal Expo should be flexible enough to allow surpluses in one year to offset a deficit in another year.

Incentive to Overestimate Revenue. Through 1983-84, the amount of revenue appropriated to Cal Expo was based on Cal Expo's revenue estimate. If Cal Expo underestimated the amount of revenue it ultimately generated for the year, it lost the additional revenue. Obviously, this provided Cal Expo with an incentive to overestimate its revenue, in order to ensure that it kept everything that it generated. The problem, however, is that once established, an unrealistic revenue estimate can become the basis for an unrealistic expenditure plan which then results in deficits.

For 1984-85, the budget proposes to appropriate an amount of revenue equal to Cal Expo's actual revenue in 1982-83 (\$7,993,000). This amount is \$454,000, or 5.4 percent, below estimated revenues for 1983-84. This approach—which has been adopted by the Department of Finance—is less prone to overestimation, but it has the disadvantage of being arbitrary.

Enterprise Fund—More Autonomy With More Responsibility. If Cal Expo is expected to perform like a business, we believe it should be given more autonomy and responsibility. Specifically, we believe that Cal Expo should be allowed to carry over from year to year any revenue it earns in excess of operating costs. In allowing Cal Expo this added flexibility, the Legislature should clearly state that if the reverse occurs—revenues fall short of expenditures—no General Fund operating subsidy will be available to make up the difference.

Given Cal Expo's current fiscal condition, a General Fund subsidy to payoff the construction bonds will be necessary for some time—perhaps until the bonds are retired on June 1, 1988. The budget proposes to restrict the appropriation for bond payments to this purpose only.

In sum, allowing Cal Expo to carry over excess revenues into subsequent years will give it more incentive to accurately estimate and budget revenues and expenditures. Furthermore, if Cal Expo's operating budget is directly tied to its revenue production, it will be forced to respond prudently and rapidly to changes in its financial condition. Accordingly, we recommend the enactment of legislation creating a Cal Expo enterprise fund, into which all Cal Expo revenue would be deposited, and from which all funds would be continuously appropriated to Cal Expo.

CALIFORNIA EXPOSITION AND STATE FAIR—CAPITAL OUTLAY

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

Budget p. GG 87

Requested 1984-85	\$179,000
Recommended approval	179,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$179,000 from the Special Account for Capital Outlay in the General Fund for minor capital outlay at Cal Expo. The requested funds would be used to complete the third phase of a three-phase project to make repairs of roadways and drainage systems within the racetrack area that are in severe disrepair. Our analysis indicates that the proposed amount of expenditure for these repairs is justified.

General Government

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General
Fund and various funds

Budget p. GG 88

Requested 1984-85	\$70,504,000
Estimated 1983-84	84,165,000
Actual 1982-83	81,747,000
Requested decrease (excluding amount for salary increases) \$13,661,000 (— 16.2 percent)	
Total recommended reduction	4,120,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8570-001-001 Support		General	\$41,631,000
8570-001-111 Support		Agriculture	8,898,000
8570-001-112 Loans for Alcohol Production		Ethanol Fuel Revolving Account, Agriculture	882,000
8570-001-190 Support		Resources Account, Energy and Resources	2,290,000
8570-001-191 Support		Fair and Exposition	1,269,000
8570-001-890 Support		Federal Trust	(1,530,000)
8570-101-001 Local Assistance, Regulation of Pesticides and Pest Detection		General	8,404,000
8570-101-111 Local Assistance		Agriculture	6,122,000
8570-101-191 Local Assistance, Unemployment Benefits and Exhibition Premiums for Local Fairs		Fair and Exposition	625,000
8570-111-001 Local Assistance, Salaries of County Agricultural Commissioners		General	383,000
Total			\$70,504,000

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. <i>Appropriation From Energy and Resources Fund. Delete Item 8570-001-190.</i> Recommend deletion of \$2,290,000 because the Energy and Resources Fund will terminate on June 30, 1984.	2059
2. <i>Pro Rata Charges. Reduce Item 8570-001-001 by \$296,000.</i> Recommend reduction to delete pro rata charges improperly included in the General Fund support item.	2059
3. <i>Pro Rata Costs. Reduce Item 8570-001-191 by \$302,000.</i> Recommend reduction of \$302,000 because the Department of Finance has revised its estimate of pro rata charges to the Fair and Exposition Fund.	2060
4. <i>Fair and Exposition Fund Surplus.</i> Recommend that the Legislature adopt a control section transferring \$5,422,000 in surplus funds from the Fair and Exposition Fund to the General Fund in order to increase the Legislature's fiscal flexibility.	2060
5. <i>Ethanol Loan Program. Delete Item 8570-001-112.</i> Recommend deletion of \$882,000 requested for the department's ethanol fuel loan program because the program has failed to stimulate a non-subsidized agriculture-based energy sector in the state and the department has no plans to make any new loans in the budget year. Further recommend adoption of a Budget Bill control section to transfer the unencumbered balance in the Ethanol Fuel Revolving Account to the General Fund.	2061
6. <i>Restoration of Funds Deleted in the Current Year. Reduce Item 8570-001-001 by \$350,000.</i> Recommend deletion of funds requested to restore money reduced from the current-year budget because the department has neither documented any adverse consequences resulting from current-year reductions nor specified how the funds will be used in the budget year.	2062
7. <i>Emergency Pest Eradication Projects.</i> Recommend that the department submit (a) an updated estimate of emergency pest eradication project expenditures in the current and budget years and (b) the assumptions upon which the estimate is based.	2063

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 quality, quantity, and safety standards for agricultural and certain consumer goods.
- Administration of marketing orders.
- Providing 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. The department has its headquarters in Sacramento and other offices located throughout the state. The department has 2,206 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The Budget Bill proposes nine appropriations totaling \$70,504,000 from various state funds for support of the Department of Food and Agriculture, county agricultural commissioners, and local fairs in 1984-85. This is a decrease of \$13,661,000, or 16.2 percent, below comparable estimated current-year expenditures. This decrease, however, is misleading.

Year-to-Year Comparison Distorted

If expenditures in the current and budget years are placed on a comparable basis, the change in funding proposed in the budget represents an *increase* of \$4,227,000, or 5.0 percent, rather than a *decrease* of \$13,661,000. This discrepancy is due to two factors. First, the budget for 1984-85 *excludes* approximately \$20,178,000 from the Agriculture Fund for programs that are funded by Budget Act appropriations in the current year, but which are proposed to be funded by continuous appropriation in 1984-85. Second, an appropriation of \$2,290,000 to the department from the Energy and Resources Fund in 1984-85 was erroneously included in the Budget Bill.

Table 1 shows that if the 1984-85 budget request were adjusted to be comparable with 1983-84 expenditures from budget appropriations, the request becomes \$88,392,000. The 5.0 percent increase in expenditures proposed for 1984-85 will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

Table 1
Department of Food and Agriculture
Comparison of 1983-84 and 1984-85 Expenditures
When Expressed on a Comparable Basis
(in thousands)

Amount requested in Budget Bill	\$70,504
Amount continuously appropriated in 1984-85 for programs funded through the Budget Act in 1983-84*	20,178
ERF appropriation included in 1984-85 by accident	-2,290
Adjusted Budget Bill appropriation request	\$88,392

* Estimate by Legislative Analyst's Office.

Total Expenditures

Total proposed expenditures from all funding sources in 1984-85 are \$118,471,000. This is an increase of \$3,640,000, or 3.2 percent, above current-year estimated total expenditures. Table 2 shows the sources of funds for these proposed expenditures (excluding marketing order expendi-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

tures). In addition to the amounts requested in the Budget Bill, total expenditures include expenditures from reimbursements and federal funds, as well as \$35,743,000 from Agriculture Fund continuing appropriations and \$12,285,000 from the Fair and Exposition (F&E) Fund continuing appropriations for local fairs. Although continuing appropriations are scheduled to terminate on June 30, 1984, pursuant to existing law, Control Section 30.00 of the Budget Bill would extend the continuing appropriation of specified Agriculture Fund and F&E Fund monies.

Spending Not in Budget. The Director of Food and Agriculture supervises the operation of 34 marketing orders for programs established at industry request to aid in the production, control, and advertising of agricultural products. The individual boards that administer these marketing orders collected and spent approximately \$65,000,000 in 1982-83. Funds collected by marketing order boards are treated as special trust funds and are not included in the figure for total expenditures.

The budget indicates (on page GG 98) that the department will devote 18.5 personnel-years to the administration of these trusts in 1984-85, and will receive \$754,000 from the marketing order programs to support these positions.

Table 2
Department of Food and Agriculture
Sources of Funds
1984-85
(in thousands)

A. Support		
1. General Fund		\$41,631
2. Agriculture Fund		44,596
a. Item 8570-001-011	\$8,898	
b. Continuing appropriations	35,698	
3. Ethanol Fuel Revolving Account		689
4. Fair and Exposition Fund		1,269
5. Federal Trust Fund		1,530
6. Reimbursements		892
a. Veterinary laboratory fees	307	
b. Weights and measures device inspection fees	131	
c. Marketing services	213	
d. Miscellaneous	241	
Total State Operations		\$90,607
B. Assistance to Counties		
1. General Fund		\$8,787
a. Subventions for pesticide regulation	2,881	
b. Subventions for pest detection	5,523	
c. Subventions for salaries of agricultural commissioners	383	
2. Agriculture Fund		6,167
a. Pesticide mill tax	4,667	
b. Unclaimed gas tax refunds	1,455	
c. Continuing appropriations	45	
Total Assistance to Counties		\$14,954
C. Assistance to Local Fairs		
1. Fair and Exposition Fund		\$12,910
a. Item 8570-101-191	625	
b. Continuing appropriations	12,285	
Total Assistance to Local Fairs		\$12,910
Total Proposed Expenditures, 1984-85		\$118,471

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 Agriculture Fund support activities that serve specific identifiable segments of the agriculture industry. If 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. Many of the department's programs serve multiple purposes, so that the determination of who benefits from them and who should pay their cost is difficult.

Growth in Ongoing General Fund Support

The budget proposes a total of \$50,418,000 in appropriations from the General Fund to the department (including local assistance) in 1984-85. This is an increase of \$4,852,000, or 10.6 percent, above current-year estimated General Fund expenditures. Almost one-half of this increase, or \$2,290,000, is intended to replace funds provided from the Energy and Resources Fund (ERF) in the current year to support part of the pest response program. Under existing law, the ERF terminates at the end of the current year.

The estimate of current-year General Fund expenditures presented in the budget does not include approximately \$4 million of expenditures for emergency pest eradication projects. This amount consists of (1) \$1.5 million appropriated by Ch 996/83 for Japanese Beetle eradication and (2) \$2.5 million for Mexican Fruit Fly eradication costs, for which the department will request a deficiency appropriation. Budget-year expenditures also will grow if major new pest infestations occur 1984-85.

Local Assistance Expenditures

The budget proposes a total of \$27,864,000 for assistance to counties and local fairs in 1984-85.

County Assistance. The budget proposes \$14,954,000 for assistance to county agricultural programs (excluding local fairs). This includes \$7,548,000 for county pesticide regulatory activities, of which \$2,881,000 is from the General Fund and \$4,667,000 is from the counties' share of the tax on pesticides sold in California (the pesticide mill tax). The budget also includes \$5,523,000 from the General Fund for county pest detection programs, which involve the placement and monitoring of insect traps to detect infestations of the Mexican Fruit Fly, Gypsy Moth, Japanese Beetle, and other potentially damaging pests that are not now established in the state.

Unclaimed Gas Tax Money. Unclaimed gasoline tax money (the estimated amount of tax paid on motor fuel attributable to off-road agricultural use which is not refunded to farmers) provides \$1,455,000 for county assistance. It also provides \$500,000 each year for department administrative costs and a departmental reserve of \$1,000,000 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

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

available for counties in the next fiscal year. In recent years, emergency eradication costs consistently have exceeded the \$1 million reserve. As of January 1984, the department had expended the entire \$1 million 1983-84 emergency reserve for projects intended to eradicate Gypsy Moth and boll weevil infestations. Consequently, no 1983-84 emergency reserve will be available for transfer to the counties in 1984-85.

Financial Assistance to Local Fairs. The department oversees the operation of 80 local fairs which are authorized by state law. Local fairs are conducted by district agricultural associations (state agencies), by non-profit citrus fruit fair organizations, and by counties. The budget indicates that the department will allocate \$12,285,000 to local fairs in 1984-85 for support and capital outlay, according to statutory guidelines. Section 30.00 of the Budget Bill proposes to extend the continuous appropriation of these funds through 1984-85. In addition, the budget requests an appropriation of \$625,000 from the F&E Fund for unemployment insurance and benefits for fair personnel (\$400,000) and vocational education programs and exhibition prizes (\$225,000). The budget also includes \$1,269,000 from the F&E Fund for support of the department's Division of Fairs and Expositions, which supervises the operation of the local fairs and allocates state funds among them.

Table 3 shows the significant changes proposed in the budget, by funding source, for each of the department's programs.

The following major program changes are proposed for 1984-85:

- **Pesticide Regulation.** An increase of \$334,000 from the General Fund and 5 personnel years to expand the environmental monitoring and analysis staff of the department's environmental hazards assessment program (EHAP). The EHAP monitors the application, dispersion and fate of pesticides, to document and analyze their impact on agriculture and the environment.

- **Plant Pest and Disease Prevention.** An increase of \$1,145,000 from the General Fund to replace \$1,008,000 from the Energy and Resources Fund (ERF) in the current year for ongoing activities in the plant pest response program, and an increase of \$805,000 for the pink bollworm control program from cotton bale assessments in the Agriculture Fund.

- **Animal Pest and Disease Prevention/Inspection Services.** A General Fund increase of \$1,145,000 to replace \$1,017,000 from the ERF used to support the department's animal pest response program in the current year.

- **Agricultural Marketing Services.** An increase of \$79,000 from the General Fund to implement Ch 1100/83 (AB 1944), which requires the department to investigate complaints about unfair bargaining between agricultural cooperatives and food processors. In the current year, the department is redirecting General Fund money from its direct marketing program to carry out the provisions of Chapter 1100.

- **Financial Assistance to Local Fairs.** A \$576,000 reduction for assistance to local fairs from the Fair and Exposition (F&E) Fund.

- **Administration.** A \$300,000 General Fund increase to pay unemployment claims of seasonal employees.

TABLE 3
Department of Food and Agriculture
1984-85 Major Budget Changes, By Program
(in thousands)

	<i>General Fund</i>	<i>Agri- culture Fund</i>	<i>Energy and Re- sources Fund</i>	<i>Fair and Expo- sition Fund</i>	<i>Other</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$45,566	\$48,895	\$2,113	\$14,416	\$3,841	\$114,831
1. Pesticide Regulation						
A. Environmental Hazards Assess- ment Expansion	334	—	—	—	—	334
2. Plant Pest and Disease Prevention						
A. Deletion of one-time Boll Weevil Eradication	—	-436	—	—	—	-436
B. Funding Shift for Pest Detection/ Emergency Projects	1,145	—	-1,008	—	—	137
c. Expansion of Pink Bollworm Pro- gram	—	805	—	—	—	805
3. Animal Industry						
a. Funding Shift for Animal Disease Emergency Program	1,145	—	-1,017	—	—	128
4. Marketing Services						
a. Staff for Agricultural Cooperative Bargaining (Ch 1100/83)	79	—	—	—	—	79
5. Financial Assistance to Local Fairs						
a. Increase in State Administrative Costs	—	—	—	339	—	339
b. Reduction in Local Assistance	—	—	—	-576	—	-576
6. General Agricultural Activities						
a. Reduction in Ethanol Fuel Loan Program	—	—	—	—	-339	-339
7. Baseline and Miscellaneous Changes ..	2,149	1,449	-88	—	-391	3,169
Totals, 1984-85 Expenditures (Proposed)	\$50,418	\$50,763	—	\$14,179	\$3,111	\$118,471
Change from 1983-84:						
Amount	\$4,852	\$1,868	-\$2,113	-\$237	-\$730	\$3,640
Percent	10.6%	3.8%	-100.0%	-1.6%	-19.0%	3.2%

ANALYSIS AND RECOMMENDATIONS

Appropriation from the Energy and Resources Fund

We recommend deletion of Item 8570-001-190 to correct a drafting error in the Budget Bill.

The Budget Bill requests \$2,290,000 in Item 8570-001-190 from the Resources Account of the ERF for support of the department's pest response activities in 1984-85. According to the Department of Finance, this item is the result of a drafting error.

The ERF will terminate on June 30, 1984, and the budget proposes an increase of \$2,290,000 from the General Fund to replace ERF support. Therefore, we recommend deletion of Item 8570-001-190.

Pro Rata Included in General Fund Appropriation

We recommend a reduction of \$296,000 in Item 8570-001-001 to delete pro rata charges erroneously included in the General Fund support item.

The budget proposes an increase of \$2,290,000 from the General Fund in Item 8570-001-001 to support pest response program activities funded from the Resources Account of the ERF in the current year. This amount includes \$296,000 for pro rata charges which would have been required if

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

ERF funding had continued.

Pro rata charges are levied against expenditures from special funds for central administrative services provided by various state agencies, such as the Department of Finance, the State Controller, and the Legislature. The General Fund, however, is not assessed for pro rata charges. Accordingly, we recommend a reduction of \$296,000 in Item 8570-001-001 to correct for the improper inclusion of pro rata charges in the department's General Fund support item.

Pro Rata Costs Overstated

We recommend deletion of \$302,000 requested in Item 8570-001-191 (Fair & Exposition Fund) to reflect a revised estimate of statewide pro rata charges to the Fair & Exposition Fund.

The budget requests \$1,269,000 in Item 8570-001-191 from the Fair & Exposition (F&E) Fund for support of the Division of Fairs & Expositions. The division oversees the budgets and capital improvement projects of the 80 state-supported local fairs. Support costs for the division, are funded from state horse racing revenues that are diverted from the General Fund to the F&E Fund.

According to the department, the requested amount includes \$336,000 for statewide pro rata charges. The Department of Finance, however, has reduced its estimate of pro rata charges for these expenditures to only \$34,000. Therefore, the amount requested in Item 8570-001-191 is overstated by \$302,000. Accordingly, we recommend that Item 8570-001-191 be reduced by \$302,000. This reduction will result in an equal increase in the amount of horseracing revenues transferred to the General Fund.

F & E Fund Surplus

We recommend that \$5,422,000 be transferred from the Fair and Exposition Fund to the General Fund, as of June 30, 1985, to give the Legislature greater flexibility in allocating available funds to high-priority needs statewide.

The fund condition statement for the Fair and Exposition (F&E) Fund (page GG 115 of the Governor's Budget) estimates that the surplus in the fund will increase by \$3,340,000, or 93 percent, to \$6,922,000 at the end of the budget year. The budget does not indicate what will be done with this surplus money. Monies in the F&E Fund are derived from horse racing revenues which otherwise would be deposited in the General Fund.

The buildup of large surpluses in special purpose accounts such as the F&E Fund limits the Legislature's flexibility in meeting high-priority needs statewide. Because the department has indicated no specific plan for the use of these funds in 1984-85, we recommend that \$5,422,000 be transferred from the F&E Fund to the General Fund on June 30, 1985. This transfer would leave a reserve of \$1,500,000 in the F&E Fund for carryover to the 1985-86 fiscal year. Specifically, we recommend adding the following control section to the Budget Bill:

"Notwithstanding any other provisions of law, \$5,422,000 shall be transferred from the Fair & Exposition Fund to the General Fund by the State Controller, as of June 30, 1985.

Ethanol Fuel Revolving Account

We recommend that Item 8570-001-112 be deleted because (1) the department does not intend to finance any ethanol production projects in the budget year and (2) the ethanol fuel loan program has failed to stimulate widespread ethanol production from agricultural commodities in California. We further recommend that a control section be added to the Budget Bill transferring the unencumbered balance of the Ethanol Fuel Revolving Account—approximately \$1,539,000—to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs.

The budget requests \$882,000 from the Ethanol Fuel Revolving Account for ethanol production loans in 1984-85. The department, however, indicates that it has no plans to make additional loans in the budget year.

Background. Chapter 161, Statutes of 1979, appropriated \$10 million from the Transportation Planning and Development Account (TP&DA) to the Business, Transportation, and Housing (BT&H) Agency to promote the development of new motor vehicle fuels. Revenues to the TP&DA are derived from the retail sales and use tax on gasoline and would otherwise be deposited in the General Fund. The agency allocated a portion of the funds to the department to promote the production of ethyl alcohol (ethanol) on farms, at food processors, or at other sites associated with the agricultural industry.

Chapter 803, Statutes of 1980, transferred \$2 million of the funds appropriated to the BT&H agency to the Ethanol Fuel Revolving Account (EFRA) that this legislation created. Chapter 803 also directed the department to provide low interest loans for 40 to 60 small- to medium-sized ethanol fuel plants throughout the state. It was hoped that these plants would demonstrate the economic and technical feasibility of ethanol fuel production and encourage the development of an agriculture-based energy sector in the state. Underlying the program was the assumption that the skyrocketing price and uncertain supply of oil experienced in the 1970s would continue.

Loan Delinquencies. To date, the department has made 36 loans totaling \$1.5 million for 31 ethanol fuel projects (some projects have received more than one loan). As of January 1, 1984, \$1.2 million of the \$1.5 million had been disbursed to borrowers. All of the loans are made for a five-year period and carry a 3 percent interest rate. The department will finance up to 75 percent of the total project cost.

Information from the department indicates that, as of January 1, 1984, repayments totaling \$64,000 were past due on 11 loans. These 11 loans comprise 31 percent of all the loans and 36 percent of the funds disbursed to date. At the time this analysis was prepared, the department had extended the repayment schedule on four of the loans and had notified the recipients of the remaining seven delinquent loans of the past-due status of their accounts.

Loan Activity Declining. The 1983 Budget Act appropriated \$1,218,000 from the EFRA for new ethanol fuel loans in the current year. A portion of this amount consists of loan repayments made in previous years, which are deposited in the revolving account and made available for new loans. At the time this analysis was prepared, the department had made only \$225,000 in new loans from the 1983 appropriation and had no plans to make any additional loans in 1983-84. Therefore, up to \$993,000 of the funds appropriated from the EFRA for 1983-84 will not be expended.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Project Performance. According to the department, 17 of the 31 projects financed with state loans have finished construction. Not all of the completed projects, however, are currently producing ethanol. Although no formal evaluation of the projects has been conducted, the department indicates that the operation of many of the projects requires more labor than was anticipated and this has limited their utilization. Other projects operate only seasonally because of the limited availability of the agricultural commodities they use as feedstocks.

The primary rationale for the loan program was to demonstrate the practicality of small-scale, farm-based ethanol fuel production. The department indicates, however, that no more than six privately financed ethanol fuel plants have been constructed as a result of its demonstration loan program. According to the department, the stabilization of fuel prices and supplies has largely removed the incentive for private investment in the refinement of small-scale ethanol fuel production technology.

The demonstration projects funded to date have failed to stimulate a nonsubsidized agriculture-based energy sector in the state and the department has no plans to make new ethanol production loans in 1984-85. Accordingly, we recommend that Item 8570-001-112 be deleted.

We further recommend that the Legislature add the following control section to the Budget Bill to transfer the unencumbered balance of the EFRA (approximately \$1,539,000) to the General Fund so that it will be available to the Legislature for high-priority needs:

"Notwithstanding any other provisions of law, on the effective date of this act, the unappropriated balance in the Ethanol Fuel Revolving Account shall be transferred to the General Fund."

General Fund Augmentation Unjustified

We recommend a reduction of \$350,000 in Item 8570-001-001 to delete funds requested to restore money vetoed from the 1983 Budget Act because the department (1) has not identified any adverse consequences resulting from current-year reductions and (2) has not specified how the funds would be used in the budget year.

In signing the Budget Act of 1983, the Governor reduced the department's General Fund appropriation by \$1,100,000 to reflect the department's estimate of savings to be realized from program efficiencies and the establishing of new priorities for projects. The budget proposes to restore \$350,000 of this amount in 1984-85. The \$350,000 would be allocated to the following programs:

Pesticide regulatory	\$193,000
Plant industry	100,000
Animal industry	57,000

According to the department, the additional \$350,000 is needed to provide an effective level of service in 1984-85. The department, however, has not identified any adverse consequences resulting from the current-year reductions, and it has not completed any plans to use these funds in 1984-85. Although the department states that the \$350,000 will be used to restore current-year reductions, department staff have expressed tentative plans to use the funds for new projects, including (1) state trapping for exotic plant pests in counties that do not operate their own trapping program, (2) a contract for biostatistical analyses in the pesticide program, and (3) a program to inform veterinarians and livestock owners of exotic

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animal pests that may be brought into the state by foreign visitors attending the Summer Olympics in Los Angeles.

Because the department has provided no evidence of adverse consequences resulting from current-year reductions made by the Governor, and has not completed plans for expenditure of this money, we have no basis on which to recommend approval of the requested funds. Accordingly, we recommend deletion of the \$350,000. If the department does formulate specific plans for use of the funds, we will analyze its request and advise the Legislature of any change in our recommendation that may be warranted.

Eradication Projects

We recommend that the department prepare and submit to the Legislature at the time of budget hearings an updated estimate of emergency pest eradication expenditures for both the current and budget years.

In the current year, the department will spend an estimated \$5,436,000 for four emergency pest eradication projects. Table 4 shows estimated current year and proposed budget year eradication expenditures, by project.

Table 4
Department of Food and Agriculture
Emergency Pest Eradication Project Expenditures
1983-84 and 1984-85
(in thousands)

<i>Eradication Project</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>
Gypsy Moth	\$564	\$500
Cotton Boll Weevil.....	872 ^a	—
Japanese Beetle.....	1,500 ^b	250
Mexican Fruit Fly.....	2,500 ^c	250
Totals	\$5,436	\$1,000

^a Includes \$436,000 from the Agriculture Fund diverted from the ongoing pink bollworm control program.

^b Chapter 996/83 appropriated \$1,500,000 from the General Fund for Japanese Beetle eradication costs in the current year.

^c The department will seek a \$2,500,000 deficiency appropriation from the General Fund for Mexican Fruit Fly eradication costs in the current year.

Each year, \$1 million of unrefunded gas tax money is available to the department for emergency detection, eradication or research projects. The department indicates that the \$1 million emergency reserve will be needed to finish the Gypsy Moth, Japanese Beetle, and Mexican Fruit Fly eradication programs in the budget year. There will be no money remaining in either the current year or the budget year reserve for new eradication projects should there be additional finds of any major pests.

Because the department's emergency funds will be exhausted under the best of circumstances and because any new pest detections could require significant additional expenditures, we recommend that the department submit to the Legislature an updated estimate of the cost of emergency pest eradication projects in 1984-85 and the assumptions upon which the estimate is based.

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

Item 8570-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 117

Requested 1984-85	\$4,537,000
Recommended approval	290,000
Recommended reduction	3,909,000
Recommendation pending	338,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer of Savings to the General Fund. Recommend that savings resulting from our recommendation on projects to be funded from tidelands oil revenues—\$3,909,000—be transferred to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs state-wide. 2065
2. *Davis Vet Lab. Reduce by \$317,000.* Recommend reduction to eliminate working drawing funds, because preliminary plans have not begun and no additional information is available to the Legislature on this project. 2065
3. Long Valley Inspection Station. Withhold recommendation on Item 8570-301-036(3) (\$225,000), preliminary plans, working drawings, and construction, for Long Valley border inspection station, pending receipt of budget package and information on how proposed project differs from an earlier proposal. 2066
4. *Truckee Inspection Station Sewer Line. Reduce by \$15,000.* Recommend reduction to eliminate overbudgeted fees and contingency. 2067
5. *Hornbrook and Dorris Border Inspection Stations. Reduce by \$3,577,000.* Recommend deletion of proposed new border inspection stations because it would be more cost-beneficial for the state to maintain current operations at existing stations. 2067
6. Minor Projects. Withhold recommendation on Item 8570-301-036(1), minor projects, pending receipt of adequate cost estimates. 2070

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$4,537,000 from the General Fund, Special Account for Capital Outlay, under Item 8570-301-036 for five major and two minor capital outlay projects for the Department of Food and Agriculture. Table 1 summarizes the department's 1984-85 capital outlay program and our recommendations on it.

Table 1
Department of Food and Agriculture
1984-85 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated^b Future Costs</i>
Davis Vet Laboratory	pw	\$510	\$193	\$7,881
Long Valley Border Inspection Station	pwc	225	pending	—
Truckee Border Inspection Station	pwc	112	97	—
Hornbrook Border Inspection Station	pwc	3,083	—	—
Dorris Border Inspection Station	apwc	494	—	—
Minor Projects	pwc	113	pending	—
Totals		\$4,537	pending	\$7,881

^a Phase symbols indicate: a = acquisition, p = preliminary plans, w = working drawings, c = construction.

^b Department's estimate.

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 8570-301-036 (\$3,909,000) 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 reductions amounting to \$3,909,000 in the Department of Food and Agriculture's capital outlay program funded from the Special Account for Capital Outlay. Approval of these reductions, which are discussed individually below, would leave unappropriated balances of tideland oil revenues in this special 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 on Item 8570-301-036 be transferred to the General Fund.

Davis Vet Laboratory

We recommend that Item 8570-301-036(2), preliminary plans and working drawings, Davis Vet Lab, be reduced by \$317,000 to eliminate working drawing funds, because preliminary plans have not been started and the Legislature has no more information on the project than it had last year.

Item 8570-301-036(2) contains \$510,000 for preliminary plans (\$193,000) and working drawings (\$317,000) for the Davis Vet Laboratory. The project involves the construction of a new veterinary diagnostic laboratory on the University of California, Davis campus. The proposed facility will provided 27,635 square feet of new laboratory space and alteration of 1,552 square feet of existing space. The laboratory will be constructed adjacent to the Veterinary Medical Teaching Hospital and will serve as a central reference laboratory for a system of diagnostic laboratories operated by the university under contract to the department. Planning and construction of the project will be provided by the University of California.

The Legislature appropriated \$250,000 in 1983 to fund preliminary plans for this project. The Governor, however, vetoed all but \$75,000, indicating that funding should be provided for *partial* preliminary plans in 1983-84. The department's request for the budget year seeks to fund the remaining costs of preparing preliminary plans, as well as the costs of working drawings. A new estimate of the project provided by the University of Califor-

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued

nia is responsible for the increase in the amount requested for preliminary planning funds. The cost is now estimated to be \$268,000, or \$18,000 more than the Legislature approved last year. The department estimates future costs of approximately \$7,564,000 for the project, with \$6,544,000 for construction and \$1,020,000 for equipment.

At the time this *Analysis* was prepared, the partial preliminary plans funded in the current year had not been started. As a result the Legislature has no more information on this project than it had last year. Consequently, we recommend that only preliminary planning funds (\$193,000) be approved, for a reduction to Item 8570-301-036(2) of \$317,000. This will allow the department to complete plans and have them available for legislative review next year. At that time, a request for working drawing and construction funds would warrant legislative consideration.

Long Valley Border Inspection Station

We withhold recommendation on \$225,000 in Item 8570-301-036(3), preliminary plans, working drawings, and construction, Long Valley inspection station, pending receipt of project scope and cost information.

The budget contains \$225,000 under Item 8570-301-036(3) for preliminary plans, working drawings, and construction of permanent facilities for the Long Valley border inspection station. The proposal includes \$6,000 for preliminary plans, \$8,000 for working drawings, and \$211,000 for construction.

The Long Valley inspection station is located on Highway 395 northwest of Reno, Nevada. The station currently operates out of a mobile trailer with highway markers and a vehicle on-and-off ramp. When the station was originally located in Long Valley, it was used only during daylight hours in the summer months. The station however, now operates 24 hours a day year-round.

The department indicates that the expansion of the station's operations requires a more permanent facility. The department cites a number of problems with the current arrangement, the greatest being safety. The current facility has no safety booths for employees to work in and no canopy to protect employees and motorists from inclement weather during inspections.

The department seeks to construct a 600 square foot office-restroom-storage building and a 2,700 square foot overhead inspection shed structure at the existing developed site. Plans also include construction of traffic barriers, metal inspection booths, and emergency power facilities. No alterations will be needed for the road. Our analysis indicates that the improvements are justified, provided the station remains a year-round, 24-hour-a-day station.

Project Cost Uncertain. The department requested permanent facilities for Long Valley in 1980, but the project was not approved because the station was operated on a limited schedule. The department indicates that the budget request is based on preliminary plans for the 1980 project. The cost in 1980, however, was \$339,000 and the department has provided no information on how the project was changed to reduce the cost to \$225,000. Consequently, the adequacy of the requested amount cannot be substantiated. Prior to budget hearings, the department should submit scope and cost details for the current request and indicate how they differ from the 1980 proposal. Pending receipt of this information, we withhold

recommendation on Item 8570-301-036(3) for the Long Valley inspection station.

Truckee Sewer Line

We recommend that Item 8570-301-036(4), install sewer line, Truckee border inspection station, be reduced by \$15,000 to eliminate overbudgeted fees and contingency.

The budget proposes \$112,000 under Item 8570-301-036(4) for preliminary plans, working drawings and construction to install a sewer line for the Truckee border inspection station. The department proposes to abandon the existing septic tank system, and extend and connect a gravity sewer line to the Truckee Sanitary District sewer line.

The department indicates that the Truckee facility is in violation of the sanitary district's requirements that all facilities in the district be connected to sewer lines rather than septic tank systems. The California Regional Water Quality Control Board, Lahontan Region, has directed the department to abandon its on-site septic system and connect to the community sewage collection system.

The budget includes \$30,000 for architectural and engineering services, construction contingency, and non-basic services for this project. This amount is equal to approximately 37 percent of the estimated contract costs. The State Administrative Manual specifies that unless specifically justified, these costs will be limited to 18 percent of the estimated construction contract cost. The department has not provided any justification for the additional amount. Consequently, we recommend that architectural and engineering services, construction contingency, and non-basic services be reduced to 18 percent of the total contract cost, or \$15,000. This results in a savings of \$15,000.

Dorris and Hornbrook Border Inspection Stations

We recommend that Item 8570-301-036(5), \$3,083,000 for preliminary plans, working drawings, and construction, Hornbrook inspection station, and Item 8570-301-036(6), \$494,000 for acquisition, preliminary plans, working drawings, and construction, Dorris inspection station, be deleted because it would be more cost-beneficial to the state to maintain inspection operations at current facilities.

The budget proposes a total of \$3,577,000 for two new border inspection stations in northern California. Specifically, Item 8570-301-036(5) contains \$3,083,000 for preliminary plans, working drawings, and construction for the Hornbrook station and Item 8570-301-036(6) contains \$494,000 for acquisition, preliminary plans, working drawings, and construction for the Dorris station.

The proposal calls for (1) opening a new border inspection station at Hornbrook, (2) reopening a station at Dorris that was abandoned in 1976, and (3) closing the existing permanent station at Mt. Shasta and the temporary station at McCloud. Both proposed stations would be located just south of the Oregon border. The Hornbrook station would be on Interstate 5 and the Dorris station on U.S. 97. The Mt. Shasta station, located 70 miles south of the Oregon border, is also on Interstate 5. The temporary McCloud station is located on State Highway 89, east of Mt. Shasta.

Project History. The department has had border inspection operations at both Hornbrook and Dorris in the past. It operated a station at Hornbrook until U.S. Highway 99 was upgraded to Interstate Highway 5,

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued

forcing the station's demolition. Since Interstate 5 and U.S. Highway 97 funnel together, a decision was made to construct a new 24-hour inspection station in the city of Mt. Shasta, adjacent to the California Highway Patrol Truck Inspection station. When this inspection facility became available for U.S. Highway 97 traffic, the department abandoned its Dorris station in 1975 and used the new Mt. Shasta station to inspect traffic from both the Hornbrook and Dorris routes. The Dorris facility was sold for \$8,500 to the Siskiyou County Department of Agriculture.

After the Mt. Shasta station began operation, the department discovered some commercial trucks and motorists were circumventing Mt. Shasta by taking State Highway 89 through McCloud. Consequently, a temporary inspection station was established in McCloud in 1981. This station currently operates during daylight hours in the summer and for eight hours per day during the remainder of the year.

Departmental Justification for Re-Establishing Hornbrook and Dorris Facilities. The department indicates that when the border inspection functions were transferred from Dorris and Hornbrook to Mt. Shasta, there were few pests established in the Pacific Northwest that were of concern to California. The department now indicates, however, that transferring facilities to Mt. Shasta, an area 70 miles south of the border, has left Siskiyou County unprotected by the state's border inspection program.

According to department staff, introduction of the apple maggot in Oregon and Washington, and, to a lesser extent, the gypsy moth, has necessitated the need for protection of Siskiyou County. By transferring current inspection activities closer to the state's northern border, the department hopes to exclude pests from the northern part of Siskiyou County.

The department proposes to construct a standard inspection station at Hornbrook with an office-utility-restroom building and roof-covered inspection structure with four automobile lanes and three commercial truck lanes, four metal inspection booths, parking area, water well, septic system, emergency power, incinerator, and off-and-on ramps to the freeway. The budget proposes to complete construction by the fall of 1985, with \$82,261 budgeted for preliminary plans, \$96,170 for working drawings, and \$2,884,569 for construction. In addition, \$20,000 is budgeted for environmental work to be performed by Caltrans.

The department proposes to repurchase the Dorris facility from Siskiyou County, make improvements and recondition the existing facility. The work will include installation of new septic and water system, advance warning lighted signing, heaters for office and restroom, emergency power, three metal inspection booths, and canopy. There would be three covered auto lanes, one covered truck lane, and one outside truck lane. The budget includes funds for all aspects of the project, including \$43,000 for acquisition, \$7,220 for preliminary plans, \$16,370 for working drawings, and \$427,410 for construction.

According to the department, funds are requested for all elements of both projects (acquisition, plans, drawings, and construction) so that the stations can be operational by fall 1985.

Apple Maggot Already Established in Siskiyou. The department's primary justification for seeking transfer of inspections from Mt. Shasta and McCloud to Dorris and Hornbrook is that Siskiyou County is unprotected from the apple maggot, a pest that infects *only* apples and pears and is now established in the Pacific Northwest. In a number of public

statements, however, department officials have declared that the apple maggot is already well-established in Siskiyou County.

Our analysis indicates that it would be in the state's best interest to maintain the current facilities at Mt. Shasta and McCloud to combat the apple maggot, since the pest is already established in Siskiyou County. By maintaining a station in the southern portion of the county, it is more likely that this pest can be contained and will not spread further south. Moving the inspection stations to Dorris and Hornbrook and closing the Mt. Shasta and McCloud operations will allow the apple maggot to spread more easily into the more fertile apple-growing areas of the state that are south of Siskiyou County.

In addition, the department staff indicates that Siskiyou County plans a major eradication effort of the apple maggot for later this year. It would be premature to move these stations until the results of the county's program are available.

Gypsy Moth Concern Unfounded. The department's secondary justification for these projects is that moving the stations will prevent establishment of the gypsy moth in Siskiyou County. According to our analysis, however, it is highly unlikely that this could occur. The gypsy moth is native to the eastern portion of the United States and the department's records indicate that more than 85 percent of the gypsy moths identified in 1982-83 were on California's eastern, not northern, border. In 1983, 265 gypsy moths were confirmed at inspection stations, but only 19 were confirmed on the Oregon border and only four of these were found at Mt. Shasta. The department has indicated that a few trappings of adult gypsy moths does not mean that an infestation is at hand.

Officials with the U.S. Department of Agriculture (USDA) indicate that a small number of gypsy moths have been confirmed in selected areas of Oregon and Washington, but add that it would be at least 10 to 15 years before a problem could develop to affect California from its northern border. Officials of both USDA and the Department of Food and Agriculture agree that agricultural officials in Oregon have done a good job of eradicating gypsy moths in that state, thus lessening the potential threat to California.

In addition, the gypsy moth normally travels by attaching itself to the underside of automobiles and lawn furniture. There is no evidence that the department's present inspection methods on the Oregon border are adequate to detect pests that enter the state in this manner.

Proposal Has Other Problems. Our analysis indicates that there are other problems with this proposal as well. Department staff indicate that it is extremely useful to have inspection stations located close to California Highway Patrol (CHP) facilities in case motorists refuse to stop for inspections or have an accident at the station. The Mt. Shasta station is located adjacent to the CHP's truck inspection station. If the station is relocated to Dorris and Hornbrook, the closest CHP facility would be approximately 70 miles away.

The budget proposes to construct a new facility at Hornbrook and renovate the current facility at Dorris. The Hornbrook facility will cost the state a great deal of money. Since there is no on/off ramp at the facility, the costs of paving and altering the road alone is over \$1,000,000. In addition, our site visit to the Dorris facility indicates that it is unlikely that the current facility can be renovated to become an adequate border inspection station without costs that are considerably greater than the amount budgeted.

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued

Finally, the department proposes to complete both projects in the budget year by obtaining funds for acquisition, preliminary plans, working drawings and construction. This would prevent any further legislative review of the projects. In addition, the design of the proposed facilities is unknown and the cost estimates have been provided without the benefit of architectural review in the planning process. Consequently, should the Legislature decide to approve these projects, funds should only be provided for acquisition and preliminary plans. This will provide an additional opportunity for legislative review and better cost estimates based on plans.

We recommend, however, that funds be deleted for both projects. As noted above, maintaining the current inspection station in Mt. Shasta should be more beneficial in controlling the spread of the apple maggot. In addition, the current location is advantageous because of its proximity to CHP facilities. Finally, the department has not presented sufficient evidence to confirm that relocating the station on the border will be beneficial in excluding the gypsy moth from California.

Minor Projects

We withhold recommendation on Item 8570-301-036(1), minor projects, pending receipt of adequate cost estimates.

Item 8570-301-036(1) provides \$113,000 for two minor capital outlay projects at the department's border inspection stations. Specifically, the proposal is for additional truck and automobile inspection booths at the Yermo station on the Arizona border, and renovation and additions to the restrooms at the Redwood Highway station on U.S. 199 in Del Norte County.

Yermo Station. The department proposes alterations to add a small truck inspection office to the existing inspection building at Yermo in San Bernardino County. In addition, five prefabricated metal inspection booths would be added to the automobile inspection lanes. The department indicates that the inspection booths are needed because of severe weather and lack of shelter for inspectors. The booths would be similar to those at several other inspection stations. The truck office would be constructed adjacent to the two truck lanes. Currently, truck drivers are required to cross all five lanes of automobile traffic in order to enter the inspection office for processing of truck manifests and bills of lading. The truck office would make inspection safer and faster. The department estimates the cost of this project to be \$58,000.

Redwood Highway Station. The department proposes alterations/construction to provide new public and employee restroom facilities and a contraband disposal area at the Redwood Highway station. There are currently two separate restroom structures on opposite corners of the drive-through inspection station. The men's restroom, which is attached to a small pumphouse, is also used for disposal of contraband (agricultural material confiscated during inspection). The department indicates that both restrooms were constructed 50 years ago and are in poor condition. In addition, there have been a number of plumbing problems, partly because of the distance between the women's restroom and septic tank.

The proposal calls for partial demolition of the men's restroom/pump-house facility, and construction of restrooms and a combined contraband disposal and pump room. The disposal/pump room would contain approx-

imately 75 square feet of space with sink and garbage disposal, cupboards and storage. The existing women's room would be converted for use as a storage room. The department indicates that this would locate all plumbing near the septic tank system. The cost of this project is estimated to be \$55,000.

Our analysis indicates that both minor capital outlay projects are justified. The department, however, has not provided adequate cost data to substantiate the amounts requested. Consequently, we withhold recommendation on both projects, pending receipt of adequate cost information.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening/security code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

The Davis Vet Lab (\$193,000) falls under Category 4. The Truckee sewer line (\$97,000) falls under Category 7.

POLITICAL REFORM ACTItem 8640 from the General
Fund

Budget p. GG 119

Requested 1984-85	\$1,740,000
Estimated 1983-84	1,679,000
Actual 1982-83	1,547,000
Requested increase (excluding amount for salary increases) \$61,000 (+3.6 percent)	
Total recommended reduction	None
Recommendation pending	917,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8640-001-001—Political Reform Act		General	\$1,740,000
—Secretary of State	\$560,000		
—Franchise Tax Board	917,000		
—Attorney General	263,000		
Statutory			
Appropriation—Fair Political Practices Commis-		General	(2,047,000)
sion			
Total			\$1,740,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Franchise Tax Board. ~~Withhold recommendation on ap-~~
propriation of \$917,000 from the General Fund, ~~pending~~
~~review of new workload information~~ related to the board's
Political Reform Act duties.

Recommend approval in reduced amount
Analysis
page
2073
of
\$908,000

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. General Fund support for one of these agencies, the Fair Political Practices Commission, is provided directly by a continuous appropriation made in 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.

Total staffing for the act in the current year is 88.9 authorized positions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,740,000 from the General Fund to carry out the provisions of the Political Reform Act in 1984-85. This is \$61,000, or 3.6 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

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

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.

POLITICAL REFORM ACT—Continued

The FTB proposes budget-year expenditures for its PRA function of \$917,000, an increase of \$34,000, or 3.9 percent, over estimated current-year expenditures. Staffing for FTB is proposed at 17.6 personnel-years, a decrease of 1.9 personnel-years from the current year level.

The 1984-85 budget proposes a reduction in support for the FTB's activities under the PRA of \$24,000, reflecting the anticipated savings from consolidating all PRA audit activities and personnel at the FTB's Central office in Sacramento, effective January 1, 1984. Currently, these activities are performed both by central office staff and by staff assigned to the FTB's district office in El Monte. The savings from centralization of PRA functions—\$64,000—will be partially offset by increased travel costs of \$40,000 associated with audits in southern California, leaving a net savings of \$24,000.

The FTB's resource requirements for PRA-related functions depend on (1) the *productivity rates* at which the board audits documents and (2) the *volume of audits* to be done.

It appears that the department's production rates in the current year may differ from the rates achieved in previous years, partly because of the staffing consolidation during the second half of the year. The FTB is planning to update its estimates of audit productivity rates by the end of February 1984. A revised estimate of the audit volume for 1984-85 also will be available by that date, following the random selection of independent political action committees for audit.

Until we have had an opportunity to evaluate the department's PRA budget-year workload needs using the latest possible information on productivity and audit volumes, we withhold recommendation on the board's portion of the PRA budget request.

Attorney General's Duties*We recommend approval.*

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 \$253,000, and \$263,000 is requested for the budget year, an increase of four percent.

FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission is responsible for the administration and implementation of the act. The commission consists of five members, two of which, including the chairman, are 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 49-member staff. Each year, the commission receives a statutory General Fund allocation of \$1 million plus an adjustment for changes in the cost-of-living since the initial allocation.

The commission's statutory appropriation for 1984-85 is \$2,047,000. The Governor's Budget does not request any funds above the statutory minimum.

History of Reversions

In recent years, the commission has not needed the full amount of its statutory appropriation to conduct the activities mandated by the Political Reform Act. Table 2 shows the amounts reverted by the commission in each of the last 3 years. The commission staff anticipates that funds will also be reverted in the current year.

Table 2
Fair Political Practices Commission
History of Reversions
(in thousands)

	1980-81	1981-82	1982-83
Statutory Appropriation	\$1,794	\$1,845	\$1,900
Reverted:			
Amount	70	80	112
Percent	3.9%	4.3%	5.9%

PUBLIC UTILITIES COMMISSION

Item 8660 from various special
funds

Budget p. CG 120

Requested 1984-85	\$43,008,000
Estimated 1983-84	40,111,000
Actual 1982-83	35,001,000
Requested increase (excluding amount for salary increases) \$2,897,000 (+7.2 percent)	
Total recommended reduction	93,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8660-001-042—	Railroad Grade Crossing Safety	State Transportation (State Highway Account)	\$1,070,000
8660-001-046—	Rail Passenger Service and Enforcement of Federal Railroad Track and Freight Car Equipment Standards	State Transportation (Transportation Planning and Development Account)	1,334,000
8660-001-315—	Radio Telephone Utilities Regulation	Radio Telephone Utility Rate	97,000
8660-001-412—	Freight Transportation Regulation	Transportation Rate	13,827,000
8660-001-461—	Passenger Transportation Regulation	Public Utilities Commission Transportation Reimbursement Account	3,544,000
8660-001-462—	Utility Regulation	Public Utilities Commission Utilities Reimbursement Account	23,118,000
8660-001-890—	Various Purposes	Federal Trust	(183,000)
Continuous Appropriation: Universal Telephone Service Program		Universal Telephone Service	18,000
Total			\$43,008,000

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

1. **Equipment Purchases.** *Reduce Item 8660-001-412 by \$93,000.* Recommend deletion of funds proposed for the purchase of several equipment items which have not been adequately justified. 2079
2. **Hearing Reporters.** Recommend enactment of legislation deleting the requirement that certified hearing reporters be used in commission proceedings, in order to reduce state costs. Further recommend that during budget hearings, the commission provide the fiscal committees with an estimate of the potential savings that would be realized from the use of electronic recording devices in official hearings. 2080
3. **Rapid Transit Safety Oversight.** Recommend that during budget hearings, the Department of Finance and the Public Utilities Commission provide the fiscal committees with information relating to the commission's ability to handle any potential workload growth in rapid transit safety oversight. 2083

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 gas, electric, telephone, trucking, bus, and railroad corporations.

The commission's primary objective is to ensure 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 various regulatory decisions.

The PUC is governed by five commissioners who are appointed by the Governor. The commission must approve all changes in the 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, information is gathered by the staff, hearings are held, and decisions are rendered by a vote of the commissioners. Appeal of commission decisions may be made only to the California Supreme Court, whose review power generally is limited to questions of law.

The commission estimates its 1983-84 staffing level at 945.5 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes six appropriations totaling \$43,008,000 from various state funds for support of the Public Utilities Commission in 1984-85. This is an increase of \$2,897,000, or 7.2 percent, over estimated current-year expenditures from these funds. In addition, the budget proposes expenditures of \$183,000 from the Federal Trust Fund and \$2,265,000 from reimbursements. Proposed expenditures in 1984-85 from all funding sources total \$45,456,000, which is \$3,813,000, or 9.2 percent, more than estimated current-year expenditures. This increase will grow by the

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

Table 1 displays a summary of the PUC's budget for the prior, current, and budget years. The table shows expenditures for elements within each of the commission's three major programs: regulation of utilities, regulation of transportation, and administration. The largest percentage increase in proposed expenditures is in the regulation of utility rates, for which an increase of 17 percent is requested. This proposed increase reflects the commission's projection of significantly increased workload in 1984-85 related to establishing rates for gas, electric, and telephone utilities. Expenditures in support of the certification of new utility facilities are expected to drop by 3 percent in 1984-85, making it the *only* commission activity for which a reduction in expenditures is projected.

Table 1
Public Utilities Commission
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change, 1984-85 Over 1983-84	
				Amount	Percent
Regulation of Utilities:					
Rates	\$18,319	\$14,045	\$16,466	\$2,421	17.2%
Service and Facilities	1,607	4,900	5,363	463	9.4
Certification	1,387	1,942	1,890	-52	-2.7
Safety	705	1,694	1,860	166	9.8
Subtotals, Utilities	(\$22,018)	(\$22,581)	(\$25,579)	(\$2,998)	(13.3%)
Regulation of Transportation:					
Rates	\$7,352	\$9,759	\$10,182	\$423	4.3%
Service and Facilities	796	1,105	1,153	48	4.3
Certification	4,258	5,890	6,019	129	2.2
Safety	2,328	2,308	2,523	215	9.3
Subtotals, Transportation	(\$14,734)	(\$19,062)	(\$19,877)	(\$815)	(4.3%)
Administration (Distributed):					
Utilities	(\$5,950)	(\$6,113)	(\$6,115)	(\$2)	(—)
Transportation	(3,085)	(3,731)	(3,817)	(86)	(2.3)
Subtotals, Administration	(\$9,035)	(\$9,844)	(\$9,932)	(\$88)	(0.9%)
Totals	\$36,752	\$41,643	\$45,456	\$3,813	9.2%
Less Federal Funds	183	183	183	—	—
Less Reimbursements	1,568	1,349	2,265	916	67.9
Totals, State Funds	\$35,001	\$40,111	\$43,008	\$2,897	7.2%
Personnel-years	900.8	945.5	912.2	-33.3	-3.5%

Commission Now Funded Primarily By User Fees

General Fund support of the PUC was eliminated during 1983-84 and replaced by user fees charged to most of the utilities and carriers regulated by the commission. This funding change was authorized by Chapter 323, Statutes of 1983. As indicated in Table 2, virtually all of the resources needed to support the commission in 1984-85 are proposed to come from reimbursement accounts, rate funds, and special funds.

Well over one-half (54 percent) of the commission's proposed expendi-

PUBLIC UTILITIES COMMISSION—Continued

tures is funded from the Public Utilities Commission Utilities Reimbursement Account (PUCURA). The PUCURA receives revenues generated by user fees charged to utilities, and uses these funds to regulate gas, electric, and telephone utilities, as well as water and sewer companies. The Transportation Rate Fund (TRF) is the funding source for about one-third (32 percent) of the PUC's spending. The regulation of freight transportation carriers (primarily trucking companies) is financed by fees deposited into the TRF.

The commission also funds the regulation of passenger transportation companies (primarily buses) and radio telephone utilities through the collection of user fees. The Public Utilities Commission Transportation Reimbursement Account (PUCTRA) and the Radio Telephone Utility Rate Fund are used for these two purposes, and they fund about 8 percent of the commission's total expenditures. The remainder of the PUC's funding (6 percent) comes from three special funds and the Federal Trust Fund.

Table 2
Public Utilities Commission
Total Expenditures by Source of Funds
1982-83 through 1984-85
(dollars in thousands)

<i>Funding Source</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	
			<i>Amount</i>	<i>Percent</i>
General Fund	\$13,257	—	—	—
State Energy Resources Conservation and Development Special Account	7,974	—	—	—
State Highway Account, State Transportation Fund	277	\$951	\$1,070	2.5%
Transportation Planning and Development Account, State Transportation Fund	297	1,246	1,334	3.1
Energy Account, Energy and Resources Fund	214	—	—	—
Radio Telephone Utility Rate Fund	27	56	97	0.2
Transportation Rate Fund	11,453	13,373	13,827	32.0
Universal Telephone Service Fund	—	—	18	0.1
Public Utilities Commission Transportation Reimburse- ment Account	—	3,390	3,544	8.2
Public Utilities Commission Utilities Reimbursement Ac- count	1,502	21,095	23,118	53.5
Federal Trust Fund	183	183	183	0.4
Totals	\$35,184	\$40,294	\$43,191	100.0%

Proposed Budget-Year Changes

Table 3 shows the changes in the commission's budget proposed for 1984-85. These changes consist of baseline adjustments, workload changes, and program changes. The table indicates that *baseline adjustments*, such as routine salary and operating expense increases, account for over 80 percent of the proposed budget changes.

The commission's budget proposes several *workload-related changes*, the most significant of which is a reduction of 29 positions (primarily clerical). This reduction is proposed in response to the Governor's executive order directing a statewide personnel reduction in 1984-85.

The major *program change* is a proposal to establish a new construction cost assessment and monitoring effort, financed by \$1 million in increased

reimbursements. This program will use the services of private consultants to assist the commission in reviewing relatively large or costly utility power plant projects.

Table 3
Public Utilities Commission
Proposed 1984-85 Budget Changes
(dollars in thousands)

	<i>PUC Utilities Reimburse- ment Account</i>	<i>Transpor- tation Rate Fund</i>	<i>PUC Transportation Reimburse- ment Account</i>	<i>Other Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$21,095	\$13,373	\$3,390	\$2,436	\$1,349	\$41,643
<i>Baseline Adjustments</i>						
Full-year Funding of Salary and Staff Benefit Increases	\$546	\$407	\$88	\$57	—	\$1,098
Merit Salary Adjustments	75	47	12	7	—	141
Operating Expenses	1,583	5	88	104	49	1,829
Subtotals, Baseline Adjustments	(\$2,204)	(\$459)	(\$188)	(\$168)	(\$49)	(\$3,068)
<i>Workload Changes</i>						
Governor's Personnel Reduction..	—\$386	—\$164	—\$38	—	—	—\$588
Telephone Industry Restructuring	(176) *	—	—	—	—	(176) *
Highway Carrier Enforcement ...	—	142	—	—	—	142
Fiscal Office (Accounting)	27	17	4	—	—	48
Railroad Grade Crossing Safety ...	—	—	—	41	—	41
Subtotals, Workload Changes	(—\$359)	(—\$5)	(—\$34)	(\$41)	—	(—\$357)
<i>Program Changes</i>						
Construction Cost Assessment and Monitoring	—	—	—	—	\$1,000	\$1,000
Fuel Cost Review and Forecasting	217	—	—	—	—133	84
Universal Telephone Service	—	—	—	18	—	18
Subtotals, Program Changes	(\$217)	—	—	(\$18)	(\$867)	(\$1,102)
<i>Funding Change</i>						
Regulation of Radio Telephone Utilities	—\$39	—	—	\$39	—	—
1984-85 Expenditures (Proposed)	\$23,118	\$13,827	\$3,544	\$2,702	\$2,265	\$45,456
Change From 1983-84:						
Amount	\$2,023	\$454	\$154	\$266	\$916	\$3,813
Percent	9.6%	3.4%	4.5%	10.9%	67.9%	9.2%

* Permanent continuation of four limited-term positions due to expire 6/30/84.

ANALYSIS AND RECOMMENDATIONS

Proposed Equipment Purchases Are Not Justified

We recommend the deletion of \$93,000 proposed for the purchase of various equipment items, the need for which has not been adequately justified.

The commission's baseline equipment schedule indicates that 99 percent of the \$393,000 in proposed expenditures are for *additional*, as opposed to replacement, equipment. Our examination of the PUC's

PUBLIC UTILITIES COMMISSION—Continued

equipment request reveals that the justifications provided in support of three proposed items—costing \$93,000—are inadequate.

Electronic Document Reader. The PUC's Data Processing Branch proposes to purchase, at a cost of \$90,000, an electronic document reader which is capable of "reading" coded data and some types of handwritten information and then transmitting this input to the files of a remote computer. The commission informs us that this machine would alleviate an existing three-month backlog in processing employee time-reporting data, and could also eliminate much routine data entry and filing work currently performed by PUC staff.

We have not been provided with any documentation in support of the request to purchase the document reader. Moreover, the commission cannot estimate to what extent the use of a document reader would result in offsetting cost-savings, especially in the personnel area. If, for example, the document reader can be justified as a cost-saving item, the request for additional funding might be unnecessary as the commission could fund the purchase of this equipment from existing resources.

Thus, our review indicates that the commission has not adequately justified the purchase of an electronic document reader. Accordingly, we recommend the deletion of \$90,000 requested for the reader in the commission's 1984-85 support budget.

Audio/Video Equipment. The Public Affairs Branch of the PUC proposes to purchase a video tape editor and an audio tape editor, at a total cost of \$3,000. This equipment would be used in conjunction with video and audio recording systems already owned by the commission to assemble recordings of news and public affairs broadcasts for later viewing and listening by commission staff.

The commission informs us that it currently provides a *daily* newspaper article "clipping" service to the commissioners and other executive-level staff. In addition, radio and television broadcasts are recorded periodically for use at staff meetings or by individual commissioners.

Our analysis indicates that the commission's practice of recording media broadcasts is of questionable benefit. It is not clear what *additional* information the commission staff receives from recorded news broadcasts. The subjects of interest to the commission generally are covered more thoroughly in newspapers or other periodicals, many of which the commission can or already does receive. We therefore recommend the deletion of \$3,000 requested for the purchase of the tape-editing systems.

The Use of Electronic Recording at Commission Hearings Should Be Authorized

We recommend that legislation be enacted deleting the requirement that the commission use certified hearing reporters, in order to permit the PUC to record its proceedings in a more cost-efficient manner. We also recommend that during budget hearings, the commission provide the fiscal committees with an estimate of the potential savings from the use of electronic recording devices.

As part of the overall process of regulating public utilities, the Public Utilities Commission conducts public hearings to provide a forum for the presentation of evidence by PUC staff, the affected parties, and any others who wish to be heard. Existing law *requires* the PUC to use certified hearing reporters to record the actions contained in commission hearings. The commission's staff of hearing transcribers prepares written transcripts

on a same-day basis for sale to any interested parties. These reports are used primarily by the regulated utilities which apparently require the transcripts in order to prepare testimony and cross-examination materials for the following day.

Our review of various studies analyzing the use of hearing reporters in administrative hearings indicates that the use of electronic recording devices is substantially cheaper and no less effective than reporters. Elsewhere in this *Analysis* (Item 1880), we provide a summary of these studies.

Based on these studies and on the positive experience of other state agencies using electronic recording devices, we believe that the PUC should be authorized to use electronic recording at commission hearings, if it concludes that doing so would be appropriate. Accordingly, we recommend the enactment of legislation deleting the statutory requirement that PUC proceedings be reported by a certified hearing reporter. We further recommend that during budget hearings, the commission provide the fiscal committees with an estimate of the potential cost-savings that would be realized if the commission were authorized to record electronically PUC proceedings.

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 any stocks, bonds, or other financial instruments that they issue.

Recent Developments in Communications Affect Commission's Workload

The 1984-85 budget proposes two changes involving the communications regulatory workload of the PUC. The first is the proposed continuation of four limited-term positions to assist in tasks related to the restructuring of the telephone industry; the second relates to the implementation of a new universal telephone service program.

Divestiture of American Telephone and Telegraph. The budget proposes the continuation of four limited-term positions due to expire in June 1984, at a budget-year cost of \$176,000 (payable from the PUCURA). These positions include: two analysts in the Communications Division, one financial examiner in the Revenue Requirements Division, and one public utilities counsel in the Legal Division. The PUC was authorized to add these positions in 1982-83 for a period of two years. The commission asserts that the four positions are required for the continuing workload related to the development and implementation of actions required by the Modified Final Judgment of the American Telephone and Telegraph Company (AT&T) antitrust suit.

Clearly, the divestiture of AT&T has started a complete restructuring of the communications industry that will have a significant fiscal impact on ratepayers. Our review indicates that in order for the PUC to monitor the implementation of the divestiture and to carry out any actions required by judicial order or federal regulation, the commission will require the staff currently assigned to these activities. Therefore, we recommend approval of the proposal to permanently establish these four staff positions.

Universal Telephone Service Program. The budget proposes an expenditure of \$18,000, payable from the continuously appropriated Universal Telephone Service Fund, to cover the commission's expenses in implementing Chapter 1143, Statutes of 1983 (AB 1348).

PUBLIC UTILITIES COMMISSION—Continued

Chapter 1143 created the Universal Telephone Service program. Under this program, the commission must establish by July 1984 a tax on certain intrastate telecommunications services in order to subsidize a basic level of phone use by residential subscribers. The commission must also specify the criteria consumers would have to meet in order to be eligible for this below-cost telephone service. This program is discussed in greater detail in our analysis of the Universal Telephone Service program (Item 9695), which describes the continuous appropriation of funds raised through the taxation of intrastate telecommunications services.

Increased Staffing Requested for Energy Utility Oversight

The budget proposes increases in staffing and related expenses for energy utility oversight by the PUC. The PUC plans to enhance the depth of its review of fuel costs incurred by gas and electric utilities, as these costs are a significant portion of a utility's annual operating budget. Specifically, the commission proposes: (1) the addition of two financial examiners in the Revenue Requirements Division, at a cost of \$72,000 (payable from the PUCURA); and (2) the redirection of eight positions in the Utilities Division, three of which are currently involved in reimbursable activities, at a cost of \$133,000 (payable from the PUCURA).

The budget also proposes an increase of \$1,000,000 for consulting and professional services (external), which would provide the commission with funding to obtain outside expertise in the evaluation of the construction costs associated with utility power projects. These funds are requested to implement (1) Ch 1139/82, which authorized reimbursement funding for consultant review of utility projects costing in excess of \$100 million; and (2) Ch. 1253/82, which empowers the commission to appoint a review board of consultants to evaluate the proposed construction or modification of certain relatively large or costly utility power plants or related projects. Funding for this review board would come from reimbursements paid by the utility company whose project was subject to the independent evaluation.

REGULATION OF TRANSPORTATION

The Public Utilities Commission regulates the rates, services, 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 and the California Transportation Commission recommendations concerning the use of state funds for safety improvements at railroad grade crossings. 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 trucking-related regulation. Passenger, rail, and rapid transit workload is supported from the Public Utilities Commission Transportation Reimbursement Account, the Transportation Planning and Development Account, the State Highway Account of the State Transportation Fund, and federal funds.

Transportation Division Workload Grows

In response to workload growth, the budget proposes two augmentations to the PUC's transportation regulatory activities. First, the PUC would add one senior transportation representative and \$100,000 in additional in-state travel, in order to provide stronger enforcement of safety and operational rules relating to highway carriers. The budget-year cost of this change would be \$143,000, payable from the Transportation Rate Fund. Second, the PUC would respond to increased railroad traffic and freeway-construction activity in southern California by expanding its grade crossing safety staff from two to three positions. This would entail the addition of one associate transportation engineer, at a cost of \$41,000 payable from the State Highway Account of the State Transportation Fund.

Rapid Transit Safety Workload May Accelerate

We recommend that during budget hearings, the Department of Finance and the Public Utilities Commission provide the fiscal committees with information relating to how any potential increase in rapid transit safety workload would be funded in the budget year.

Since 1957, the PUC has been directed by statute to regulate the operational safety of the Bay Area Rapid Transit (BART) District. This PUC responsibility was later extended to the Southern California Rapid Transit District (SCRTD) in 1964 and to the Santa Clara County Transit District in 1969. Existing law also requires that any public transit guideway planned, acquired, or constructed on or after January 1, 1979, is subject to safety regulation by the PUC.

The PUC currently has a five-person staff performing rapid transit safety oversight, including a supervising engineer, an electrical engineer, a control systems specialist, a rail operations specialist, and a secretary. This staff spends approximately 86 percent of its time assuring the safety of *operating* rail transit systems, and approximately four percent of its remaining effort involves assuring the safety of *planned* rail transit systems.

We are advised by the PUC that several rapid transit expansions and new systems are being developed throughout the state. These projects include:

- Substantial technical modifications in the BART operating system;
- Extension of the San Diego Trolley in San Diego County;
- Construction of the Wilshire corridor subway in the SCRTD;
- Development of new light-rail rapid transit systems in Santa Clara County and Sacramento County; and
- Planning for new rail systems between Los Angeles and Long Beach and throughout Orange County.

The planning phase of these projects could increase the PUC's existing workload in rail transit safety. Future workload also could grow in terms of providing ongoing safety oversight.

Despite this apparent increase in safety related workload in 1984-85, however, the budget does *not* propose any staff increase related to this activity. The Department of Finance has indicated that this potential workload increase may be overstated for two reasons: (1) uncertainties and delays in rail system planning may lessen the need for the projected PUC review in 1984-85; and (2) for the most part, the review of projects in the planning stages should be routine, since these systems generally

PUBLIC UTILITIES COMMISSION—Continued

would employ only existing technology, with which the PUC is already familiar. The department adds that a redirection of existing commission resources would be possible in order to address any actual increase in workload.

Our analysis indicates that given the current status of several rapid transit projects, and the need for adequate safety review of the future operation of these systems, a PUC staff increase may be warranted. Therefore, we recommend that during budget hearings, the Department of Finance and the Public Utilities Commission provide the fiscal committees with the following: (1) an indication of which rapid transit projects would significantly increase the commission's budget-year workload level; (2) an estimate of the *additional* costs of providing rapid transit safety review for any new workload in the budget year; and (3) an assessment of the extent to which the commission could fund these costs, if any, by redirecting existing resources.

BOARD OF CONTROL

Item 8700 from the General
Fund and the Restitution
Fund

Budget p. GG 131

Requested 1984-85	\$17,201,000
Estimated 1983-84	20,540,000
Actual 1982-83	21,745,000
Requested decrease (excluding amount for salary increases) \$3,339,000 (-16.3 percent)	
Total recommended reduction	None

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8700-001-001—Support		General	\$554,000
8700-001-214—Support		Restitution	2,310,000
Continuous Appropriation—Claims Payment		Restitution	14,337,000
Reimbursements			(118,000)
Totals			\$17,201,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Data on Program Performance. Recommend that prior to budget hearings, the Board of Control (a) explain to the fiscal committees why it has not submitted the annual report on the Victims of Crime program and (b) report to the committees on its progress in reducing victims' claims processing time. 2087
2. Mediterranean Fruit Fly Claims Processing. Recommend that prior to budget hearings the Board of Control report to the fiscal committees on its workload relating to the payment of Medfly claims and its ability to handle this workload within existing resources. 2089

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) Citizen Indemnification, (3) Civil Claims Against the State, (4) Local Mandated Cost Claims, and (5) Hazardous Substance Claims. For the purpose of hearing local mandated cost claims, the board is expanded to include two members representing local agencies.

The board has 106.8 authorized personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$17,201,000 for the Board of Control in 1984-85. This is \$3,339,000, or 16 percent, less than estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

Expenditures of anticipated reimbursements totaling \$118,000 during the budget year results in a total expenditure program of \$17,319,000. Table 1 shows the board's proposed funding and expenditures, by program, for the past, current, and budget years.

Table 1
Board of Control
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Programs	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change from 1983-84	
				Amount	Percent
1. Citizen Indemnification	\$20,533 ^a	\$16,623	\$16,647	\$24	0.1%
2. Hazardous Substance Claims..	40	43	43	—	—
3. Civil Claims Against the State	1,290	3,773	397	-3,376	-89.5
4. Local Mandated Costs.....	210	219	232	13	5.9
5. Administration ^b	(271)	(283)	(256)	(-27)	(-9.5)
Totals.....	\$22,073	\$20,658	\$17,319	-\$3,339	-16.2%
Personnel-Years	99.5	106.8	92.8	-14	-13.1%
<i>Funding</i>					
1. General Fund	\$1,212	\$3,917	\$554	-\$3,363	-85.9%
2. Restitution Fund (Indemnity Fund)	20,533	16,623	16,647	24	0.1
3. Reimbursements.....	328	118	118	—	—
Totals.....	\$22,073	\$20,658	\$17,319	-\$3,339	-16.2%

^a Includes \$65,000 to reimburse local governments for in-depth probation reports on violent crime offenders. Funding for this mandate for 1983-84 and 1984-85 is provided in the budget for State Mandated Local programs, Item 9680.

^b Amounts in parentheses are distributed among other items.

The requested *General Fund* appropriation of \$554,000 is \$3,363,000, or 86 percent, less than estimated current-year General Fund expenditures. The decrease primarily reflects a one-time \$3,332,000 appropriation to the board in the current year for Medfly claims payments and claims processing. The decrease of 14 personnel-years between 1983-84 and 1984-85 results from the termination of eight limited-term positions for processing Medfly claims and six limited-term positions for processing restitution

BOARD OF CONTROL—Continued

claims submitted by victims of violent crimes.

For 1984-85, the budget proposes increased funding for merit salary increases, general inflation adjustments, and increases necessary to implement the full-year cost of the 1983-84 employee compensation package. In addition, the budget requests a one-time increase of \$63,000 from the Restitution Fund in 1984-85 to complete the purchase of its word processing equipment. These and other changes proposed for 1984-85 are detailed in Table 2.

Table 2
Board of Control
Proposed 1984-85 Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Restitution (Indemnity) Fund</i>	<i>Reimbursements</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$3,917	\$16,623	\$118	\$20,658
1. Cost changes				
Merit salary increases	11	1	—	12
Price increase	3	24	—	27
Employee compensation	12	42	—	54
2. Workload changes				
Word processing equipment	—	63	—	63
Increased travel	3	5	—	8
Accounting (CALSTARS)	13	9	—	22
3. Other adjustments				
Medfly claims	-3,220	—	—	-3,220
Medfly staffing	-185	—	—	-185
Victim claims staffing	—	-117	—	-117
Other	—	-3	—	-3
1984-85 Expenditures (Proposed)	\$554	\$16,647	\$118	\$17,319
Change from 1983-84				
Amount	-\$3,363	\$24	—	-\$3,339
Percent	-85.9%	0.1%	—	-16.2%

ANALYSIS AND RECOMMENDATIONS**Citizen Indemnification Program**

The Citizen Indemnification program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence, or who sustain damage or injury while performing acts which benefit the public. In previous years, the Legislature provided direct annual appropriations to the board for payment of claims and associated administrative costs under this program. These appropriations were from the Indemnity Fund, which received a portion of the revenues collected from penalty assessments levied on criminal and traffic fines. Indemnity Funds also were used to provide support to three victim grant programs administered by the Office of Criminal Justice Planning (OCJP).

Chapter 1092, Statutes of 1983 (AB 1485), changed the name of the Indemnity Fund to the Restitution Fund, restricted the use of the Restitution Fund to providing compensation to citizens, and established a new Victim/Witness Assistance Fund to support the three victims programs administered by OCJP. In addition, Chapter 1092 increased various fines,

penalties, and surcharges on fines and penalties, resulting in an increase in revenue to local governments and various state special funds. Further detail on the effects of Chapter 1092 may be found in our analysis of the Office of Criminal Justice Planning, Item 8100.

Chapter 1092 also *continuously* appropriates funds from the Restitution Fund to the Board of Control for the payment of claims but provides that Restitution Funds appropriated to the board for administrative costs of the program shall be subject to review in the annual budget process.

For the payment of claims in 1984-85, the budget estimates that \$14,337,000 will be expended from the continuous appropriation (Restitution Fund). This is the same amount that was proposed for this purpose in 1983-84. In addition the budget requests an appropriation of \$2,310,000 from the Restitution Fund for administration of the program in 1984-85. This is \$24,000, or 1 percent, greater than estimated 1983-84 expenditures for administration. Finally, the budget proposes an appropriation of \$155,000 (Item 9680) from the Restitution Fund for payment to local governments for state-mandated local programs. Thus, expenditures from the Restitution Fund will total \$16,802,000 in 1984-85.

Restitution Fund Surplus Balloons

The budget shows that the Restitution Fund will have \$36,419,000 in total resources available for expenditure in 1984-85. After deducting expenditures of \$16,802,000, the budget estimates that the surplus in the Restitution Fund will be \$19,617,000 on June 30, 1985.

In 1983, the Legislature enacted several measures designed to expand the Citizen Indemnification program. For instance, Ch 932/83 requires probation officers to inform victims about their opportunities to be compensated from the Restitution Fund. In addition, Ch 1310/83 increased the amount that could be awarded to victims for lost wages and job retraining. The Department of Finance indicates that the fiscal effects of these changes have not been determined and are not reflected in the budget estimates. However, the board advises that the \$14,337,000 shown in the budget will be sufficient to pay all victims' claims in 1984-85.

The budget projects that the revenue deposited in the Restitution Fund in 1984-85 will total \$25,121,000. This amount is \$8,319,000 greater than estimated expenditures for that year. If the budget's expenditure projections are accurate, and if the Legislature takes no further action to expand the Citizen Indemnification program, or finance other programs from the Restitution Fund, it is likely that revenue deposited in the fund will continue to exceed expenditures by major amounts annually, and that the surplus will continue to grow in future years.

Data on Program Performance Needed

We recommend that prior to budget hearings, the Board of Control (1) explain to the fiscal committees why it has not submitted the annual report on the Victims of Crime program required by the Supplemental Report to the 1979 Budget Act, and (2) report to the committees on its progress in reducing victims' claims processing time.

Last year, the Board of Control advised the Legislature that the backlog of claims handled by the Victims of Crime program had been reduced to a manageable level. The board indicated that it intended to direct its efforts to reducing claims processing time. The board, however, was unable to provide us with sufficient data to enable us to evaluate its performance in reducing either the claims backlog or claim processing time.

BOARD OF CONTROL—Continued

Claims Backlog. In recent years, the Victims of Crime program has had a large backlog of victims' claims that had been accepted but not processed by the board. Table 3 illustrates that for much of the 10-year period from 1973-74 through 1982-83, the actual number of claims received, but not yet processed, by the board increased steadily. In 1980-81, however, for the first time the board's data indicated that the claims backlog declined. Our review found that the primary reason for the decline in that year was a change in the methodology the board used to calculate the backlog. Data from subsequent years indicates that the backlog continued to decline through 1982-83.

Because of the backlog problem, the Legislature, in the *Supplemental Report to the 1979 Budget Act*, directed the board to submit annual reports, by December 1 of each year, on its progress in reducing the backlog. Recent Budget Acts also have required the board to report to the Joint Legislative Budget Committee at the end of any quarter in which the backlog increased. At the time this analysis was prepared, the board had not submitted its annual report on the backlog problem for 1983.

Table 3
Historical Backlog^a
Victims of Crime Program
1973-74 through 1982-83

<i>Fiscal Year</i>	<i>New Claims</i>	<i>Cumulative Backlog^b</i>
1973-74	1,313	838
1974-75	3,792	3,208
1975-76	4,932	4,220
1976-77	5,526	4,425
1977-78 ^c	6,525	5,159
1978-79	7,028	7,429
1979-80	7,444	7,820
1980-81	8,700	6,888
1981-82	7,595	6,153
1982-83 (est.)	7,565	4,706

^a The source for this data is the Board of Control's annual report to the Legislature for 1982-83.

^b Backlog includes all claims which have not been resolved.

^c The program was consolidated under the board on January 1, 1978. Previously, the Department of Justice performed the claims verification function.

Board staff advises that preliminary information indicates that the claims backlog may be increasing in the current year, partly because claims are being received at a greater rate than anticipated. The board has been unable to provide us with data on the size of the current backlog.

Claims Processing Time. In last year's budget, the board proposed that six limited-term positions be converted to permanent positions and be used to reduce the processing time for claims. The board advised the Legislature that statistical data on processing time had been computerized and quarterly statistical reports would identify the factors that affect processing time and any variations from the program standards. In addition, the board established specific goals for reducing processing time. The board advised the Legislature that if the goals were met, by the end of the current year, claims processing time would be reduced by five months.

The Legislature approved the six positions but limited the term of the

positions to June 30, 1984, so that it could evaluate the board's use of these positions before establishing them on a permanent basis. Our review of the budget indicates that the six positions are not proposed for continuation in 1984-85. Further, the board has not provided the Legislature with the information it needs in order to evaluate the board's progress in reducing claims processing time.

In order to provide information which the Legislature needs in evaluating budgeted staffing levels and program performance, we recommend that prior to budget hearings, the Board of Control (1) explain to the fiscal committees why it has not submitted its annual report on the Victims of Crime program, as required by the *Supplemental Report to the 1979 Budget Act*, and (2) report to the committees on its progress in reducing victims' claims processing time.

Mediterranean Fruit Fly Claims Processing

We recommend the board report to the fiscal committees, prior to budget hearings, on its workload relating to the payment of Medfly claims and its ability to handle this workload within existing resources.

As a result of the state's recent efforts to combat a major infestation of the Mediterranean Fruit Fly, the Board of Control has received over 25,000 claims for damages which the claimants believe can be attributed to the state's eradication program.

Chapter 332, Statutes of 1982, appropriated \$4 million from the General Fund to the Board of Control for payment of claims, settlements, and judgments arising from Medfly eradication efforts. The statute directed the board to deny all personal injury claims, and limited the amount that could be paid for each automobile paint damage claim to \$689, or 20 percent of the current value of the vehicle, whichever is less.

Chapter 322 also appropriated \$150,000 from the General Fund to the board for increased staff to handle workload associated with processing these claims. Seven positions were authorized for one year only in 1982-83. Because the board was unable to process these claims in one year, the Legislature approved eight limited-term positions in the 1983-84 budget. Authorization for these positions is scheduled to expire on June 30, 1984.

The budget indicates that there will be no expenditures for either claim payments or administrative expenses during 1984-85 and does not propose to extend the eight positions for Medfly claims processing beyond June 30, 1984.

Data provided to us by the board, however, suggests that the board will not be able to complete the processing of all claims in the current year. As of January 1984, the board had received 25,710 claims and processed 6,017. Currently, the board is processing approximately 2,000 claims per month. If the board continues to process claims at this rate, it will still have 7,000 unprocessed claims by the end of the current year.

Because of uncertainties regarding the ability of the Board of Control to complete the processing of Medfly claims, we recommend that the board report to the legislative fiscal committees, prior to budget hearings, on its workload relating to the payment of Medfly claims, and the ability of the board to handle this workload within existing resources.

Legislative Mandate—Probation Reports on Violent Offenders

We recommend approval.

The budget proposes an appropriation of \$155,000 from the Restitution Fund to reimburse local governments for costs which they incur as a result

BOARD OF CONTROL—Continued

of Ch 1123/77. Chapter 1123 requires probation officers to include specific findings and recommendations in their probation reports on violent offenders. First, an officer must determine whether an offender could pay a fine without causing his or her dependents to rely on public welfare. Second, the officer must make a recommendation to the court regarding whether the defendant should pay restitution to the victim or to the Restitution Fund. The law requires the officer to recommend the amount of any payment and the manner of its assessment.

Funding for this state-mandated program is included in the appropriation proposed for Item 9680, State-Mandated Local Programs. Because the Board of Control administers this program, it is reported in the board's budget as an information item. Our analysis indicates that the request for \$155,000 is sufficient to reimburse counties for this program. Therefore, we recommend that this amount be approved.

COMMISSION ON STATE FINANCE

Item 8730 from the General
Fund

Budget p. GG 136

Requested 1984-85	\$549,000
Estimated 1983-84	519,000
Actual 1982-83	462,000
Requested increase (excluding amount for salary increases) \$30,000 (+5.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

1. To provide quarterly forecasts of state revenues, current-year expenditures, and an estimate of the General Fund surplus or deficit; and
2. To determine on June 10 of each year the amount of any reductions in local assistance payments required under the provision of Ch 282/79 (the AB 8 "deflator" provision).

In addition to performing these responsibilities, the commission publishes a monthly cash-flow report and special studies.

Chapter 1258, Statutes of 1982 (AB 1447), extended the statutory authorization for the commission to July 1, 1994.

The commission consists of the following seven members or their designees: (1) the President pro Tempore of the Senate; (2) the Speaker of the Assembly; (3) the Senate Minority Leader; (4) the Assembly Minority Leader; (5) the Director of Finance; (6) the State Controller; and (7) the State Treasurer.

The commission has a staff of eight persons during the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$549,000 from the General Fund for support of the Commission on State Finance in 1984-85. This is an increase of \$30,000, or 5.8 percent, over estimated expenditures for the current year. This increase will grow by the cost of any salary or staff benefit increases approved for the budget year. The commission proposes no program changes for 1984-85.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General
Fund

Budget p. GG 139

Requested 1984-85	\$342,000
Estimated 1983-84	336,000
Actual 1982-83	287,000
Requested increase (excluding amount for salary increases) \$6,000 (+1.8 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. The commission consists of 13 members—nine public members appointed by the Governor and Legislature, two members of the Senate, and two members of the Assembly. Commission members are reimbursed for necessary expenses, but receive no salary. The commission's permanent staff consists of an executive director, an assistant, a program analyst and two secretaries. Funds equivalent to one personnel-year are available for temporary help.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$342,000 from the General Fund for support of the commission in 1984-85. This is \$6,000, or 1.8 percent, more than estimated expenditures during the current year. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

The \$6,000 increase is due primarily to merit salary and inflation adjustments.

Although the commission has not yet made final plans for 1984-85, it estimates that four to six major projects will be undertaken, including studies of the state's two higher education segments, the Department of General Services and state employee health benefits. Our analysis of the commission's budget request indicates that it is appropriate for the level of activity contemplated.

MEMBERSHIP FOR COUNCIL OF STATE GOVERNMENTS

Item 8800 from the General
Fund

Budget p. GG 140

Requested 1984-85	\$136,000
Estimated 1983-84	128,000
Actual 1982-83	128,000
Requested increase \$8,000 (+6.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$136,000 from the General Fund to support the Council of State Governments (CSG) in 1984-85. This is an increase of \$8,000, or 6.3 percent, over the amount appropriated for 1983-84.

The CSG, 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. The annual operating budget of the council is projected at \$3.1 million for 1984-85. Assessments imposed on member states pay for about \$2.7 million of these expenses. Other sources of support for the council are grants and contracts, and the sale of CSG publications.

Each state's annual assessment consists of (1) a flat amount—\$25,000—plus (2) an additional amount based upon the state's population—currently \$6.80 per 1,000 residents. Thus, the more populous states are assessed higher amounts for support of the council. Fifty-two percent of California's payment is returned to the council's western office in San Francisco to cover the cost of legislative and executive branch services provided to western states.

In recent years, the CSG has assessed California for a larger share of its operating costs than the state has been willing to pay. For example:

- California's 1981-82 assessment was \$160,300, of which the state paid \$79,000, or 49 percent.
- California's assessment was \$178,300 annually for 1982-83 and 1983-84, of which it paid \$128,000, or 72 percent.

California's assessment for 1984-85 again will be \$178,300. The Governor's Budget proposes that the state pay \$136,000, or 76 percent, of the CSG assessment.

There is no analytical basis for determining what percentage of the council's operating budget should be paid by California.

COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General
Fund

Budget p. GG 140

Requested 1984-85	\$513,000
Estimated 1983-84	438,000
Actual 1982-83	390,000
Requested increase (excluding amount for salary increases) \$75,000 (+17.1 percent)	
Total recommended reduction	41,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Technical Adjustment. Recommend that the Budget Bill be adjusted to reflect the reimbursements the commission will receive from the Department of Developmental Services. 2094
2. *Comparable Worth Task Force Staff. Reduce Item 8820-001-001 by \$41,000.* Recommend the deletion of 1.5 positions and related operating expenses because task force work can be performed by existing staff. 2094

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women is a 17-member body that: (1) examines all bills introduced in the Legislature which affect women's rights or interests, (2) maintains an information center on the current needs of women, (3) consults with organizations working to assist women, and (4) studies women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society. Chapter 1118, Statutes of 1982 (SB 1499), has clarified the commission's authority to take positions on legislation, and to express views on issues affecting women.

The commission has 10 authorized staff positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$513,000 from the General Fund for support of the commission in 1984-85. This is an increase of \$75,000, or 17 percent, over estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase that may be approved for the budget year.

Table 1 presents a summary of the commission's expenditures and personnel-years for the past, current, and budget years. As the table shows, the commission is requesting an increase of 1.5 personnel years for 1984-85. The increase is requested in order to provide staff support—at a cost of \$55,000—for a comparable worth task force which was established pursuant to Resolution Chapter 111, Statutes of 1983 (ACR 37). Other changes proposed for the budget year are attributable to merit salary, employee compensation, and inflation-related increases.

COMMISSION ON THE STATUS OF WOMEN—Continued

Table 1
Commission on the Status of Women
Budget Summary
1982-83 Through 1984-85
(in thousands)

Programs	Actual	Estimated	Proposed	Change	
	1982-83	1983-84	1984-85	Amount	Percent
Research and Information Services.....	\$148	\$164	\$228	\$64	39.0%
Legislative Liaison.....	137	146	151	5	3.4
Administration.....	106	128	134	6	4.7
Total Expenditures.....	\$391	\$438	\$513	\$75	17.1%
Less Reimbursements.....	-1	—	—	—	—
General Fund Expenditures.....	\$390	\$438	\$513	\$75	17.1%
Personnel-Years.....	9.1	10	11.5	1.5	15.0%

ANALYSIS AND RECOMMENDATIONS**Reimbursements Should Be Reflected in Commission's Budget**

We recommend that the Budget Bill be amended to reflect the reimbursements which the commission will receive pursuant to an interagency agreement with the Department of Developmental Services.

Pursuant to a court order, an employee of the Department of Developmental Services (DDS) has been assigned to the commission to work on a special project during 1983-84 and 1984-85. The commission is receiving \$18,208 from DDS in 1983-84 for clerical and operating expenses associated with the project.

The Commission has *not* included this payment in the budget as a reimbursement. So that the Legislature can have a complete picture of how funds requested in the commission's and DDS's budget will be used, we recommend that the commission's item (8820) in the Budget Bill be amended to properly reflect the reimbursements that the commission will receive from the DDS.

Additional Staff is Not Needed to Support the Comparable Worth Task Force

We recommend the deletion of 1.5 positions and associated expenses requested to provide task force staff support because existing staff can accommodate any workload that may result, for a General Fund savings of \$41,000.

The commission is requesting 1.5 positions (limited to June 30, 1985) and \$55,000 in order to provide support for a comparable worth task force.

Resolution Chapter 111, Statutes of 1983, established a statewide task force of 11 members to identify and address barriers to the objective of achieving equal pay for work of equal value. The commission advises that the task force will result in increased commission staff work that can be accomplished only with increased staff.

Our analysis indicates that the proposed new positions are not needed, for several reasons. First, a Department of Finance fiscal analysis of ACR 37 indicated that the legislation would result in minor General Fund costs for per diem and traveling expenses for the 11 members of the statewide task force. The Department of Finance estimated these costs at \$14,000 in 1984-85. The Legislature was not advised that enactment of the resolution would create a need for staff support at additional state cost.

Second, the commission has a staff of 10 positions, which, under the commission's *existing* mandate from the Legislature, is authorized to

perform tasks identical to those required by the comparable worth task force. Specifically, Section 8245 of the Government Code authorizes the commission to perform studies on women's educational and employment problems, needs and opportunities. Thus, the commission should be able to assist the task force in carrying out its normal activities.

Finally, the commission in prior years has allocated existing staff to work on comparable worth activities. In 1981, the commission, in conjunction with three other state agencies, held hearings in five cities to examine solutions to the problem of inequitable pay rates for women workers. It prepared a summary report based on these hearings in September 1982 and presented its findings to the Governor and the Legislature. Given the work that the commission has already done on comparable worth using its existing positions, assisting the task force should not impose a significant workload burden on the commission.

Thus, given that the Legislature created the task force with the expectations that the costs associated with it would be minor and given the ability of the commission to handle any workload associated with the task force using existing resources, we recommend that the commission's budget be reduced by \$41,000—\$34,000 in personal services, and \$7,000 in operating expenses and equipment—for a corresponding savings to the General Fund. Adoption of this recommendation would still leave \$14,000 in the budget for paying the task force's travel costs.

DEPARTMENT OF FINANCE

Item 8860 from the General
Fund

Budget p. GG 142

Requested 1984-85	\$22,048,000
Estimated 1983-84	20,804,000
Actual 1982-83	21,467,000
Requested increase (excluding amount for salary increases) \$1,244,000 (+6.0 percent)	
Total recommended reduction	488,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Office Automation. Reduce General Fund by \$470,000 (Item 8860-001-001).* Recommend reduction because the need for funding in 1984-85 has not been justified. 2098
2. *Technical Budgeting Error. Reduce General Fund by \$18,000 (Item 8860-001-001).* Recommend reduction to correct for technical budgeting error relating to terminated positions. 2100
3. *Consulting Services.* Recommend adoption of Budget Bill control language requiring that advance notification be given to the Legislature prior to the expenditure of \$400,000 for consultants. 2100
4. *California Fiscal Information Systems (CFIS).* Recommend adoption of supplemental report language directing the department to evaluate CFIS and to report its findings to the Legislature by September 15, 1984. 2102

DEPARTMENT OF FINANCE—Continued**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 has general powers of supervision over all matters concerning the financial and business policies of the state. It provides consultation and coordination services to the state agencies relating to management, organizational planning, and the development and application of controls over staff and costs.

The department also oversees the operations of the California Fiscal Information System (CFIS), an automated statewide accounting and reporting system that includes detailed financial accounting and performance data. Maintenance of the California State Accounting and Reporting System (CALSTARS) is part of the department's CFIS-related activities.

In addition, the department is responsible, through its Office of Information Technology, for statewide coordination and control of electronic data processing for all state agencies except the University of California, the State Compensation Insurance Fund, the Community College Districts, the Judiciary and the Legislature.

The department has a current-year staffing level of 368.5 personnel years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$22,048,000 from the General Fund to support the Department of Finance (DOF) and the continued development of CFIS during 1984-85. This is \$1.2 million, or 6 percent, more than the department's estimated General Fund expenditures for the current year. This increase will grow by the cost of any salary or staff benefits increase approved in 1984-85.

The department also anticipates receiving \$315,000 in reimbursements during the budget year, resulting in total expenditures of \$22,363,000. This amount is an increase of \$1.3 million, or 6.0 percent, over estimated current-year expenditures.

Table 1
Department of Finance
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Programs</i>					
Annual Financial Plan	\$6,217	\$6,923	\$7,737	\$814	11.8%
Programs and Information System Assess- ments	4,007	4,418	5,319	901	20.4
Supportive Data	11,592	9,729	9,284	-445	-4.6
Administration (Distributed)	(2,100)	(2,633)	(2,901)	(268)	(10.2)
Administration (Undistributed)	—	23	23	—	—
Totals	\$21,816	\$21,093	\$22,363	\$1,270	6.0%
General Fund	\$21,467	\$20,804	\$22,048	\$1,244	6.0%
Reimbursements	349	289	315	26	9.0
Personnel-years	362.3	368.5	367.9	-0.6	-0.2

Table 1 presents a summary of the department's budget, by program and funding source, for the three-year period ending June 30, 1985.

Budget-Year Changes

Table 2 provides a summary of the requested changes in the DOF budget for 1984-85. As reflected in the table, approximately \$1 million of the proposed \$1.3 million increase in DOF General Fund expenditures is attributable to *baseline adjustments*: increases to cover the full-year cost of employee salary increases that took effect on January 1, 1984 (\$417,000), merit salary adjustments (\$187,000) and increased operating expenses (\$421,000).

Table 2
Department of Finance
Proposed Budget Changes for 1984-85
(in thousands)

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$20,804	\$289	\$21,093
<i>Baseline Adjustments</i>			
Full-year cost of 1983-84 employee compensation increases	\$417	—	417
Merit salary adjustments	187	—	187
Inflation adjustment for operating expenses and equipment ...	421	—	421
Subtotals	(\$1,025)	—	(\$1,025)
<i>Workload Changes</i>			
Adjustment for CALSTARS data processing costs	53	—	53
Fewer requests for information from Census Data Center	—	-59	-59
Subtotals	(\$53)	(-\$59)	(-\$6)
<i>Program Changes</i>			
Implementation of Ch 1327/83 by Office of Information Tech- nology (5.0 additional positions)	362	—	362
Elimination of 6.0 positions in Performance Measures Unit	-196	—	-196
Purchase of Special Census Cards	—	85	85
Redirect funding for legislative participation	-250	—	-250
Contract for data processing security consultant	250	—	250
Redirect funds to assist agencies with CALSTARS and perform- ance measures	-100	—	-100
Eliminate contract for CALSTARS consultant (redirection) ...	-601	—	-601
Funding for expanded office automation	470	—	470
Funding for additional CALSTARS personnel to replace consult- ant's personnel	231	—	231
Subtotals	(\$166)	(\$85)	(\$251)
1984-85 Expenditures (Proposed)	\$22,048	\$315	\$22,363
Change Over 1983-84:			
Amount	\$1,244	\$26	\$1,270
Percent	6.0%	9.0%	6.0%

Among the various *program changes* indicated in the table is the \$362,000 in increased funding proposed for the department's recently reconstituted Office of Information Technology (OIT). The additional funding would be used to hire five new positions in OIT and for additional data

DEPARTMENT OF FINANCE—Continued

processing consultants needed to implement statewide changes in telecommunications policy mandated by Ch 1327/83 (AB 2074). The proposed funding for this new activity is discussed in more detail below.

The department also proposes to eliminate five positions (\$196,000 in General Fund savings) in the Performance Measures Unit because a 1983–84 report prepared by DOF concluded that the continuation of the tasks conducted by this unit is no longer necessary or useful. In addition, the budget proposes to eliminate six student intern positions because the department did not need these resources in the current year and anticipates no need for them in the budget year.

In addition, DOF proposes to redirect \$951,000 from current activities to support two new departmental activities and expand an existing program. Specifically, the budget requests authority to:

- Spend \$250,000 to contract with a *consultant* who would evaluate security problems with the state's various data processing systems and would recommend protective, long-term security measures to safeguard stored data (new, one-time activity);
- Allocate \$470,000 to expand the department's *Pilot Office Automation Project*, which was started in the current year (expansion of existing activity); and
- Expend \$231,000 for 6.0 additional staff positions to enable DOF to assume various CALSTARS-related responsibilities that previously were performed by a private consultant (new, ongoing activity).

In order to provide funding for these activities, DOF would redirect \$951,000 from existing activities, as follows:

- \$100,000 that the department had been setting aside for agencies that require additional funds to pay for their mandatory activities relating to CALSTARS and the development of *performance measurements*. DOF reports that these funds can be redirected because performance measurement activities will be terminated and because the CALSTARS assistance funds generally have not been needed;
- \$601,000, that was being allocated for the *CALSTARS consulting firm*. DOF indicates that this contract will expire on June 30, 1984 and will not be renewed in 1984–85; and
- \$250,000 for three *CFIS-related positions*. DOF states that these positions are currently vacant and that they will not be filled in 1984–85.

ANALYSIS AND RECOMMENDATIONS**GENERAL ISSUES****Plan to Expand Office Automation is Premature**

We recommend the deletion of \$470,000 from Item 8860-001-001 (General Fund) because the department has not justified the need for this expenditure in 1984–85.

During budget hearings in the spring of 1983, DOF indicated that it was developing plans to install a pilot office automation system within the department. This system was intended to improve internal procedures involving the preparation and management of the large volume of documents that DOF reviews on an ongoing basis. Because DOF was unable to produce sufficient specific information about its plans, the Legislature included language in Item 8860-001-001 of the 1983 Budget Act requiring

the department to (1) prepare and submit to the Office of Information Technology (OIT) a Feasibility Study Report (FSR) supporting its planned office automation, in accordance with existing law, and (2) submit a copy of the OIT-approved FSR to the Joint Legislative Budget Committee for review. The control language also stipulated that DOF could not expend any of the \$200,000 expressly set aside for office automation until 30 days after submitting the approved FSR to the Legislature.

The department failed to comply with the notification requirement when it acquired assorted hardware and software for the pilot office automation project in the fall of 1983. The 1983-84 acquisitions included the installation of a network of terminals in the offices of the DOF Executive Staff. These terminals provide services such as electronic mail, document preparation and electronic calendaring and scheduling.

The budget proposes the expenditure of \$470,000 to expand the pilot project in 1984-85. The DOF staff reports that the expansion would involve the installation of additional automation equipment to permit an increase in the number of system users. The additional equipment would provide spread sheet capability and improved word processing capacity. It would also augment the functions of the current pilot project hardware.

The budget proposes to fund the expansion of the pilot project with \$470,000 that the department states will be available due to the redirection of funds from other activities. Specifically:

- \$370,000 would be redirected from the CALSTARS consulting firm because the state's contract with the firm expires in 1983-84, and these services are no longer needed, and
- \$100,000 would be redirected from the department's performance measure activity (\$50,000) and CALSTARS assistance funds (\$50,000).

Our review of this proposal indicates that this expansion effort is premature.

The department has not yet received approval for the proposed project. According to the terms of the FSR approved by OIT for this office automation project, the department may not proceed with an expansion of the system unless: (a) an evaluation report on the pilot report is completed and submitted to OIT (DOF expects to submit this by April 1984), (b) the findings of the evaluation report support the office automation expansion, and (c) OIT concurs with any recommendations made by the department and formally approves the expansion of the system.

Even if the expansion of the pilot project is approved, the department is unlikely to need the \$470,000 in 1984-85. According to the department's own implementation timetable, the expenditure would not be made until June 1985, at the earliest (the last month of the 1984-85 fiscal year). Given that acquisitions of this type and magnitude tend to be more complex and subject to greater delays than anticipated at the initial planning stages, the target date may be optimistic.

Consequently, we do not believe it is necessary to budget funds in 1984-85 for this project. If the department receives OIT approval for the project, it can request the necessary funding in the Governor's Budget for 1985-86. Accordingly, we recommend the deletion of \$470,000 from Item 8860-001-001, for a corresponding savings to the General Fund.

DEPARTMENT OF FINANCE—Continued**Department's Staff-Reduction Proposal Includes Technical Errors**

We recommend a reduction of \$18,000 from Item 8860-001-001 (General Fund) to correct for a technical error in the agency's proposal to eliminate five staff positions in 1984-85.

The DOF budget proposes to eliminate 5.0 professional positions from its current authorized level of 368.5 positions. These positions are being eliminated from the Performance Measures Unit because a 1983-84 report prepared by DOF concluded that continuation of the activities conducted by this unit are no longer necessary or useful. We concur with this conclusion and recommend approval of the proposed staff reduction. Our analysis indicates, however, that the department failed to delete funds for operating expenses associated with the five positions proposed for elimination.

Based on data submitted by DOF, we estimate that elimination of the five positions would result in a cost savings of approximately \$18,000 in operating expenses. Therefore, we recommend a reduction of \$18,000 to correct for this technical budgeting error.

Department's Request For Consultant Services Is Vague

We recommend that the Legislature adopt Budget Bill language requiring the Department of Finance to give 30 days' advance notice to the fiscal committees and to the Joint Legislative Budget Committee prior to expending any funds for consulting services relating to data processing systems security and statewide telecommunications.

The budget proposes \$150,000 for a private telecommunications consultant to assist the OIT staff with the development of long range planning for the state's telecommunications needs. In addition, OIT requests authority to redirect \$250,000 from other DOF operating expenses to obtain the services of another consultant to review the state's security needs relating to existing data processing systems and the information stored in these systems.

According to DOF staff, these consulting services are necessary because of certain mandates included in Chapter 1327, Statutes of 1983 (AB 2074). Among other requirements, Chapter 1327 directs OIT to develop specific state policies regarding (1) telecommunications procurement, in light of the divestiture of Pacific Telephone and Telegraph from AT&T, and (2) the security of state data banks. The OIT staff reports that because of the highly specialized nature of this area, the level of expertise necessary to satisfy these requirements is not available from existing state personnel and thus must be obtained from the private sector.

We agree that OIT needs to go outside state service to obtain the expertise required to comply with the legislation. At the time the *Analysis* was being prepared, however, the department had not provided justification for the particular amounts requested for the consulting services. Thus, we have no means to ascertain the reasonableness of the proposed level of funding.

Given the need for consultant services to comply with recently enacted legislation, we recommend approval of the \$400,000 requested for services relating to security for the data processing systems and to statewide telecommunications. Given that the proposed amounts have not been justified, however, we recommend that the Legislature require the

Department of Finance to give 30 days' advance notice to the fiscal committees and the Joint Legislative Budget Committee prior to the expenditure of these funds, so as to maintain legislative oversight of how these funds are used. Accordingly, we recommend that the Legislature include the following language in Item 8860-001-001.

Of the funds appropriated in this item, \$400,000 may be expended for consulting services relating to telecommunications and data processing security no sooner than 30 days after written notification to the fiscal committees and the Joint Legislative Budget Committee (JLBC) or such lesser time as the Chairman of the JLBC shall determine.

New Positions To Implement AB 2074

Chapter 1327, Statutes of 1983 (AB 2074), reorganized and revised the function of the Office of Information Technology in the Department of Finance by assigning to the office various responsibilities relating to the development of state policy toward telecommunications needs. These responsibilities were added to OIT's other statutory duties, which involve exercising general oversight of state agencies' use of electronic data processing.

Earlier versions of AB 2074 sought to transfer 5 positions from the Office of Telecommunications (Telephone/Data Services Unit) in the Department of General Services (DGS) to DOF so that OIT would have adequate staffing to perform the additional responsibilities imposed by this measure. Subsequently, the bill was amended to delete the provision transferring the staff positions because the DGS indicated that the loss of 5 positions in the Communications Division would have a serious detrimental effect on that division's ability to fulfill its statutory functions.

The DOF budget display for 1984-85 (page GG 145) states that in order to "implement provisions of Chapter 1327, Statutes of 1983, the budget proposes . . . 5 positions for telecommunications policy and planning." It further states that, "Workload adjustments in the Department of General Services' Communication Division have made 5 positions available."

Our review of the proposed DGS budget for 1984-85, however, indicates that *no workload adjustment* was made to DGS' budget as indicated by the budget document. Thus, it appears to us that rather than *redirecting* the personnel and funding from DGS to DOF, the budget really is proposing to augment the DOF budget.

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 a consulting firm in October 1977 to assist it in reexamining the state's fiscal management requirements and identifying alternative systems which would be more responsive to the needs of executives and legislators.

The consultant's final report, issued in May 1978, identified specific activities to be accomplished over a seven-year period, at an estimated total cost of \$21 million to \$27 million (1978 dollars). Based on (1) the findings and proposals in the consultant's final report, and (2) policy established in Ch 1284/78, the Legislature provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act.

The primary 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.

DEPARTMENT OF FINANCE—Continued**Review of CFIS Program During the Current Year**

Last year, in the *1983-84 Budget: Perspectives and Issues* (pp. 207-208), we commented that the California Fiscal Information System (CFIS) would provide more accurate information on which to base legislative policy decisions if (1) expenditure data were updated on a more timely basis, and (2) the presentation of object data was formatted to reflect source of funds. In the *Analysis*, we also recommended that the Department of Finance prepare a report on the usefulness of the performance measure component of CFIS. The Legislature directed the department to prepare this report by adding language to the *Supplemental Report of the 1983 Budget Act*.

During the current year, the department conducted a survey of administrative and legislative staff concerning the usefulness of CFIS performance measure data. Of 480 questionnaires distributed, 200 (42 percent) were returned. Based on these responses, the report concluded that the CFIS performance measure data base "... is not perceived as either useful or used, timely or dependable, accessible or efficient." The report added, however, that *current and reliable* performance information is often important in departmental decision-making and in the budget process. Therefore, it recommended that the centralized CFIS performance measure data base be eliminated, but that the department develop guidelines for departments wishing to maintain performance data. Consistent with this recommendation, the department has deleted all funding and personnel for performance measure activities from its budget for 1984-85.

The CFIS also has been the subject of review during the last year by the state Accounting Advisory Group (AAG), which is composed of staff from various administrative departments, the Office of the Auditor General, and the Joint Legislative Budget Committee. In December, the AAG sent an issue paper to the Director of the Department of Finance which discussed the desirability of continuing to collect CFIS data at the current level of detail. This issue paper stated that the AAG recognized the value of fiscal data and had "... no problem with the original goals of CFIS", but that as currently constituted the program caused significant effort to be expended "... to produce an extreme level of detail which appears to be of little value or benefit." The paper concluded that opportunities for savings existed both within departments and control agencies, and recommended that the Department of Finance immediately review CFIS requirements. The paper also pointed out that (1) total statewide expenditures for maintenance of the CFIS could exceed \$12 million annually, and (2) monthly data collection by program places a heavy burden on some departments.

Further Review of CFIS is Needed

We recommend that the Legislature adopt supplemental report language requiring the department to evaluate, by September 15, 1983, the California Fiscal Information System in order to (1) determine whether the program has achieved its original objectives, (2) determine to what extent CFIS data is being used, (3) identify factors limiting CFIS use, and (4) identify measures designed to increase the cost-effectiveness of the program.

It is not known to what extent CFIS data are being used. The AAG, however, has concluded that detailed CFIS information not only is costly to collect, but rarely used. Our own experience and discussions with legislative and administrative personnel indicate that one of the reasons for this is that the data often are not reliable or current.

At least partly in response to the recommendation of the AAG, the Department of Finance has already begun to examine the efficacy of the CFIS program. We believe that it is important that the department conduct a *comprehensive* evaluation of the program that goes beyond the concerns raised by the AAG. This program review should, at a *minimum*, (1) determine whether the original objectives of the program are being achieved (2) determine to what extent various components of the CFIS database are being used, (3) identify factors which limit the use of the CFIS data, and (4) propose corrective measures which will increase the cost-effectiveness of the program. Accordingly, we recommend that the Legislature adopt the following supplemental report language:

The department shall conduct a comprehensive evaluation of the CFIS program. The evaluation shall, at a minimum, (1) determine whether the original objectives of the CFIS program are being achieved, (2) determine to what extent various components of the CFIS database are being used, (3) identify factors which limit the use of CFIS data, and (4) recommend measures which will increase the cost-effectiveness of the program. The department shall report its findings to the fiscal committees of the Legislature and the Joint Legislative Budget Committee by September 15, 1984.

THE PROGRAM EVALUATION UNIT

The Supplemental Report of the the 1983 Budget Act directed the Legislative Analyst's Office to evaluate the Program Evaluation Unit (PEU) in the Department of Finance and to report its findings in the *Analysis of the 1984-85 Budget Bill*. We have conducted an evaluation in accordance with this directive and present our findings here.

Background

In 1970, the Department of Finance initiated an internal reorganization to broaden the scope and oversight of the department's Audits Division. This reorganization was intended to bring broader program and cost-benefit considerations into the budgetary review process.

In October 1974, a Program Evaluation Branch was organized as a separate unit within the Audits Division. This new unit, consisting at that time of 45 professional and 4 clerical positions, was created to provide the Director of Finance with a staff that would undertake major and long-term projects which the department's budget analysts did not have time to perform. Since that time, the role of the office has remained one of providing support staff that performs major and/or long-term studies in areas affecting the fiscal affairs of the state.

Table 3 presents a summary of funding support for PEU for the five-year period ending with June 1985. As shown in the table, annual funding and staffing for PEU has remained relatively constant.

For the current and budget years, there has been a slight reduction in staffing for the PEU, although expenditures have increased. According to DOF staff, the increases are due to technical cost allocations reflecting the distribution of administrative costs for the entire department.

The budget proposes \$1.4 million for support of PEU during 1984-85.

DEPARTMENT OF FINANCE—Continued

This is \$43,000, or 3.1 percent, more than estimated current-year expenditures.

Table 3
Program Evaluation Unit
Funding Summary
1980-81 to 1984-85
(dollars in thousands)

	Funding	Change From Prior Year		Staffing	Change From Prior Year	
		Amount	Percent		Number	Percent
1980-81.....	\$1,284	—	—	24.8	—	—
1981-82.....	1,362	\$78	6.0%	24.8	0	0%
1982-83.....	1,232	-130	-9.5	27.2	2.4	9.7
1983-84 (estimated)	1,369	137	11.1	26.5	-0.7	-2.6
1984-85 (proposed)	1,412	43	3.1	25.7	-0.8	-3.0

Summary of PEU Workload

Table 4 summarizes the workload undertaken by the unit since 1980-81. As indicated in the table, PEU generally issues three types of reports:

- **Departmental reports**, which are formal documents issued by the DOF. These are the most in-depth and detailed of the studies and reports published by PEU.
- **Staff reference reports**, which are less formal and serve principally as reference documents for use by the affected agency. In general, these reports are issued to identify long-term policy considerations, as opposed to specific implementation guidelines.
- **Memoranda**, which are usually very specific and narrowly focused reports on particular budget or budget-related issues. These documents are for internal administrative use and are not normally released for public distribution outside the affected agency.

Table 4
Program Evaluation Unit
Summary of Workload
(1980-81 to 1983-84)

	1980-81	1981-82	1982-83	1983-84 ^a	Totals 1980-81 Through 1983-84
Reports Issued:.....	8	5	1	1	15
Departmental Reports.....	(6)	(5)	(1)	(1)	(13)
Staff Reference Reports.....	(2)	(0)	(0)	(0)	(2)
Memoranda Issued	11	14	12	0	37
No Report/Project Dropped/Suspended ..	10	8	4	1	23
Other Disposition ^b	0	6	5	1	12
Projects Closed.....	29	33	22	3	87
Projects in Progress at End of Fiscal Year	(1)	(2)	(7)	(13)	—

^a As of December 1983.

^b Include formal letters and charts sent to agencies reporting PEU findings, "Management Memos" issued, and testimony before the Legislature on certain evaluations.

Table 4 indicates that PEU has issued 15 official reports since 1980-81 and that 13 of these have been departmental reports. Table 4 also shows that during this same period, 37 memoranda have been issued by PEU, making this the most commonly used format for PEU to publish its findings and recommendations.

Table 5 shows the sources of requests to the PEU for information since 1980-81. These requests served as the basis for the various projects undertaken by PEU since that time. As indicated in the table, the vast majority of requests for PEU investigations originated within DOF or from the Governor's Office.

Table 5
Program Evaluation Unit
Summary of Requests for Projects
1980-81 to 1983-84

<i>Requesting Source</i>	<i>Number of Requests</i>	<i>Percent of Total Requests</i>
Department of Finance/Governor's Office.....	53	70.7%
Legislature (legislation)	11	14.7
Joint Legislative Budget Committee.....	8	10.7
State agencies	3	4.0
Totals	75	100.0% ^a

^a Details do not add to total due to rounding.

Analysis of a Sample of PEU Projects

As a means of evaluating the effectiveness of PEU, we *randomly* selected a sample of eight projects from the total number of projects undertaken by PEU since 1980-81. For each project, we asked PEU to identify the following:

- Known and confirmed users of the PEU report,
- A description of the specific ways in which the report was useful to the known users, and
- Estimated fiscal impact of implemented project recommendations.

Table 6 lists the eight projects selected and summarizes the PEU's response to our request for information on the use and impact of each project. Of the eight sample projects:

- Two resulted in a demonstrable cost savings (the September 1982 CSU study and the evaluation of the budget for the Committee on Dental Auxiliaries);
- Three had no net fiscal impact (Statewide Survey of EDP Acquisitions, Evaluation of the Health and Welfare Data Center, and Review of the Board of Prison Terms); and
- Two had unidentifiable fiscal impacts (Implementation of the Governor's Hiring Freeze and the Review of Licensed Maternity Care); and
- One was temporarily suspended (Review of staffing of the State Personnel Board).

DEPARTMENT OF FINANCE—Continued

Table 6
Program Evaluation Unit
List of Sample Projects
1980-81 and 1983-84

<i>PEU Number</i>	<i>Report Release Date</i>	<i>Project Title</i>	<i>Summary of PEU Activity</i>	<i>Reported Fiscal Impact</i>	<i>Disposition</i>
G218F	(Ongoing)	Implementation of Governor's Hiring Freeze	<ul style="list-style-type: none"> • Drafted forms and status reports; • Briefed DOF staff 	— ^a	Prepared memoranda for use by DOF management, Agency Secretaries and Governor's Office
J403L	Dec. 1983	Zero Base Budgeting for Committee on Dental Auxiliaries	<ul style="list-style-type: none"> • Prepared "decision package" for various levels of funding (per Ch 324/83) 	\$75,000 cost savings	Decision package submitted to fiscal committees
G406F	Oct. 1983	Review of Staffing Levels at State Personnel Board (SPB)	<ul style="list-style-type: none"> • Examined two SPB divisions, but could <i>not</i> reach definitive conclusions or distribution of responsibilities between SPB and DPA 	(pending)	Briefed DOF management
G235F	Sept. 1982	Statewide Survey of EDP Acquisitions	<ul style="list-style-type: none"> • Examined list of EDP vendors being used by agencies 	—	Internal memorandum issued, project suspended
H222F	July 1983	Evaluation of Health and Welfare Data Center	<ul style="list-style-type: none"> • Studied operations of data center (budgetary and rate planning) 	—	Issued memorandum with recommendations to DOF, Data Center
E221F	Sept. 1982	Review of CSU Budgeting Formulas and Standards	<ul style="list-style-type: none"> • Reviewed standards for CSU Library Program; • Recommended revisions to formulas due to changes in users and in automation 	\$3.5 million cost savings	Memorandum Report issued, DOF staff briefed.
J220F	June 1982	Review of Workload and Staffing of the Board of Prison Terms	<ul style="list-style-type: none"> • Examined workload data and proposed alternate workload data collection practices 	—	Project terminated without report due to Board's refusal to allocate resources for PEU recommended action
H110F	March 1981	Review of Licensed Maternity Care Home Program	<ul style="list-style-type: none"> • Performed assessment of need for public funding of the program 	— ^b	Issued Report D81-1

^a PEU maintains that due to the unit's participation in this effort, approximately 6,700 "excess" personnel years were identified and later deleted in 1984-85 Governor's Budget (no savings estimate available).

^b Not reported.

Evaluation of the Sample Projects

In reviewing the PEU's response to our request for information on the sample projects, we focused on the verifiable statements made by the staff in describing the users, utility, and fiscal effects that can be attributed directly to the individual projects. Table 7 presents a summary of our findings. It shows:

- Those projects for which we generally are able to confirm PEU's conclusions,
- Those projects where we could *not* confirm PEU's conclusions primarily because of insufficient supporting information, and
- Those projects where we reject PEU's conclusions because of information to the contrary.

Table 7
Program Evaluation Unit
Summary of LAO Assessments of Sample Projects

Report Number	Project	Can Confirm PEU Findings and/or Estimates	Cannot Confirm PEU Findings and/or Estimates Because of Insufficient Data	Cannot Confirm PEU Findings and/or Estimates Due to Data Indicating Otherwise
G 218 F	Implementation of Governor's Hiring Freeze (January 1984)		X	
J 403 L	ZBB for Committee on Dental Auxiliaries (December 1983)	X		
G 406 F	Review of Staffing Levels at SPB (October 1983)		X	
G 235 F	Statewide Survey of EDP Acquisitions (September 1983)	X		
H 222 F	Evaluation of Health and Welfare Data Center (July 1983)		X	
E 221 F	Review of CSU Budget Formulas for Libraries (September 1982)			X
J 220 F	Review of Workload Standards for Board of Prison Terms (June 1982)			X
H 110 F	Review of Licensed Maternity Home Care Programs (March 1981)	X		

As shown in Table 7, we were able to confirm PEU's conclusion with respect to three of the eight projects. We could not verify the PEU conclusions for three others because sufficient supporting data was not available. Finally, we reject PEU's conclusions for two projects because the available data indicates otherwise.

For example, we were able to confirm PEU's representations regarding the utility and fiscal effect resulting from the evaluation of the Committee on Dental Auxiliaries. Specifically, we found that, due to PEU's evaluation, the 1984-85 budget more accurately reflects the committee's funding needs.

With respect to the project involving the implementation of the Governor's hiring freeze, we confirmed PEU's description of its role in coordinating this statewide effort. However, we cannot verify PEU's estimate of the savings resulting from this project because of insufficient supporting data. (Please see *Perspectives and Issues*, Part 3, for a discussion of this matter.)

The PEU's September 1982 project relating to the California State Uni-

DEPARTMENT OF FINANCE—Continued

versity budgeting formulas for projected library usage is one where, based on our review of the pertinent data, we cannot confirm PEU's findings and estimates. As described in the 1983-84 *Analysis*, we strongly disagreed with the methodology employed and conclusions reached by PEU in recommending a \$3.5 million reduction in the support for CSU library personnel (for a more detailed discussion, please see pages 1637-1641 of the 1983-84 *Analysis*).

Evaluation of Other PEU Statements Regarding Fiscal Effect of Its Projects

In addition to the information provided by PEU on the eight sample projects, the unit also provided summary information on *all* projects undertaken since 1980. According to this information, PEU activities have resulted in *known* additions to General Fund surplus (cost savings, cost avoidance and revenue increases) of \$153.7 million. Table 8 shows the fiscal effects in each of these categories as reported by the department.

Table 8
Program Evaluation Unit
Summary of General Fund Fiscal Effects
Directly Attributable to PEU Activity
1980-81 to 1983-84

<i>General Fund Effect</i>	<i>PEU Estimated Fiscal Effect</i>
Savings	\$62,042,000
Cost Avoidance	6,658,000
Revenue Increases	85,000,000
Total, Addition to General Fund Surplus	\$153,700,000

Of the \$153.7 million, two projects were responsible for \$128.6 million, or 84 percent, of the total addition to the General Fund claimed by the PEU:

- **Transfer of California Water Fund Monies.** The PEU claims credit for increasing revenues to the General Fund by \$80 million because it ensured the transfer of monies from the California Water Fund to the General Fund. We have two concerns about this claim on the PEU's part. First, the recommendation did not result in a *net* savings to the state; it merely resulted in the *shift* of monies between two funds. Second, of the \$80 million, \$52 million was transferred by the Legislature at the same time the PEU report was being prepared.
- **Property Tax Revenues.** The PEU has also claimed credit for \$48.6 million in General Fund revenue increases as a result of its review of county property tax revenue allocations. It was the *Legislature*, however, that directed the Department of Finance to undertake this audit in the first place as it suspected that savings could be realized. The PEU did play an important role in identifying and verifying savings, but we question its attributing the full amount of savings to *its* activities.

Of the remaining \$35.1 million, or 16 percent of the reported additions to the General Fund, we were able to confirm that almost one-half of this amount could legitimately be attributable directly to PEU activities. We could not verify the other half, however, either because of a lack of substantiating information or because other parties played a role in achieving the fiscal effect.

Nonquantifiable Benefits of the PEU

In the discussion above, we focused on the *fiscal* impact attributable to PEU projects. Many of the tasks performed by the unit, however, have intangible benefits that are not easily quantifiable. These tasks include:

- ***Short-Term Technical Assistance to the Governor and Director of Finance.*** The PEU staff has provided short term technical assistance to the Governor on various topics. Examples of such efforts include staff support provided to the Governor's Efficiency Teams (1983), the statewide Management Reform Task Force (1984-85) and the state's collective bargaining efforts (1983-84). Since these services, all of which were of a brief, one-time duration, were provided by PEU for the administration, the need for short-term additional personnel or consultants was avoided.
- ***Assistance in Implementing Administration Initiatives.*** The PEU's efforts in implementing such administrative initiatives as the statewide hiring freeze and attorney reductions, may have made it unnecessary for the Administration to divert program staff from other functions to these projects.
- ***Staff Support of DOF Analysts.*** The PEU staff has also conducted various surveys of state and local agencies to determine the consistency and coordination of state activity in certain areas. These activities provide staff support and information to DOF budget analysts. Examples of these efforts include a September 1983 survey of data processing equipment purchases by agencies and the August 1983 survey of agencies using retired annuitants.

Findings

Based on our analysis of PEU workload data and information provided on the fiscal impact of its activities, we find that:

1. ***The PEU performs a variety of tasks for the administration.*** Although it is by title an evaluation unit, the PEU in fact performs a variety of functions for the administration: monitoring statewide implementation of administration initiatives (staffing reductions, Government Efficiency Teams), conducting statewide surveys (EDP acquisitions by agencies), and performing internal short-term cost-effectiveness studies (examination of an accounting office in DOF).

2. ***It appears that the PEU is being used increasingly for nonevaluation purposes.*** In the most recent 18-month period, PEU has issued two formal reports while it has assumed more implementation and oversight responsibilities for administration projects.

3. ***Most of the General Fund Savings attributed by PEU to its activities could not be confirmed.*** In evaluating the PEU's claim that its activities had resulted in \$153.7 million in General Fund savings, we conclude that the vast majority of the reported savings were not: (1) *net* savings, (2) initiated by the unit, or (3) otherwise verifiable.

4. ***The PEU's activities have resulted in some fiscal benefit to the state.*** While we reject PEU's claim that its efforts since 1980 have resulted in a net benefit to the General Fund of \$153.7 million, the unit has been responsible for several million dollars in savings and has played an important role in the achievement of other savings.

DEPARTMENT OF FINANCE—Continued

Conclusions

Based on our evaluation of the Program Evaluation Unit, it appears to us that the unit has evolved into more of a *general staff resource* to DOF and the Governor that is used to oversee and to implement various administrative initiatives. As a result, the PEU appears to be undertaking increasingly fewer activities that are directly related to formal program evaluation, as demonstrated by the fact the PEU has issued only two evaluation reports during the last 18 months (through January 1984). During the same period, though, PEU has assumed coordinating responsibilities for the Government Efficiency Teams and various surveys. Furthermore, in 1984–85, the DOF reports that PEU will provide staff to the Tax Reform Task Force and to the Management Reform Task Force.

We recognize the potential *benefits* to the administration of having the PEU perform this general staff resource role. To put a *value* on these benefits or assess the PEU's *effectiveness* in its efforts on behalf of the administration, however, requires clearly identifiable and measurable workload indicators which do not now exist. Consequently, we believe the appropriate level of funding for the PEU should be based on the Legislature's judgment of what the administration's resource requirements are for these internal monitoring and coordinating services.

OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General

Fund	Budget p. GG 152
Requested 1984–85	\$2,478,000
Estimated 1983–84	1,773,000
Actual 1982–83	1,657,000
Requested increase (excluding amount for salary increases) \$705,000 (+39.8 percent)	
Total recommended reduction	179,000
Recommendation pending	\$100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Operating Expenses. Reduce Item 8910-001-001 by \$24,000.** 2113
Recommend deletion of funding for increases in operating expenses which are not justified.
2. **Contract to Reformat California Administrative Code.** 2113
Withhold recommendation on \$100,000 for consultant and professional services, pending receipt of additional justification.
3. **Public Information Staff. Reduce Item 8910-001-001 by \$42,000.** 2113
Recommend the deletion of one Information Officer II position and related operating expenses because the proposed public information program would duplicate programs in other state agencies.
4. **Determinations of Informal Rules. Reduce Item 8910-001-001 by \$113,000.** 2115
Recommend that the Legislature delay

establishing an informal regulation review unit and delete funding for two staff counsel positions and related expenses, as the request is premature. Further recommend that OAL report to the Legislature by November 1, 1984, on its procedures for making determinations on informal regulations.

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 the 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 also is 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 time tables for the review of all existing regulations by the promulgating state agencies.

Chapter 61, Statutes of 1982 (AB 1013), which took effect January 1, 1983, prohibits agencies from enforcing an "informal regulation"—issued as a guideline, criteria, order, bulletin, or standard of general application—when it is actually a regulation as defined in the Government Code. Agencies are instead required to formally adopt regulations in accordance with the requirements of the Administrative Procedure Act (APA). Chapter 61 also provides a mechanism to ensure that regulations disapproved by OAL are not reinstated as informal rules.

OAL's responsibilities under Chapter 61 are: (1) to determine when such "informal regulations" should have been adopted pursuant to the APA; and (2) to make such determinations known to the agency, the Governor, the Legislature, the public and the courts, and to publish the determinations in the California Administrative Notice Register.

The OAL has 47 authorized positions in the current year.

Table 1
Office of Administrative Law
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Personal services	\$1,418	\$1,519	\$2,008	\$489	32.2%
Operating expenses and equip- ment	239	254	470	216	85.0
Total expenses	\$1,657	\$1,773	\$2,478	\$705	39.8%
Personnel-years	42.7	41.2	51.6	10.4	25.2%

OFFICE OF ADMINISTRATIVE LAW—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$2,478,000 from the General Fund for support of the Office of Administrative Law in 1984-85. This is \$705,000, or 40 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year. Table 1 presents a summary of OAL's expenditures and personnel years for the past, current and budget years.

Budget-Year Changes

The changes proposed for the budget year are displayed in Table 2. As the table shows, the major baseline adjustment proposed for 1984-85 is the restoration of \$125,000 which the Governor vetoed from the 1983 Budget Act. The major workload and program changes are:

- An increase of 4.5 positions and \$168,000 for increased workload associated with the review of new regulations.
- An increase of two positions and \$113,000 to establish a new program to provide determinations on informal rules, as specified in Chapter 61, Statutes of 1982 (AB 1013).
- An increase of one position and \$87,000 to improve OAL's public information efforts.
- An increase of \$100,000 for consultant services to reformat the California Administrative Code.

Table 2
Office of Administrative Law
Proposed 1984-85 Budget Changes
(in thousands)

	<i>General Fund</i>
1983-84 Expenditures (Revised)	\$1,773
<i>Baseline Adjustments</i>	
Personal Services	
• Merit Salary Adjustment	\$41
• Salary Increase	36
• Position Reclassification	10
• Other	10
Operating Expenses and Equipment	15
Restoration of 1983 Budget Act Reduction	125
Subtotal, Baseline Adjustments	(\$237)
<i>Workload Adjustments</i>	
Review of New Regulations	\$168
Public Information	87
Reformatting of Administrative Code	100
Subtotal, Workload Adjustments	(\$355)
<i>Program Changes</i>	
Informal Regulation Determination	\$113
1984-85 Expenditures (Proposed)	\$2,478
Change from 1983-84:	
Amount	\$705
Percent	39.8%

ANALYSIS AND RECOMMENDATIONS**Operating Expenses are Overbudgeted or Unjustified**

We recommend a General Fund reduction of \$24,000 (Item 8910-001-001) to eliminate funds for operating expenses that are overbudgeted or lack sufficient justification.

Our analysis of the office's Supplementary Schedule of Operating Expenses (Schedule 11) indicates that the OAL has overbudgeted for facility operation and publication expenses:

Facilities Operation. The OAL has budgeted \$110,000 for facility operations in the budget year. In determining the amount needed for facilities operation, the office applied the Department of Finance general price increase factor (6 percent) to current-year expenditures for this purpose.

The OAL staff indicate, however, that projected expenses for facilities operations in 1984-85 actually will be \$105,000. Accordingly, we recommend deletion of \$5,000 in overbudgeted funds.

Publication Expenses. The office proposes to produce an OAL newsletter and Citizen's Handbook to Regulations, at a cost of \$19,000. These documents are being prepared to provide the public with information on the regulatory review process.

Our analysis indicates that there is no need for the *General Fund* to support the publication of these documents. Other state publications, including the California Administrative Notice Register (published by the OAL) are made available through the state's documents section at a subscription or per-issue price. Accordingly, we recommend that OAL recover the full costs of these publications, thereby permitting a reduction of \$19,000 in General Fund Support.

Contract to Reformat California Administrative Code Has Not Been Justified

We withhold recommendation on \$100,000 requested for consultant and professional services, pending the receipt of additional justification.

The budget proposes a two-year, limited-term project to reformat the California Administrative Code (CAC), at an annual cost of \$100,000. According to information supplied by the OAL, the reformatting is necessary in order to publish the CAC in a consistent and uniform manner. Current problems with the CAC include (1) obsolete and non-standardized page headings, (2) a confusing numbering system and (3) a non-uniform indexing system.

The OAL has provided data indicating that some additional funding for this purpose is justified in the budget year. This data, however, is not sufficient to permit the Legislature to determine what amount is actually needed for a contract to reformat the code. The OAL indicates that it is attempting to develop this information and will present it to the Legislature prior to budget hearings. Accordingly, we withhold recommendation on the \$100,000 proposed for consulting services, pending receipt and review of the additional information.

Additional Staff Is Not Needed to Support Public Information Efforts

We recommend the deletion of one Information Officer II position and associated expenses requested to provide expanded public outreach efforts for a General Fund savings of \$42,000 (Item 8910-001-001), because these efforts would be duplicative of efforts currently undertaken by other state agencies.

OFFICE OF ADMINISTRATIVE LAW—Continued

The OAL is requesting one position to expand its public education and information program. Under this expanded program, the OAL would (1) inform the public about the nature of the regulatory process, (2) educate the public on safeguards which exist in the law, (3) broaden the base of public participation in the regulatory process and (4) respond to requests made by the public, state agencies and the Legislature.

Our analysis indicates that the proposed new position is not needed, for two reasons.

First, existing law already provides for public information in connection with new regulations. Specifically, the Administrative Procedure Act (APA) requires state agencies proposing new regulations to inform the public throughout the regulatory development process. These requirements include:

- Providing the public with a record of rule-making proceedings,
- Preparing a "Notice of Proposed Action" to be mailed to interested persons, and
- Scheduling public hearings under certain conditions.

Second, services performed by an OAL public information officer would duplicate activities performed by other state employees. The Legislature provides funds for public information staff in the budgets of those state agencies that promulgate regulations. As part of their public information activities, these public information officers advise interested parties how regulations affect specific programs.

Thus, given that the Legislature already provides staff for public outreach activities in other state agencies and the existence of statutory provisions which require agencies to inform the public on the rule-making process, we see no need for the new position. Accordingly, we recommend that the proposed Information Officer II position (and associated expenses) be deleted, for a General Fund savings of \$42,000.

Review of New Regulations*We recommend approval.*

Under existing law, OAL must review all proposed emergency and nonemergency regulations, using standards set forth in law. Emergency regulations must be reviewed within 10 days, while nonemergency regulations must be reviewed within 30 days.

The OAL is requesting 4.5 positions, at a cost of \$168,000, to meet these statutory requirements relating to the review of proposed regulations. In prior years, OAL redirected staff from the review of *existing* regulations to meet the workload demands associated with the review of newly proposed regulations. Based on our review of workload and staffing levels for this program, we believe the request is justified.

Review of Existing Regulations

Chapter 567, Statutes of 1979, requires that state agencies review all of their *existing* regulations. The statute requires that all titles of the Administrative Code 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 for the completion of these

reviews by accelerating the deadline from June 30, 1986 to December 31, 1982.

At the time this *Analysis* was written, 10 agencies had not completed their review of existing regulations: the Departments of Social Services, Health Services, Education, Water Resources, Personnel Administration and Youth Authority, the Cal-OSHA Standards Board, the Office of the State Fire Marshal, the State Athletic Commission, and the State Lands Commission. The OAL advises that except for the Cal-OSHA board, these agencies expect to complete their internal reviews by the end of 1984-85.

When an agency completes its review of the regulations, it submits the file to OAL. The law does not specify a time within which OAL is to complete its review of these files.

The OAL staff estimate that the office will have to review approximately 10,000 sections of existing regulations to complete this program. Of these 10,000 sections, 9,000 represent the backlog which built up when the office redirected staff from the review of existing regulations to the review of new regulations. Currently, OAL has six staff positions assigned to complete the review of new regulations. The OAL estimates that this program will not be completed until the end of 1985-86.

Staff Request for Informal Regulation Review Is Premature

We recommend that the Office of Administrative Law delay the establishment of an informal regulation review unit until a workplan is completed, for a General Fund reduction of \$113,000.

We further recommend that the Legislature adopt supplemental report language directing the Office of Administrative Law to report to the Legislature by November 1, 1984, on the procedures to be used in reviewing and making determinations of informal regulations.

Chapter 61, Statutes of 1982 (AB 1013), extended the OAL regulatory review process to *informal* administrative rules and orders. The budget proposes to establish a new unit with two attorneys to provide determinations on informal regulations, at a General Fund cost of \$113,000. The budget also indicates that OAL expects to complete 420 determinations during 1984-85.

The office acknowledges that projections of workload and the necessary staff needed to process this workload are incomplete, as there has been no experience to date in implementing the "AB 1013" program. Furthermore, OAL has no plans to implement the program until the office adopts regulations to define petitioning and review procedures.

Without a workplan on how this program is to operate, the Legislature has no basis on which to determine whether additional resources are needed and, if so, how many. Consequently, we believe the OAL's request for staff at this time is premature. Accordingly, we recommend that the Legislature delay establishing the new informal regulation review unit, and delete the two staff counsel positions and related operating expenses, for a General Fund savings in 1984-85 of \$113,000.

So that the Legislature will have an adequate basis for determining the appropriate staffing for the workload associated with the review and determination of informal regulations, we also recommend that the Legislature adopt the following supplemental report language:

The Office of Administrative Law shall report to the fiscal committees and the Joint Legislative Budget Committee by November 1, 1984, on the procedures to be used in reviewing and making determinations of

OFFICE OF ADMINISTRATIVE LAW—Continued

informal regulations, as provided in Chapter 61, Statutes of 1982. The report should include, but not be limited to, workload, performance and staffing data associated with the development of this new program.

MILITARY DEPARTMENT

Item 8940 from the General

Fund and AWOL Abatement

Fund

Budget p. GG 154

Requested 1984-85	\$16,388,000
Estimated 1983-84.....	16,055,000
Actual 1982-83	14,493,000
Requested increase (excluding amount for salary increases) \$333,000 (+2.1 percent)	
Total recommended reduction	232,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8940-001-001—Support		General	\$16,341,000
8940-001-130—Support		AWOL Abatement	2,000
8940-001-890—Support		Federal Trust	(12,204,000)
8940-011-001—Armory improvement		General	45,000
Reimbursements			(1,796,000)
Totals			\$16,388,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Microfiche Project. Reduce Item 8940-001-001 (General Fund) by \$152,000.* Recommend deletion of microfiche project funds because the department has not demonstrated the project's cost-effectiveness. 2118
2. *Operating Expenses. Reduce Item 8940-001-001 (General Fund) by \$80,000.* Recommend deletion of overbudgeted operating expenses. \$ 39,000 2118

GENERAL PROGRAM STATEMENT

The functions of the Military Department are to (1) protect the lives and property of the people in the state during periods of natural disaster and civil disturbances, (2) perform other duties required by the California Military and Veterans Code, or as directed by the Governor, and (3) provide military units ready for federal mobilization.

The Military Department consists of three major units: the Army National Guard (21,071 authorized officers and enlisted personnel), the Air National Guard (5,563 authorized personnel), and the Office of the Adjutant General. Staffing funded through the budget totals 586.9 personnel-years in 1983-84.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations of \$16,388,000 from the General Fund (\$16,386,000) and the AWOL Abatement Fund (\$2,000) for support of the Military Department in 1984-85. This is an increase of \$333,000, or 2.1 percent, over estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year for the department's civil service (nonuniformed) employees.

The total proposed budget for the Military Department, including state and federal funds, is \$261 million, an increase of 8 percent over current-year expenditures (see Table 1). Of the \$243 million in federal funds, \$12 million is appropriated by the Budget Bill. The remainder is administered directly by the federal government. The proposed 1984-85 General Fund appropriation accounts for 6.3 percent of the department's total proposed expenditures.

Table 1
Military Department
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

<i>Program</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change from 1983-84</i>	
				<i>Amount</i>	<i>Percent</i>
Army National Guard.....	\$144,213	\$157,647	\$168,105	\$10,458	6.6%
Air National Guard.....	78,014	78,895	88,310	9,415	11.9
Adjutant General					
undistributed	1,136	1,200	1,260	60	5.0
(distributed)	(3,424)	(3,576)	(4,022)	(446)	12.5
Support to Civil Authority	1,419	1,578	968	-610	-38.7
Military Retirement	1,608	1,788	1,877	89	5.0
Farm and Home Loan	—	—	(2,500)	(2,500)	—
Impact Program.....	489	666	698	32	4.8
Totals	\$226,879	\$241,774	\$261,218	\$19,444	8.0%
<i>Funding</i>					
General Fund	\$14,493	\$16,053	\$16,386	\$333	2.1%
Federal funds	211,261	224,466	243,034	18,568	8.3
AWOL Abatement Fund.....	—	2	2	—	—
Reimbursements	1,125	1,253	1,796	543	43.3
Totals	\$226,879	\$241,774	\$261,218	\$19,444	8.0%
General Fund share of total.....	6.4%	6.6%	6.3%	—	—

ANALYSIS AND RECOMMENDATIONS

The requested increase in General Fund expenditures primarily results from the cost of salary and benefit increases, and adjustments needed to maintain the purchasing power of the department's operating expenses and equipment budget. In addition, the department's General Fund request includes:

- \$152,000 to convert personnel records to microfiche,
- \$79,000 for two positions to prepare updated plans for Military Department operations during state emergencies,
- \$40,000 for an emergency power supply for the department's command information system,

MILITARY DEPARTMENT—Continued

- \$29,000 for three janitorial positions, and
- \$11,000 for a part-time position for the department's budget office.

Our analysis indicates that with the exception of the microfiche project, these changes are justified on a workload basis, and we recommend approval. The microfiche project is discussed below.

In addition to these requested increases, the administration proposes to transfer funding for the Military Department's California Specialized Training Institute (CSTI) to the Office of Emergency Services (OES) in 1984-85. Under the administration's proposal, the OES would contract with the Military Department which would continue to operate CSTI during the budget year. The OES plans to review the organization and operation of CSTI in 1984-85, and develop a plan for full transfer of the institute to OES in the following year. As a result, the administration proposes a General Fund reduction of \$758,000 in the Military Department's budget, and a corresponding increase in OES's budget. Military Department reimbursements are scheduled to increase by \$758,000 to reflect the payments from OES. The proposed transfer is discussed in more detail in our analysis of the Office of Emergency Services (Item 0690).

O (Withdraw recommendation)

Cost-Effectiveness of Microfiche Project Undocumented *new data*

We recommend deletion of \$152,000 requested from the General Fund (Item 8940-001-001) to convert personnel records to microfiche because the cost-effectiveness of the project has not been demonstrated.

The department proposes a General Fund increase of \$152,000 in 1984-85 to begin converting its personnel records from paper files to microfiche. Converting records to microfiche, the department asserts, would result in a cost-effective filing system that would reduce personnel time required for retrieving files from warehouses. Also, because the department would keep duplicate copies of each file on microfiche, the department suggests that the new system would reduce time needed to reconstruct lost or destroyed files. State General Fund costs to contract for the personnel necessary to film the files will total \$231,000 over the next two years. In addition, the department advises us that the federal government would spend \$100,000 on the project.

The department has been unable to provide us detailed information on how converting the current records system to microfiche would result in personnel savings or reductions in operating costs of sufficient magnitude to offset the conversion costs. Nor has the department provided any specific information on how a microfiche system would result in other benefits for the department. Without such documentation, we have no basis for recommending approval of the requested project. Accordingly, we recommend deletion of the \$152,000 requested from the General Fund for this purpose (Item 8940-001-001).

Operating Expenses Overbudgeted

\$39,000

We recommend deletion of overbudgeted operating expenses for a General Fund savings of \$39,000 (Item 8490-001-001).

The department's General Fund budget request for 1984-85 includes \$265,000 for "general expenses," such as employee moving expenses, office equipment maintenance, freight, and office supplies. This amount excludes (1) the proposed cost of converting the department's personnel

records to microfiche, and (2) the costs of operating the California Specialized Training Institute (CSTI). Actual 1982-83 general expense costs totaled \$170,000, which also excludes CSTI costs for purposes of comparison. Therefore, the department is requesting an increase of \$95,000, or 56 percent, over past-year expenditures for these items.

Our analysis suggests that these costs should not grow by more than 9 percent during this time period. This growth factor is based on the combined effect of (1) the proposed 3 percent increase in the department's personnel-years from 1982-83 to 1984-85, and (2) a 6 percent increase to adjust operating expenses for the effects of inflation. A 9 percent increase in general expenses would result in a budget level of \$185,000 in 1984-85. Accordingly, we recommend deletion of the \$80,000 which the department has requested in excess of this amount, for a corresponding savings to the General Fund (Item 8940-001-001).

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 163

Requested 1984-85	\$5,431,000
Recommended approval	3,439,000
Recommendation pending	1,992,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Fresno Armory—Construction. Withhold recommendation for construction of the Fresno armory, pending receipt of revised cost estimate. 2120
2. Ukiah Armory—Preliminary Plans and Working Drawings. Withhold recommendation for preliminary plans and working drawings for the Ukiah armory, pending receipt of OSA cost estimate. 2121

ANALYSIS AND RECOMMENDATIONS

The budget contains \$1,475,000 from the General Fund, Special Account for Capital Outlay (SAFCO) under Item 8940-301-036 and \$3,956,000 from the Federal Trust Fund under Item 8940-301-890 for capital outlay projects to be undertaken by the Military Department. Table 1 summarizes the department's request. (The federal construction funds item is included for information only. No legislative action is required on this item.)

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

Table 1
Military Department
1984-85 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>SAFCO^b</i>	<i>Federal Trust Fund</i>	<i>Total</i>
Fresno Armory	c	\$608	\$1,317	\$1,925
Ukiah Armory	pw	42	25	67
Project Planning, Working Drawings and Supervision of Federally Financed Construction	pw	515	—	515
Minor Projects	pwc	310	64	374
Other Federal Construction Funds	c	—	2,550	2,550
Totals		\$1,475	\$3,956	\$5,431

^a Phase symbols indicate: c = construction, p = preliminary plans, w = working drawings.

^b General Fund, Special Account for Capital Outlay

Fresno Armory—Construction

We withhold recommendation on Items 8940-301-036(3) and 8940-301-890(2), \$1,925,000 for construction of the Fresno armory, pending receipt of a revised cost estimate for the project.

The budget proposes \$1,925,000 under two items for construction of a new armory at Fresno. This amount includes \$608,000 under Item 8940-301-036(3) (SAFCO) and \$1,317,000 under Item 8940-301-890(2) (Federal Trust Fund).

The proposed facility will replace a substandard armory in Fresno and relieve overcrowding at another. It will provide approximately 29,500 square feet of space to house the battalion headquarters assembly hall, locker rooms, classrooms, office, restrooms, and a food preparation/service area. Funding for preliminary plans for this project was provided in 1981. Working drawing funds were provided in 1983. The Office of State Architect (OSA) estimates that working drawings will be completed by March 1.

Chapter 296, Statutes of 1983, established an Armory Fund in which proceeds from the disposal of unused armories are to be deposited. The money in the Armory Fund is to be appropriated by the Legislature for acquisition or construction of new or replacement armories. The proposed Fresno armory is a replacement armory, and consequently construction money should be provided from this fund. Since the Armory Fund was established only recently, however, there is no money available in the fund at this time. Consequently, language has been added to Item 8940-301-036 to provide that construction money appropriated from the SAFCO for this project shall be repaid after sufficient proceeds are received by the Armory Fund.

Our analysis indicates that the proposed appropriation is consistent with prior legislative intent and construction funds should be provided. The latest cost estimate of the project, however, was completed in October 1982, prior to the beginning of working drawings. Consequently, OSA should provide a revised cost estimate before construction funds are appropriated. We withhold recommendation on funding for the project until the new estimate is available.

Ukiah Armory—Preliminary Plans and Working Drawings

We withhold recommendation on Items 8940-301-036(4), \$42,000, and Item 8940-301-890(3), \$25,000, for preliminary plans and working drawings for a new armory at Ukiah, pending receipt of OSA cost estimates.

The budget includes \$67,000 for preliminary plans and working drawings for a new 60-person armory at Ukiah. Item 8940-301-036(4) (SAFCO) provides \$42,000 for the project and Item 8940-301-890(3) (Federal Trust Fund) provides \$25,000. The department estimates that the future costs of the project will be approximately \$837,000. The federal government will provide approximately 75 percent (\$628,000) of the future construction costs. The state will be required to provide the balance.

The department has rented a condemned school building from the Ukiah Unified School District for use as an armory since 1981, at an annual cost of \$600. The leased facility is too small for current operations and does not contain required security and storage facilities. The department indicates that there are no rental facilities available that meet federal requirements for storage of firearms, facility size, and security. The department plans to maintain a unit in Ukiah indefinitely. Therefore, it proposes to construct a 13,000 square foot, single-floor armory with permanent steel frame, tilt-up construction, concrete floor and built-up roofing. Land for the proposed armory will be provided by the City of Ukiah at no cost to the state.

Our analysis indicates that the proposed armory is warranted. Funds have not yet been released, however, for an OSA cost estimate. Without this information, the adequacy of the amount of funds requested cannot be substantiated. Consequently, we withhold recommendation on this request, pending receipt of adequate cost estimates from OSA.

Minor Projects

We recommend approval of Item 8940-301-036(2), \$310,000, and Item 8940-301-890(1), \$64,000, for minor capital outlay.

The budget provides \$374,000, including \$310,000 under Item 8940-301-036(2) (SAFCO) and \$64,000 under Item 8940-301-890(1) (Federal Trust Fund), for seven minor capital outlay (\$200,000 and less per project) projects.

The proposed funds would be used to upgrade kitchen and restroom facilities at the Yuba City, Pomona, and Long Beach armories, construct a new storage building at the Benicia armory, provide soil stabilization for the army aviation support facility at Stockton, and improve grounds, gutter, and sidewalk at the Santa Rosa and Long Beach (Redondo) armories.

Six of the proposed projects are to be funded totally from SAFCO. The Benicia storage building qualifies for federal funding, and \$64,000 of the \$96,000 requested for this project is budgeted from the Federal Trust Fund.

These projects have been justified and the associated costs are reasonable. Accordingly, we recommend approval of the requested amounts.

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**Planning and Supervision of Federally Financed Construction**

We recommend approval of Item 8940-301-036(1), \$515,000 for project planning, working drawings, and supervision of federally financed construction.

Item 8940-301-036(1) contains \$515,000 for (1) project planning, working drawings, and supervision of construction for projects financed from federal funds (\$455,000), and (2) advanced planning for other improvements to department facilities (\$60,000). The federal government provides only partial funding for architectural and engineering services for Military Department projects. The requested amount would be used to fund the remaining costs. We recommend approval of this item.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal committees which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening security/code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

The planning and construction supervision services (\$515,000) and minor capital outlay projects (\$374,000) fall under Category 7.